To: [Management Name/Department]

From: [Your Name/Audit Department]

Date: [Date]

Subject: Observation on Deficient Capital Expenditure (CAPEX) Tracking

1. Observation

During the review of the company's fixed asset management process, it was identified that the current system for tracking Capital Expenditure (CAPEX) is insufficient. Specifically, there is a lack of centralized documentation and real-time monitoring of project spending against approved budgets.

2. Risk / Impact

- Risk of budget overruns without timely detection.
- Inaccurate financial reporting and forecasting.
- Potential for unauthorized spending or misclassification of operational expenses as capital assets.
- Difficulty in verifying the physical existence or completion status of assets.

3. Detailed Findings

[Insert specific examples here, e.g., Project X exceeded budget by 20% without a formal change order, or Asset Y was not tagged upon arrival.]

4. Recommendations

- Implement a centralized CAPEX tracking log or software module.
- Establish a formal reconciliation process between the procurement department and the accounting department.
- Require monthly status reports for all active capital projects.
- Conduct periodic physical audits of newly acquired assets to ensure they match recorded data.

5. Management Response

[Space for Management to provide their action plan and expected completion date.]

Sincerely,

[Your Signature]