2024 Inspection

Grant Thornton LLP

(Headquartered in Chicago, Illinois)

February 26, 2025

PCAOB RELEASE NO. 104-2025-038

PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

EXECUTIVE SUMMARY

Our 2024 inspection report on Grant Thornton LLP provides information on our inspection to assess the firm's compliance with Public Company Accounting Oversight Board (PCAOB) standards and rules and other applicable regulatory and professional requirements. This executive summary offers a high-level overview of what is included in this report:

- Part I.A of the report discusses deficiencies ("Part I.A deficiencies") in certain issuer audits that were of such significance that we believe the firm, at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion(s) on the issuer's financial statements and/or internal control over financial reporting (ICFR).

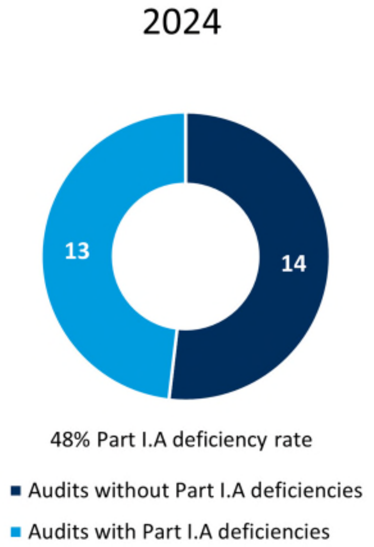
- Part I.B of the report discusses certain deficiencies ("Part I.B deficiencies") that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to support its opinion(s). This section does not discuss instances of apparent non-compliance with rules related to maintaining independence.

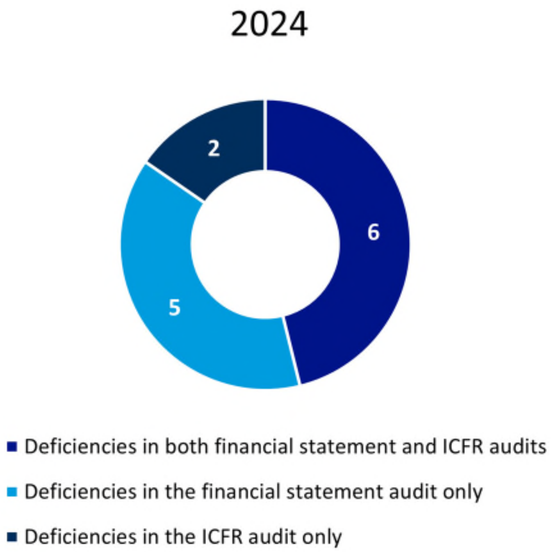
- Part I.C of the report discusses instances of apparent non-compliance with rules related to maintaining independence ("Part I.C deficiencies").

If we include a Part I.A or Part I.B deficiency in this report — other than those deficiencies for audits with incorrect opinions on the financial statements and/or ICFR — it does not necessarily mean that the issuer's financial statements are materially misstated or that undisclosed material weaknesses in ICFR exist. If we include a Part I.C deficiency in this report, it does not necessarily mean that the Board has concluded the firm was not objective and impartial throughout the audit and professional engagement period. If we include a deficiency in Part I.A, Part I.B, or Part I.C of this report, it does not necessarily mean that the firm has not addressed the deficiency.

Overview of the 2024 Deficiencies Included in Part I

Thirteen of the 27 audits we reviewed in 2024 are included in Part I.A of this report due to the significance of the deficiencies identified. The identified deficiencies primarily related to the firm's testing of controls over and/or substantive testing of revenue and related accounts and inventory.





The most common Part I.A deficiencies in 2024 related to testing controls over the accuracy and completeness of data or reports used in the operation of controls, testing the design or operating effectiveness of controls selected for testing, and performing substantive testing to address a risk of material misstatement.

The Part I.B deficiencies in 2024 related to audit committee communications, risk assessment, evaluating management's report on ICFR, management communications, and the firm's audit report.

The Part I.C deficiencies in 2024 related to audit committee pre-approval and non-audit services.

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2024 INSPECTION

In the 2024 inspection of Grant Thornton LLP, the PCAOB assessed the firm's compliance with laws, rules, and professional standards applicable to the audits of issuers.

We selected for review 27 audits of issuers with fiscal years generally ending in 2023. For each issuer audit selected, we reviewed a portion of the audit. We also evaluated elements of the firm's system of quality control.

