

DATE: [Date]

TO: Audit Committee and Management of [Company Name]

RE: Notice of Material Weakness in Internal Control over Financial Reporting

Dear Management and Members of the Audit Committee,

In connection with our audit of the financial statements of [Company Name] for the period ended [Date], we identified a deficiency in internal control that we consider to be a material weakness related to the maintenance and accuracy of deferred revenue amortization schedules.

Description of Material Weakness:

The company's controls over the tracking and recognition of deferred revenue were found to be insufficient. Specifically, the amortization schedules used to recognize revenue over time contained inaccuracies, including incorrect contract start/end dates and manual calculation errors. There was a lack of formal review and reconciliation between the subsidiary ledgers and the general ledger.

Potential Effect:

This deficiency resulted in, or could result in, a material misstatement of revenue and deferred revenue balances, leading to inaccurate financial reporting for the current and prior periods.

Recommendation:

We recommend that management implement the following corrective actions:

- Automate the amortization process within the accounting system to reduce manual spreadsheet reliance.
- Establish a formal secondary review process for all new contract entries into the amortization schedule.
- Perform monthly reconciliations between the deferred revenue sub-ledger and the general ledger trial balance.

Management Response:

[Space for Management Response/Remediation Plan]

Sincerely,

[Audit Firm Name]

[Authorized Signature]