Dear [Senior Assoicate's Name],

Following a comprehensive review of MedTech Industries' P2P process documentation, I have identified key areas where improvements can be made to enhance compliance with Sarbanes-Oxley (SOX) requirements. Below are specific recommendations:

1. Automated Approval of Purchase Requisitions:

* The current practice of automatic approval of purchase requisitions submitted by company employees may pose a risk of undetected errors or fraud. To address this, I recommend implementing a clear segregation of duties and establishing proper authorisation levels, which also ensures the necessary checks and balances are in place.

2.  Vendor Selection and Quotation Analysis:

* The process for selecting a supplier based solely on the lowest market price may lack transparency and sufficient documentation. I propose enhancing the vendor selection process with a comprehensive and well-documented approach. Consideration should be given to factors beyond price, including reliability, quality, and compliance.

3. Goods Receipt and Warehouse Management:

* While the goods receipt process is outlined, there is a need for a more detailed explanation of the reconciliation process, potential inspections, and quality controls upon receipt. Strengthening these aspects is crucial for maintaining financial integrity.

4. Invoice Validation and General Ledger Access:

* While there is a step for comparing the invoice to the goods receipt, there is no mention of a formal review process of invoices with purchase orders. This could result in inaccurate payments being made. Additionally, the use of a shared password for invoice validation in the General Ledger System poses a security risk. To address this, I recommend implementing access control measures, including unique user accounts and a formal authorization process. This will help prevent unauthorized access and mitigate potential fraudulent activities.

5. Vendor Payment and Check Authorization:

* The manual process of the purchasing coordinator writing and signing checks lacks sufficient internal controls and could potentially lead to issues such as fraud, or errors in financial transactions. To reduces the risk and strengthen internal controls, consider introducing a segregation of duties within the payment process. For instance, the individual who initiates the purchase or requisition should not be the same person responsible for writing and signing checks. A structured review and approval process for check signing can also be implemented such as a secondary review by a higher authority before checks are issued.

6. Purchasing System Controls:

* The current process of granting access to the purchasing system via email and providing administrative rights with verbal approval lacks a formal and documented access control mechanism. I recommend implementing a more rigorous access control process, including written requests and approvals. This will enhance the security and accountability of the purchasing system.

I welcome the opportunity to discuss these recommendations in more detail and address any questions or concerns you may have. Please let me know a convenient time for a discussion, and we can arrange a meeting.

Thank you for your attention to these matters, and I look forward to our continued collaboration.

Best regards,

Qinghua Liu [My Position]

Example Answer

Great work! Take a look at the example answer below to see how a professional would have attempted this task. Think about what you did well and how you can improve.

Hi Sheryl,  
  
I’ve read through the P2P SOP and performed a risk analysis of the business process and control gaps. Please find my summary and follow-up questions below.  
  
**Cash Disbursements Control Risks**  
1. Lack of supplier due diligence.  
2. Purchases and payments are not validated and authorized.  
3. Cash is not reconciled to bank statements.  
4. Payment issuance and approval and recording of payment responsibilities are not  
segregated.  
  
**Business Process (BP), IT & Automated Control Gaps & Risks**  
1. Automated Control Gap: Purchase requisitions are automatically approved via an automated control configuration in the system. (Risk 1 and 2)  
2. BP Gap: Lack of a three-way match control (PO, Goods Receipt, and Invoice). (Risk 2)  
3. BP and IT Gap: Lack of segregation of duties during invoice verification since invoices  
are sent to the warehouse/inventory team, not Finance/Accounting. (Risk 4)  
4. BP Gap: Cash disbursement (vendor payment) process is not controlled as anyone in purchasing can write checks. (Risk 4)  
5. IT Gap: Insufficient access controls over the purchasing system, including the lack of a formal user access request and verification process. (Risk 4)  
6. Potential BP GAP: No evidence of cash reconciliation process. (Risk 3)

**Follow-Up Questions:**  
1. Does the client have a cash reconciliation process?  
2. Does the client have other ITGCs for the purchasing system apart from access controls?  
3. Does the client have documented Risk and Control Matrices (RCMs) for the P2P  
process and purchasing system?  
  
Happy to discuss this over a call if needed.  
  
Thanks!