[Date]

[Management Name]
[Title]
[Company Name]
[Company Address]

Subject: Management Letter on Allowance for Doubtful Accounts Policy Compliance

Dear [Management Name],

In connection with our recent audit/review of the financial statements for the period ended [Date], we have evaluated the company's compliance with its established policy regarding the Allowance for Doubtful Accounts (AFDA).

Observation:

[Insert description of the finding, e.g., "We noted that the aging analysis used to calculate the allowance was not reviewed for accuracy," or "Several accounts exceeding 90 days past due were not provided for in accordance with the 5% threshold defined in the policy."]

Risk:

[Insert risk, e.g., "Failure to strictly adhere to the AFDA policy may result in an overstatement of Accounts Receivable and an understatement of Bad Debt Expense, leading to inaccurate financial reporting."]

Recommendation:

We recommend that management implements the following controls:

- Perform a monthly reconciliation between the subsidiary ledger aging report and the general ledger.
- Ensure formal sign-off by the Controller on the quarterly allowance calculation.
- Update the policy to reflect current historical collection data and economic conditions.

Management Response:

[Space for Management Response/Action Plan]

We appreciate the cooperation provided by your staff during this review. Please feel free to contact us for further clarification.

Sincerely,

[Your Name/Signature]
[Your Title/Firm Name]