

[Date]

[Client Name]

[Client Address]

[City, State, Zip Code]

Subject: Engagement Letter for Agreed-Upon Procedures Regarding Inventory Observation

Dear [Client Contact Name],

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

Purpose and Scope

The procedures are intended solely to assist [Client Name] in evaluating the physical existence and condition of inventory at [Location(s)]. This engagement will be conducted in accordance with the attestation standards established by the [Relevant Accounting Body, e.g., AICPA].

Agreed-Upon Procedures

We will perform the following procedures as agreed upon:

- Observe the inventory counting process performed by company personnel.
- Perform independent test counts of selected items and compare them to the company's count sheets.
- Verify that inventory tags or scanners are being used and controlled appropriately.
- Observe the cutoff procedures to ensure that goods received or shipped during the count are recorded in the correct period.
- Identify any damaged, obsolete, or slow-moving inventory items observed during the count.

Reporting

At the conclusion of our engagement, we will issue a report of procedures performed and the findings obtained. This report is intended for the use of [Client Name] and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Management Responsibilities

Management is responsible for:

- The physical count of inventory and the maintenance of accurate records.

- Providing access to all facilities and personnel necessary to complete the procedures.
- Providing a final summary of inventory quantities and values.

Fees

Our fees for these services will be [Amount/Hourly Rate] plus out-of-pocket expenses.

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]

Accepted by [Client Name]:

Signature: _____

Date: _____