What's Included in this Inspection Report

This report includes the following sections:

- **Overview of the 2024 Inspection and Historical Data by Inspection Year:** Information on our inspection, historical data, and common deficiencies.
- **Part I – Inspection Observations:**
  - **Part I.A:** Deficiencies that were of such significance that we believe the firm, at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion(s) on the issuer's financial statements and/or ICFR.
  - **Part I.B:** Certain deficiencies that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to support its opinion(s). This section does not discuss instances of apparent non-compliance with rules related to maintaining independence.
  - **Part I.C:** Instances of apparent non-compliance with rules related to maintaining independence.

  Consistent with the Sarbanes-Oxley Act ("Act"), it is the Board's assessment that nothing in Part I of this report deals with a criticism of, or potential defect in, the firm's quality control system. We discuss any such criticisms or potential defects in Part II. Further, you should not infer from any Part I deficiency, or combination of deficiencies, that we identified a quality control finding in Part II.
- **Part II – Observations Related to Quality Control:** Criticisms of, or potential defects in, the firm's system of quality control. Section 104(g)(2) of the Act restricts us from publicly disclosing Part II deficiencies unless the firm does not address the criticisms or potential defects to the Board's satisfaction no later than 12 months after the issuance of this report.
- **Appendix A – Firm's Response to the Draft Inspection Report:** The firm's response to a draft of this report, excluding any portion granted confidential treatment.

2024 Inspection Approach

In selecting issuer audits for review, we use both risk-based and random methods of selection. We make the majority of our selections based on (1) our internal evaluation of audits we believe have a heightened risk of material misstatement, including those with challenging audit areas, and (2) other risk-based characteristics, including issuer and firm considerations. We also select audits randomly to provide an element of unpredictability.

When we review an audit, we do not review every aspect of the audit. Rather, we generally focus our attention on audit areas we believe to be of greater complexity, areas of greater significance or with a heightened risk of material misstatement to the issuer's financial statements, and areas of recurring deficiencies. We may also select some audit areas for review in a manner designed to incorporate unpredictability.

Our selection of audits for review does not constitute a representative sample of the firm's total population of issuer audits. Additionally, our inspection findings are specific to the particular portions of the issuer audits reviewed. They are not an assessment of all of the firm's audit work nor of all of the audit procedures performed for the audits reviewed.

Our target team performs inspection procedures in areas of current audit risk and emerging topics and focuses its reviews primarily on evaluating the firm's procedures related to that risk or topic. In 2024, our target team focused primarily on the firm's initial audit of an issuer, on the firm's procedures to identify and assess risks of material misstatement, on audits of issuers with significant investment in artificial intelligence technologies, on audits of issuers in the biotechnology industry that had recently completed initial public offerings, and on the firm's procedures to test the statement of cash flows and earnings per share.

View the details on the scope of our inspections and our inspections procedures.

OVERVIEW OF THE 2024 INSPECTION AND HISTORICAL DATA BY INSPECTION YEAR

The following information provides an overview of our 2024 inspection as well as data from the previous two inspections. We use a combination of risk-based and random methods to select audits for review and to identify areas on which we focus our review. Because our inspection process evolves over time, it can, and often does, focus on a different mix of audits and audit areas from year to year and firm to firm. As a result of this variation, we caution that our inspection results are not necessarily comparable over time or among firms.

