

DATE: [Insert Date]

TO: [Management Name/Board of Directors]

FROM: [Auditor/Department Name]

SUBJECT: Management Letter: Vulnerabilities in Manual Timesheet Processes

Dear [Name],

During our recent review of the payroll internal control environment, we identified significant vulnerabilities related to the use of manual timesheets. These weaknesses increase the risk of unauthorized manipulation, human error, and potential financial loss.

Identified Vulnerabilities:

- **Ease of Alteration:** Manual paper records are easily modified after supervisor approval without leaving an audit trail.
- **Inconsistent Verification:** Lack of automated timestamps allows for "buddy punching" or backdating of hours worked.
- **Calculation Errors:** Manual summation of hours often leads to unintentional overpayments or underpayments.
- **Storage Risks:** Physical documents are susceptible to loss, damage, or unauthorized access.

Recommendations:

- Transition from paper-based logs to a secure, digital timekeeping system with unique user credentials.
- Implement automated audit logs to track any edits made to submitted time data.
- Enforce a strict policy requiring secondary management review of all overtime and manual adjustments.
- Integrate timekeeping software directly with payroll processing to eliminate manual data entry.

We recommend addressing these gaps promptly to ensure the integrity of payroll expenditures. We are available to discuss these findings in further detail at your convenience.

Sincerely,

[Your Name]

[Your Title]