

Date: [Insert Date]

To: [Management Name/Board of Directors]

From: [Your Name/Audit Firm Name]

Subject: Management Letter Observation: Lack of Automation in Financial Close Procedures

Observation:

During our review of the period-end financial closing process, we noted that a significant portion of close activities-including data entry, account reconciliations, and financial statement consolidation-is performed manually using spreadsheets. Currently, there is a lack of integrated automation tools to manage the workflow and validation of these tasks.

Risk:

Reliance on manual processes increases the risk of the following:

- Human error in data transcription and formula calculations.
- Delayed financial reporting due to time-consuming manual interventions.
- Lack of a centralized audit trail for review and approval documentation.
- Increased vulnerability to unauthorized changes in decentralized spreadsheets.

Recommendation:

We recommend that management evaluates and implements automated financial close software or enhances existing ERP functionality. Key focus areas should include:

- Automated data feeds from subsidiary ledgers to the general ledger.
- Automated account reconciliation tools that flag exceptions.
- Centralized workflow management to track the status and approval of close tasks.
- Standardized templates with restricted access to prevent manual formula overrides.

Management Response:

[Insert Management Response/Action Plan Here]

Sincerely,

[Your Signature]