

**Date:** [Insert Date]

**To:** [Insert Name of Responsible Manager/Department Head]

**From:** [Insert Name/Audit Department]

**Subject:** Deficiency Notice: Identification of Inventory Obsolescence

Dear [Insert Name],

During our recent review of the inventory management process for the period ending [Insert Date], we identified a deficiency regarding the identification and reporting of obsolete or slow-moving stock.

**Description of Deficiency:**

It was noted that current procedures do not adequately identify inventory items that have surpassed their shelf life or have shown no movement for over [Insert Number] months. Specifically, [Insert Brief Example or Data Point].

**Potential Risk:**

Failure to accurately identify obsolete inventory may result in an overstatement of asset values on the balance sheet and could lead to significant write-downs in future periods. It also prevents efficient warehouse space utilization.

**Required Action:**

We recommend that the following steps be taken immediately:

- Perform a comprehensive physical count and aging analysis of all current stock.
- Implement a monthly reporting process to flag items with no activity for [Insert Number] days.
- Review and update the Inventory Valuation Policy to include formal disposal or discounting procedures for identified items.

Please provide a written response by [Insert Date] outlining your corrective action plan and the expected completion date.

Sincerely,

[Your Signature]

[Your Printed Name]

[Your Title]