

**Date:** [Insert Date]

**To:** [Insert Name of Management/Audit Committee]

**From:** [Insert Auditor Name/Firm]

**Subject:** Notice of Significant Deficiency - Deferred Revenue Amortization Schedules

Dear [Insert Name],

In planning and performing our audit of the financial statements of [Company Name] as of and for the year ended [Year-End Date], we considered the Company's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances.

During our audit, we identified a deficiency in internal control that we consider to be a **Significant Deficiency** regarding the maintenance and accuracy of Deferred Revenue Amortization Schedules.

**Description of Condition:**

We noted that the schedules used to track the amortization of deferred revenue contained manual entry errors, incorrect performance period dates, and lacked a formal reconciliation process to the general ledger. Specifically, [Insert Specific Detail, e.g., three out of ten sampled contracts were amortized over the wrong service period].

**Potential Effect:**

The lack of rigorous oversight on amortization schedules could lead to the premature or delayed recognition of revenue, resulting in a material misstatement of both the Statement of Operations and the Balance Sheet.

**Recommendation:**

We recommend that management implements a formal review process where a supervisor independent of the initial data entry verifies the amortization calculations against signed customer contracts. Furthermore, a monthly reconciliation between the sub-ledger amortization schedules and the general ledger should be performed and documented.

**Management Response:**

[Insert Management's planned corrective action here].

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

Sincerely,

[Your Signature]

[Your Printed Name/Title]