[Date]

[Name of Recipient]
[Title/Position]
[Company Name]
[Address]

Subject: Management Letter - Unreconciled Intercompany Balances and Transactions

Dear [Recipient Name],

During our recent [audit/review] of the financial statements for the period ended [Date], we identified significant discrepancies regarding intercompany balances and transactions between [Entity A] and [Entity B/Subsidiaries].

Observation:
As of [Date], there is an unreconciled difference of [Amount] between the intercompany receivables and payables accounts. Our review indicates that periodic reconciliations are not being performed consistently, and there is a lack of formal confirmation procedures between entities at month-end.

Risk:
Failure to reconcile intercompany accounts leads to inaccurate consolidated financial reporting, potential double-counting of revenue or expenses, and an increased risk of undetected errors or misappropriation of funds.

Recommendation:
We recommend the following actions:

- Implement a mandatory monthly reconciliation process for all intercompany accounts.
- Establish a standardized intercompany billing policy and dispute resolution framework.
- Assign specific personnel at each entity to confirm and sign off on balances prior to closing the books.
- Automate the elimination process within the accounting software where possible.

Management Response:
[Space for Management to provide their action plan and timeline]

We remain available to discuss these findings and provide further guidance on strengthening your internal controls.

Sincerely,

[Your Name/Signature]
[Your Title]
[Your Organization]