

[Date]

To: Board of Directors / Audit Committee  
[Accounting Firm Name]  
[Address Line 1]  
[Address Line 2]

**Subject: Management Letter regarding Fraud Risk Management and Whistleblower Policies**

Dear Members of the Board,

In connection with our recent assessment of [Accounting Firm Name]'s internal control environment, we are providing this letter to address specific observations and recommendations regarding Fraud Risk Management and Whistleblower Policies.

## **1. Fraud Risk Management Framework**

While the firm maintains standard operational controls, we identified the following areas for improvement to strengthen the defense against internal and external fraud:

- **Fraud Risk Assessment:** The firm should conduct a formal, annual fraud risk assessment to identify specific vulnerabilities in payroll, client billing, and expense reimbursement.
- **Segregation of Duties:** We recommend further segregation of duties within the electronic funds transfer (EFT) process to ensure that the individual initiating a payment cannot also authorize it.
- **Monitoring Activities:** Implement data analytics tools to perform periodic "red flag" testing on large journal entries and dormant account activities.

## **2. Whistleblower Policies and Procedures**

An effective whistleblower policy is a critical component of a professional service firm's ethical infrastructure. Our review suggests the following enhancements:

- **Reporting Channels:** Establish a confidential, third-party hosted reporting hotline or secure web portal to encourage reporting without fear of retaliation.
- **Policy Awareness:** Conduct mandatory annual training for all staff levels to ensure they understand what constitutes a reportable incident and the protections afforded to whistleblowers.
- **Investigation Protocol:** Formalize a written manual outlining the steps for investigating reported tips, including timelines for resolution and reporting to the Audit Committee.

## **3. Recommendations and Management Response**

We recommend that Management formalize an Implementation Plan to address the gaps noted above. Strengthening these areas will not only protect the firm's assets but also safeguard its reputation and compliance with professional standards.

We are available to discuss these observations and provide guidance on the implementation of the suggested controls.

Sincerely,

[Your Name/Signature]

[Title]

[Consulting/Audit Firm Name]