

[Date]

To: [Name of Management/Board of Directors]

From: [Auditor/Consultant Name]

Subject: Management Letter - Segregation of Duties in Trust Accounting

Dear [Recipient Name],

In connection with our recent review of the financial records and internal controls pertaining to the Trust Account, we identified a significant deficiency regarding the segregation of duties within the accounting process.

Observation:

Currently, a single individual is responsible for multiple key functions, including [List functions, e.g., processing client receipts, initiating electronic fund transfers, and performing monthly bank reconciliations].

Risk:

Inadequate segregation of duties increases the risk of errors or irregularities occurring and remaining undetected. Without independent oversight, there is a heightened risk of misappropriation of trust funds or inaccurate financial reporting.

Recommendation:

We recommend that management redistribute accounting tasks so that no single person has control over all phases of a transaction. Specifically:

- The person responsible for recording transactions should not have authorization to move funds.
- Bank reconciliations should be reviewed and signed off by a supervisor who does not have access to the trust checkbook or online banking portals.
- Management should perform a periodic review of trust ledgers against bank statements.

Management Response:

[Space for Management to provide their action plan]

We are available to discuss these recommendations in further detail at your convenience.

Sincerely,

[Signature]

[Printed Name]

[Title]