Date: [Insert Date]

To: Board of Directors / ESOP Administrative Committee
From: [Internal/External Auditor Name]
Subject: Management Letter Regarding Employee Stock Ownership Plan (ESOP) Valuation Controls

Dear Members of the Board and Committee,

In connection with our recent [audit/review] of the [Company Name] Employee Stock Ownership Plan (the "Plan"), we have evaluated the internal controls surrounding the annual valuation of company stock. Below are our observations and recommendations for strengthening the control environment related to ESOP valuation processes.

1. Selection and Oversight of Independent Appraiser

Observation: [Describe current process for selecting or rotating the appraiser.]

Recommendation: The Committee should formalize a periodic review process of the independent appraiser's qualifications, independence, and industry expertise. Documentation should be maintained to demonstrate that the Committee interviewed the appraiser and vetted their methodology against USPAP and DOL standards.

2. Accuracy and Completeness of Data Provided to Appraiser

Observation: [Describe any gaps in data verification, such as financial forecasts or participant counts.]

Recommendation: Management should implement a formal sign-off procedure for all internal financial data and projections provided to the appraiser. This ensures that the valuation is based on the most accurate and Board-approved financial outlook.

3. Review and Challenge of Valuation Reports

Observation: [Note if there is a lack of documented challenge or "blind reliance" on the final report.]

Recommendation: The Committee should document its internal review of the draft valuation report. This should include specific inquiries regarding the discount rates used, peer group selection, and any control premiums or lack of marketability discounts applied. Evidence of these "check and challenge" sessions should be recorded in meeting minutes.

4. Reconciliation of Valuation to Plan Records

Observation: [Describe any discrepancies between the appraised value and the values updated in the recordkeeping system.]

Recommendation: Establish a secondary review control where a person independent of the valuation process reconciles the per-share price in the appraisal report to the price uploaded into the participant recordkeeping system to prevent clerical errors.

We are available to discuss these recommendations in further detail at your convenience.

Sincerely,

[Signature]
[Name and Title]