

[Date]

[Name of Management/Board of Directors]

[Organization Name]

[Address]

[City, State, Zip]

Subject: Management Letter regarding Audit Findings for Fiscal Year [Year]

Dear [Name],

In planning and performing our audit of the financial statements of [Organization Name] as of and for the year ended [Date], in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards and the Uniform Guidance (Single Audit), we considered the internal controls over financial reporting and compliance.

During our audit, we noted certain matters involving internal control and compliance that are summarized below:

1. Single Audit Grant Compliance

Observation: During our testing of federal awards, we identified instances where documentation did not sufficiently support compliance with [Specific Compliance Requirement, e.g., Eligibility or Procurement].

Risk: Lack of adequate documentation may result in questioned costs and potential demands for repayment by the awarding agency.

Recommendation: Management should implement a standardized checklist for grant expenditures to ensure all compliance requirements are verified and documented prior to the use of funds.

2. Fund Accounting and General Ledger Maintenance

Observation: We noted that transactions between restricted and unrestricted funds were not consistently reconciled, leading to inaccuracies in fund balance reporting.

Risk: Errors in fund accounting can lead to the unintended use of restricted assets for general operations, violating donor or grantor intent.

Recommendation: We recommend a monthly reconciliation process for inter-fund transfers and a review of the general ledger by the [Title of Official] to ensure proper categorization of net assets.

3. Monitoring of Sub-recipients (if applicable)

Observation: The organization did not perform timely reviews of sub-recipient audit reports.

Risk: Failure to monitor sub-recipients may lead to non-compliance with federal statutes and regulations at the secondary level.

Recommendation: Establish a formal sub-recipient monitoring policy that includes a timeline for reviewing reports and issuing management decisions on findings.

This communication is intended solely for the information and use of management, the Board of Directors, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

[Auditor Signature]

[Auditing Firm Name]