Date: [Insert Date]

To: Board of Directors and Management
[Company Name]
[Company Address]

Subject: Management Letter - Review of Internal Controls Over Third-Party Specialist Reliance (ESOP Valuation)

Dear Management,

In connection with our recent audit/review of the [Company Name] Employee Stock Ownership Plan (ESOP), we have evaluated the internal controls regarding the company's reliance on third-party valuation specialists. The objective of this review was to ensure that management exercises sufficient oversight over the determination of the fair market value of company stock.

Observation: Review of Specialist Qualifications and Objectivity
We noted that while a qualified independent appraiser was engaged, the documentation regarding the periodic assessment of the specialist's professional qualifications, reputation, and relationship to the Company should be further formalised to ensure compliance with regulatory standards.

Observation: Management Oversight of Input Data
The valuation is heavily dependent on financial projections and data provided by management. We recommend implementing a formal sign-off process to verify the accuracy and completeness of the data sets transmitted to the specialist, ensuring that all non-recurring items or specific market risks are clearly identified.

Observation: Evaluation of Valuation Methodology
Although management reviews the final valuation report, we recommend enhancing the "challenge process." Management should document its internal review of the underlying assumptions (such as discount rates, control premiums, and terminal growth rates) to demonstrate that the findings were critically evaluated rather than merely accepted.

Recommendations:

- Establish a formal checklist for the annual review of the specialist's independence and credentials.
- Document a formal meeting between management and the specialist to discuss and validate key assumptions used in the valuation model.
- Implement a reconciliation procedure between the audited financial statements and the financial data used in the valuation report.

We provide these comments to assist you in strengthening your internal control environment and ensuring the integrity of the ESOP valuation process.

Sincerely,

[Your Name/Firm Name]
[Title]