

[Date]

[Client Name]
[Client Title]
[Company Name]
[Address]

Dear [Client Name],

This letter confirms our understanding of the terms and objectives of our engagement to perform agreed-upon procedures regarding the inventory observation of [Company Name] as of [Date].

Objective and Scope of Work

We will perform the procedures enumerated below, which have been agreed to by [Company Name], solely to assist you in evaluating the physical existence and condition of inventory located at [Location] as of [Date].

The procedures to be performed are as follows:

- Observe the physical count of inventory performed by company personnel.
- Perform independent test counts of a sample of inventory items and compare them to the company's count sheets.
- Inspect the general condition of inventory for signs of damage or obsolescence.
- Verify that the final entry on the count sheets reflects the physical items observed.
- Verify the "cutoff" procedures by recording the last shipping and receiving document numbers used prior to the count.

Standards and Limitations

This engagement will be conducted in accordance with the attestation standards established by the [Relevant Accounting Body, e.g., AICPA]. The sufficiency of these procedures is solely the responsibility of [Company Name]. Consequently, we make no representation regarding the sufficiency of the procedures described above.

Because the agreed-upon procedures do not constitute an examination or a review, we will not express an opinion or conclusion on the inventory balance. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Reporting

Our report will list the procedures performed and the findings obtained. The report is intended solely for the information and use of [Company Name] and is not intended to be and should not be used by anyone other than these specified parties.

Management Responsibilities

Management is responsible for the design, implementation, and maintenance of internal controls relevant to the inventory count. Management is also responsible for providing us with access to all locations, records, and personnel necessary to complete the procedures.

Fees

Our fees for these services are based on the time required by the individuals assigned to the engagement, plus direct out-of-pocket expenses. We estimate the total fee to be [Amount].

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our engagement.

Sincerely,

[Your Name/Firm Name]

[Title]

Acknowledged and Agreed:

[Client Representative Signature]

[Date]