

Date: [Insert Date]

To: [Recipient Name/Department Head]

From: [Auditor Name/Internal Audit Department]

Subject: Audit Findings: Review of Inventory Obsolescence Procedures

Dear [Recipient Name],

We have completed our audit of the inventory management processes, specifically focusing on the procedures for identifying and accounting for obsolete stock for the period of [Insert Date Range].

Objective:

The objective of this audit was to ensure that obsolescence procedures are effective, consistently applied, and in compliance with company policy and accounting standards.

Key Findings:

- **Identification Delay:** There is a lack of periodic formal reviews to identify slow-moving items, resulting in delayed write-downs.
- **Documentation Gaps:** Several instances were noted where inventory was disposed of without completed authorization forms.
- **Valuation Accuracy:** The current formula for calculating obsolescence reserves does not reflect recent market price fluctuations.

Recommendations:

- Implement a monthly "Slow-Moving Inventory" report generated automatically by the ERP system.
- Enforce a strict sign-off hierarchy for all inventory write-offs exceeding [Insert Amount].
- Review and update the obsolescence percentage thresholds annually based on historical sales data.

Management Response Required:

Please provide a formal response and an action plan to address these findings by [Insert Deadline Date]. Your response should include assigned responsibilities and expected completion dates for each corrective action.

We thank the team for their cooperation during this audit.

Sincerely,

[Signature]

[Auditor Name]

[Title]