

**Date:** [Insert Date]

**To:** [Owner/Manager Name]

**Company:** [Company Name]

**Subject:** Risk Assessment Letter: Segregation of Duties (SoD)

Dear [Name],

Following our recent review of the financial and operational workflows at [Company Name], I am writing to provide a risk assessment regarding the Segregation of Duties (SoD) within your current business environment.

### 1. Identified Risks

In a small business setting, limited staffing often leads to a single individual managing multiple phases of a transaction. This creates the following risks:

- Undetected errors in financial reporting.
- Increased opportunity for internal fraud or misappropriation of assets.
- Lack of independent verification for high-risk activities (e.g., payroll, bank reconciliations).

### 2. Assessment of Current Controls

Our review noted that the following areas lack sufficient separation:

- [Area 1: e.g., Cash Handling and Bookkeeping]
- [Area 2: e.g., Vendor Setup and Payment Authorization]
- [Area 3: e.g., Inventory Management and Physical Counts]

### 3. Recommendations for Mitigation

Recognizing that hiring additional staff may not be feasible, we recommend implementing the following compensating controls:

- **Management Oversight:** The owner should personally review and sign off on monthly bank reconciliations and original bank statements.
- **Dual Authorization:** Require two signatures or digital approvals for payments exceeding [Insert Amount].
- **Independent Reviews:** Utilize an external consultant or third-party accountant to perform periodic spot checks of ledger entries.
- **Mandatory Vacations:** Cross-train staff and require mandatory consecutive days off to ensure other employees handle their duties periodically.

### 4. Conclusion

While the current size of the team presents inherent SoD challenges, the risks can be significantly reduced through active management involvement and the implementation of the oversight measures listed above.

Please let me know if you would like to discuss a timeline for implementing these recommendations.

Sincerely,

[Your Name]

[Your Title/Role]