

[Date]

To: [Name of Management/CFO]

From: [Your Name/Audit Team]

Subject: Management Letter - Month-End Close Process Inefficiencies

Dear [Name],

In connection with our recent review of the financial closing procedures for the period ending [Date], we have identified several inefficiencies within the month-end close process. We are providing this letter to highlight these areas and offer recommendations for improvement.

1. Observation: Manual Data Entry and Reconciliation

Finding: A significant portion of the month-end process relies on manual data entry from subsidiary systems into the general ledger. Additionally, reconciliations for [Specific Accounts] are performed manually using spreadsheets.

Risk: High probability of human error, data integrity issues, and excessive time spent on clerical tasks rather than analysis.

Recommendation: Implement automated data integration between systems and utilize standardized reconciliation software to reduce manual intervention.

2. Observation: Lack of Formal Close Checklist

Finding: There is no centralized or formalized checklist to track the completion of closing tasks, resulting in inconsistent deadlines and missed accruals.

Risk: Potential for material misstatements and delays in financial reporting cycles.

Recommendation: Establish a comprehensive month-end close calendar and checklist that assigns specific responsibilities and hard deadlines for each task.

3. Observation: Delayed Intercompany Eliminations

Finding: Intercompany balances are often reconciled late in the closing cycle, frequently requiring post-closing adjustments.

Risk: Delays the consolidation process and increases the risk of unreconciled differences at year-end.

Recommendation: Perform intercompany reconciliations on a weekly basis throughout the month rather than waiting until the period ends.

4. Observation: Insufficient Review Procedures

Finding: Journal entries and reconciliations are, in some instances, reviewed by the same individual who prepared them, or reviews are not documented.

Risk: Weakened internal controls and increased risk of undetected errors or fraud.

Recommendation: Enforce a strict segregation of duties where all entries must be reviewed and electronically signed off by a supervisor prior to posting.

We believe that addressing these observations will significantly improve the accuracy and timeliness of your financial reporting. We are available to discuss these findings in further detail at your convenience.

Sincerely,

[Your Signature]

[Your Title]