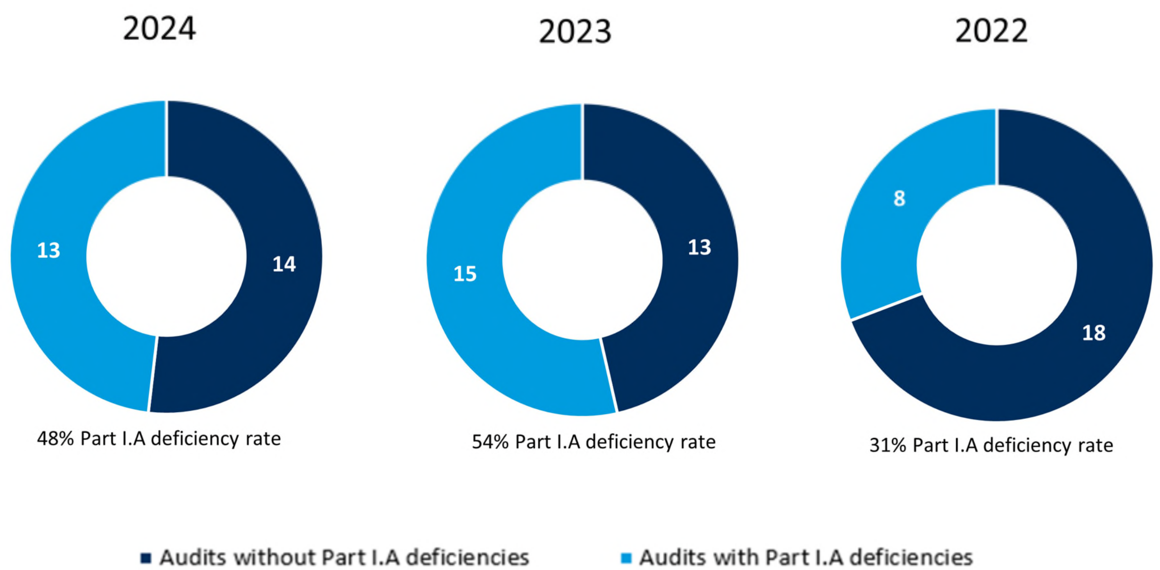
Audits Selected for Review

	2024	2023	2022
Total audits reviewed			
Total audits reviewed	27	28	26
Selection method			
Risk-based selections	20	20	18
Random selections	5	5	6
Target team selections[1]	2	3	2
Total audits reviewed	**27**	**28**	**26**
Principal auditor			
Audits in which the firm was the principal auditor	27	28	26
Audits in which the firm was not the principal auditor	0	0	0
Total audits reviewed	**27**	**28**	**26**
Audit type			
Integrated audits of financial statements and ICFR	19	20	14
Financial statement audits only	8	8	12
Total audits reviewed	**27**	**28**	**26**

[1] For further information on the target team's activities in 2023 and 2022, refer to those inspection reports.

Part I.A Deficiencies in Audits Reviewed

In 2024, 10 of the 13 audits appearing in Part I.A were selected for review using risk-based criteria. In 2023, 13 of the 15 audits appearing in Part I.A were selected for review using risk-based criteria. In 2022, six of the eight audits appearing in Part I.A were selected for review using risk-based criteria.

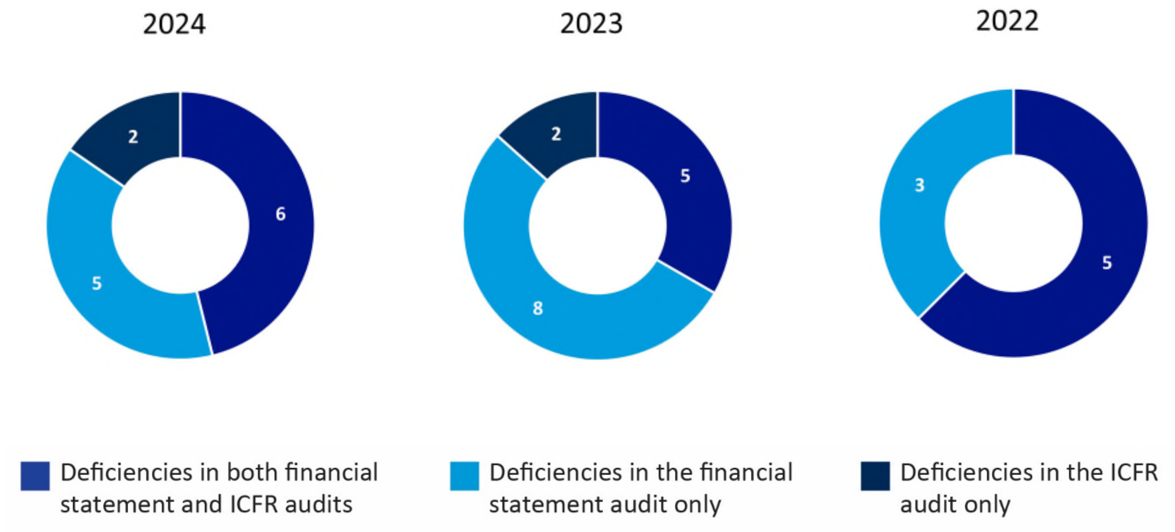


If we include a deficiency in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In certain cases, the firm may have performed remedial actions after the deficiency was identified. Depending on the circumstances, remedial actions may include performing additional audit procedures, informing management of the issuer of the need for changes to the financial statements or reporting on ICFR, or taking steps to prevent reliance on prior audit reports.

Our inspection may include a review, on a sample basis, of the adequacy of a firm's remedial actions, either with respect to previously identified deficiencies or deficiencies identified during the current inspection. If a firm does not take appropriate actions to address deficiencies, we may criticize its system of quality control or pursue a disciplinary action.

