[Company Letterhead]

[Date]

[Management Name/Title]
[Company Name]
[Address]

RE: Management Letter - Internal Control Recommendations regarding ESOP Participant Data

Dear [Name],

In connection with our engagement to perform the valuation of the [Company Name] Employee Stock Ownership Plan (the "Plan") for the fiscal year ended [Date], we have reviewed the processes for gathering and inputting participant data. This data is critical as it forms the basis for determining share allocations, vesting, and overall plan liabilities.

While our engagement is not an audit of the Plan's financial statements, we noted certain matters involving internal controls over participant data input that we believe deserve your attention:

1. Data Integrity and Entry Controls
We observed that participant demographic information (dates of birth, hire dates, and termination dates) is manually entered into the valuation system without a formal secondary review. We recommend implementing a "maker-checker" process where a second individual verifies the manual entries against original HR records to prevent clerical errors that impact valuation accuracy.

2. Reconciliation of Census Data to Payroll
Currently, the census data provided for valuation is not formally reconciled to the total compensation reported on the company's W-3 or Form 941. We recommend performing a year-end reconciliation between the payroll system and the ESOP participant file to ensure all eligible employees are included and that compensation levels are reported accurately.

3. Timely Updates of Employment Status
We noted instances where participant status changes (terminations or retirements) were not updated in the Plan records in the same period they occurred. Failure to update status promptly can lead to incorrect forfeiture calculations and improper distribution timing. We recommend a monthly synchronization between HR software and Plan administration records.

4. Documentation of Eligibility Overrides
In cases where manual overrides are made regarding an employee's eligibility to participate in the Plan, the rationale is not always documented. We suggest maintaining a standardized log for any exceptions to automated eligibility calculations to provide a clear audit trail.

This communication is intended solely for the information and use of management and the Plan Trustees and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation provided by your staff during this process. We are available to discuss these recommendations in further detail at your convenience.

Sincerely,

[Your Name/Firm Name]
[Title]