

[Date]

[Owner/Manager Name]

[Company Name]

[Company Address]

Dear [Owner/Manager Name],

Subject: Recommendation for Enhancing Segregation of Duties (SoD)

To strengthen the internal controls and financial integrity of [Company Name], I am formally recommending the implementation of enhanced Segregation of Duties (SoD) within our accounting processes.

In a small business environment, the concentration of financial tasks within a single role can increase the risk of errors and unauthorized transactions. To mitigate these risks, I suggest distributing the following core functions among different staff members or involving management in the oversight process:

- **Custody of Assets:** Handling cash, checks, and physical inventory.
- **Authorization:** Approving invoices, signing checks, and authorizing electronic transfers.
- **Record Keeping:** Entering transactions into the accounting software and maintaining ledgers.
- **Reconciliation:** Comparing bank statements to internal records and verifying account balances.

If current staffing levels are limited, I recommend the following compensatory controls:

- Management performing a final review of all bank reconciliations.
- Requiring two signatures on checks above a specific dollar threshold.
- Conducting random audits of expense reports and vendor files.

Implementing these changes will not only protect the company's assets but also provide more accurate financial reporting and transparency for stakeholders. I am available to discuss a specific transition plan that fits our current operational structure.

Sincerely,

[Your Name]

[Your Job Title]