If we include a Part I.A or Part I.B deficiency in our report — other than those deficiencies for audits with incorrect opinions on the financial statements and/or ICFR — it does not necessarily mean that the issuer's financial statements are materially misstated or that undisclosed material weaknesses in ICFR exist. It is often not possible for us to reach a conclusion on those points based on our inspection procedures and related findings because, for example, we have only the information that the auditor retained and the issuer's public disclosures. We do not have direct access to the issuer's management, underlying books and records, and other information.

Audits Affected by the Deficiencies Identified in Part I.A



Our 2023 inspection procedures involved one audit for which the issuer, unrelated to our review, corrected a misstatement in a subsequent filing by adjusting the prior-period amounts.

The following tables and graphs summarize inspection-related information, by inspection year, for 2024 and the previous two inspections. We caution against making any comparison of the data provided without reading the descriptions of the underlying deficiencies in each respective inspection report.

Most Frequently Identified Part I.A Deficiencies

Deficiencies in audits of financial statements	Audits with Part I.A deficiencies		
	2024	2023	2022
Did not perform sufficient testing related to a significant account or disclosure or to address an identified risk	5	7	6
Did not sufficiently test an estimate	4	1	3
Did not sufficiently evaluate the appropriateness of the issuer's accounting method or disclosure for one or more transactions or accounts	4	3	3

Deficiencies in ICFR audits	Audits with Part I.A deficiencies		
	2024	2023	2022
Did not identify and/or sufficiently test controls over the accuracy and completeness of data or reports that the issuer used in the operation of controls	6	2	2
Did not perform sufficient testing of the design and/or operating effectiveness of controls selected for testing	5	6	4
Did not identify and test any controls that addressed the risks related to a significant account or relevant assertion	3	3	3

Audit Areas Most Frequently Reviewed

This table reflects the five audit areas we have selected most frequently for review in each inspection year (and the related Part I.A deficiencies). For the issuer audits selected for review, we selected these areas because they were generally significant to the issuer's financial statements, may have included complex issues for auditors, and/or involved complex judgments in (1) estimating and auditing the reported value of related accounts and disclosures and (2) implementing and auditing the related controls.

2024			2023			2022		
Audit area	Audits reviewed	Audits with Part I.A deficiencies	Audit area	Audits reviewed	Audits with Part I.A deficiencies	Audit area	Audits reviewed	Audits with Part I.A deficiencies
Revenue and related accounts	19	6	**Revenue and related accounts**	21	8	**Revenue and related accounts**	21	7
Inventory	11	6	**Inventory**	15	4	**Business combinations**	8	1
Business combinations	7	0	**Business combinations**	10	1	**Inventory**	6	1
Goodwill and intangible assets	6	2	**Goodwill and intangible assets**	4	1	**Goodwill and intangible assets**	5	1
Equity and equity-related transactions	5	0	**Debt**	3	0	**Long-lived assets**	3	0

Audit Areas with Frequent Part I.A Deficiencies

This table reflects the audit areas with the most frequently identified Part I.A deficiencies in each inspection year with the corresponding results for the other two years presented.

Audit area	2024		2023		2022	
	Audits with Part I.A deficiencies	Audits reviewed	Audits with Part I.A deficiencies	Audits reviewed	Audits with Part I.A deficiencies	Audits reviewed
Revenue and related accounts	6	19	8	21	7	21
Inventory	6	11	4	15	1	6
Goodwill and intangible assets	2	6	1	4	1	5
Allowance for credit losses	2	3	0	0	0	0
Going concern	1	2	2	2	1	2
Leases	0	0	2	2	1	2

Revenue and related accounts: The deficiencies in 2024, 2023, and 2022 primarily related to substantive testing of, and testing controls over, revenue.

Inventory: The deficiencies in 2024 primarily related to substantive testing of, and testing controls over, the existence and valuation of inventory. The deficiencies in 2023 and 2022 primarily related to substantive testing of, and testing controls over, inventory.

Goodwill and intangible assets: The deficiencies in 2024 and 2023 primarily related to evaluating intangible assets for possible impairment. The deficiencies in 2022 related to evaluating goodwill for possible impairment and testing controls over goodwill.

Allowance for credit losses: The deficiencies in 2024 related to testing controls over the allowance for credit losses.

Going concern: The deficiency in 2024 related to substantive testing of the issuer's evaluation of its ability to continue as a going concern. The deficiencies in 2023 and 2022 primarily related to substantive testing of, and testing controls over, the issuer's evaluation of its ability to continue as a going concern.

Leases: The deficiencies in 2023 and 2022 related to substantive testing of, and/or testing controls over, the valuation of right-of-use assets.

