

[Date]

[Client Name]

[Client Address]

[City, State, Zip Code]

RE: Management Letter - Audit for the Period Ended [Fiscal Year End Date]

Dear [Name of Management/Board of Directors],

In connection with our audit of the financial statements of [Company Name] for the year ended [Date], we reviewed the company's internal controls and accounting procedures specifically regarding the recognition and amortization of deferred revenue.

Observation: Deferred Revenue Amortization Schedules

During our testing of revenue recognition, we noted inconsistencies in the maintenance and accuracy of the deferred revenue amortization schedules. Specifically, [Insert specific finding, e.g., certain contract start dates were incorrectly entered or the monthly release amounts did not reconcile to the general ledger].

Risk

Inaccurate or incomplete amortization schedules increase the risk of material misstatement in both the Statement of Financial Position (Liability) and the Statement of Activities (Revenue). Failure to align the schedules with the specific performance obligations of contracts may result in revenue being recognized in the incorrect fiscal period.

Recommendation

We recommend that management implements the following procedures:

- Establish a formal month-end reconciliation process between the deferred revenue subsidiary ledger and the general ledger.
- Perform a secondary review of all data entry for new contracts to ensure amortization start and end dates match the service terms.
- Automate the amortization calculation within the accounting system where possible to reduce manual spreadsheet errors.

Management Response

[Space for Management to provide their response and planned corrective actions]

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

Sincerely,

[Engagement Partner Name]
[Audit Firm Name]