

FRAUD POLICY REVIEW OPINION

[Date]

Mr./Ms. []
[Company Name]
[Address]
[City, State, Zip Code]

RE: [Fraud Detection and Deterrence Review]

Dear Mr./Ms. []:

Pursuant to your request, XYZ & Associates (XYZ) has performed a review of the policies and procedures of the ABC Company (the Company) for the purpose of reviewing their adequacy to detect and deter fraud.

This review does not provide assurance that fraud does not or will not exist. Having completed the following steps, we have determined that in order to strengthen its fraud detection potential, the Company's procedures need improvement in the areas outlined herein.

Part of the purpose of an internal control system is to assure that the assets of the Company are properly safeguarded from employee or outsider misapplication. In addition, an adequate system of internal control contains detection methods so that if misappropriation takes place, the irregularity will come to the attention of those who can remedy the situation and take suitable action against it. An adequate system of internal control is not designed to prevent or detect a collusive fraud scheme among employees and/or management. Our review included some the following procedures:

[In this section, briefly describe the main procedures followed. For example]:

- a. We read the Company's policy and procedural manual.
- b. Through interviews with personnel key to the operations at the Company, we determined if the existing policies and procedures were being followed.
- c. We charted the current flow of business transactions as they are being recorded at the Company.
- d. We compared the flow of transaction approval and recording with the policies and procedural manuals.

The following discrepancies were noted in ABC's system of internal control:

[In this section, explain briefly the differences between the established internal controls and those procedures followed by the company's personnel.]

Based on our review, we recommend the following changes be instituted in the Company's internal accounting controls system:

[In this section, make your recommendations.]

In addition to the above recommendations, we suggest the Company consider the following proactive approach to fraud deterrence:

[In this section suggest proactive steps such as:]

- An internal audit structure reporting to the board of directors
- Active inquiry of fraudulent transactions
- Hotlines
- Annual conflict of interest statements
- Annual review of employee expense accounts, etc.

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We will be in contact soon to discuss the details of this report. In the meantime, please feel free to call with questions.

Sincerely yours,