

Date: [Insert Date]

To: Board of Directors and Executive Management

From: [Internal/External Audit Department]

Subject: Management Letter: Deficiencies in ERP System Consolidation

Dear Management,

Following the recent consolidation of our enterprise resource planning (ERP) systems, we have identified several internal control deficiencies and operational weaknesses that require immediate attention. This letter outlines our findings and provides recommendations for remediation.

1. Data Integrity and Migration Issues

During the transition, we noted discrepancies between the legacy systems and the new consolidated environment. Incomplete data mapping resulted in missing historical records and duplicated vendor profiles, posing a risk to financial reporting accuracy.

Recommendation: Perform a comprehensive data reconciliation and implement automated validation scripts to identify and purge duplicate entries.

2. Segregation of Duties (SoD) Conflicts

The new system configuration currently allows certain users to both initiate and approve financial transactions. This lack of restriction increases the risk of unauthorized or fraudulent activities.

Recommendation: Review user access roles and implement a strict SoD matrix within the ERP security module to ensure no single individual has end-to-end control over a transaction.

3. Inadequate User Training and Documentation

Interviews with staff indicate a significant gap in technical proficiency regarding the new system workflows. Furthermore, standard operating procedures (SOPs) have not been updated to reflect the consolidated processes.

Recommendation: Conduct departmental training sessions and finalize updated SOPs to ensure all employees understand their responsibilities within the new system.

4. Insufficient System Integration Testing

Post-go-live errors suggest that integration testing between the ERP and third-party modules (e.g., payroll, inventory management) was not exhaustive, leading to manual workarounds and delayed reporting.

Recommendation: Establish a formal post-implementation testing phase to identify and resolve integration bottlenecks and reduce reliance on manual data entry.

Closing

Addressing these deficiencies promptly will ensure the ERP system provides the intended

efficiency and security. We are available to discuss these findings in further detail at your convenience.

Sincerely,

[Your Name/Signature]

[Your Title]