Auditing Standards Associated with Identified Part I.A Deficiencies

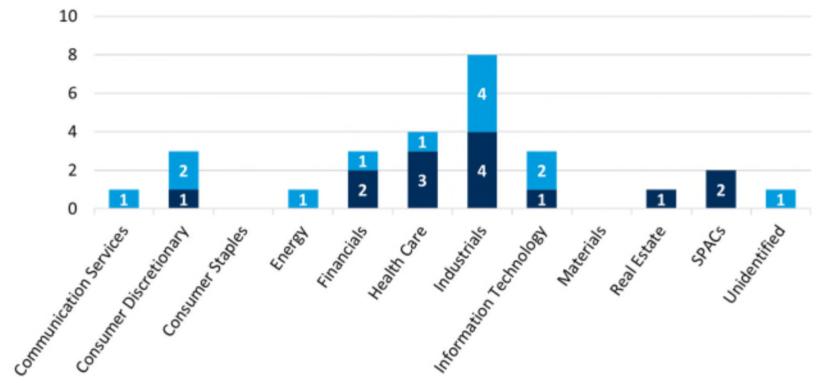
The following lists the auditing standards referenced in Part I.A of the 2024 and the previous two inspection reports, and the number of times that the standard is cited in Part I.A.

PCAOB Auditing Standards	2024	2023	2022
AS 1105, *Audit Evidence*	6	6	6
AS 2101, *Audit Planning*	0	1	2
AS 2201, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*	29	23	16
AS 2301, *The Auditor's Responses to the Risks of Material Misstatement*	8	13	9
AS 2305, *Substantive Analytical Procedures*	1	0	0
AS 2310, *The Confirmation Process*	0	2	0
AS 2315, *Audit Sampling*	2	4	2
AS 2415, *Consideration of an Entity's Ability to Continue as a Going Concern*	1	2	0
AS 2501, *Auditing Accounting Estimates, Including Fair Value Measurements*	7	2	4
AS 2510, *Auditing Inventories*	1	1	0
AS 2810, *Evaluating Audit Results*	5	5	7

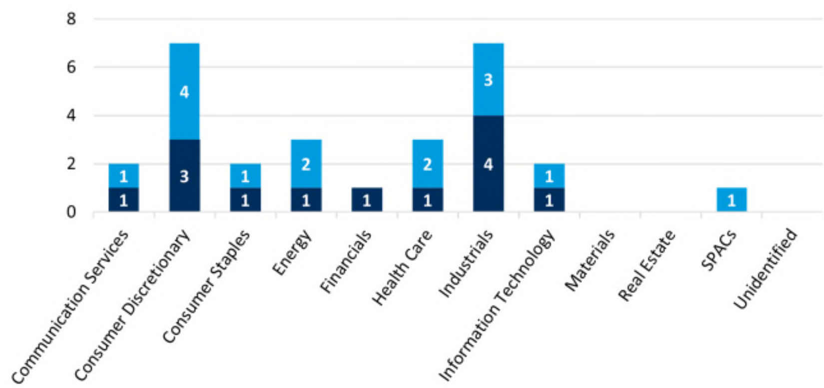
Inspection Results by Issuer Industry Sector

The majority of industry sector data is based on Global Industry Classification Standard (GICS) data obtained from Standard & Poor's (S&P). In instances where GICS data for an issuer is not available from S&P, classifications are assigned based upon North American Industry Classification System data. In instances where classifying an issuer using its industry sector could make an issuer identifiable, we have instead classified such issuer(s) as "unidentified."

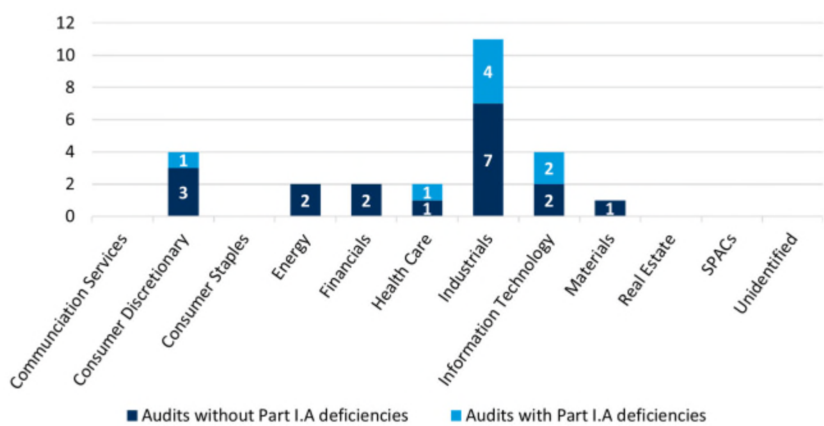
2024



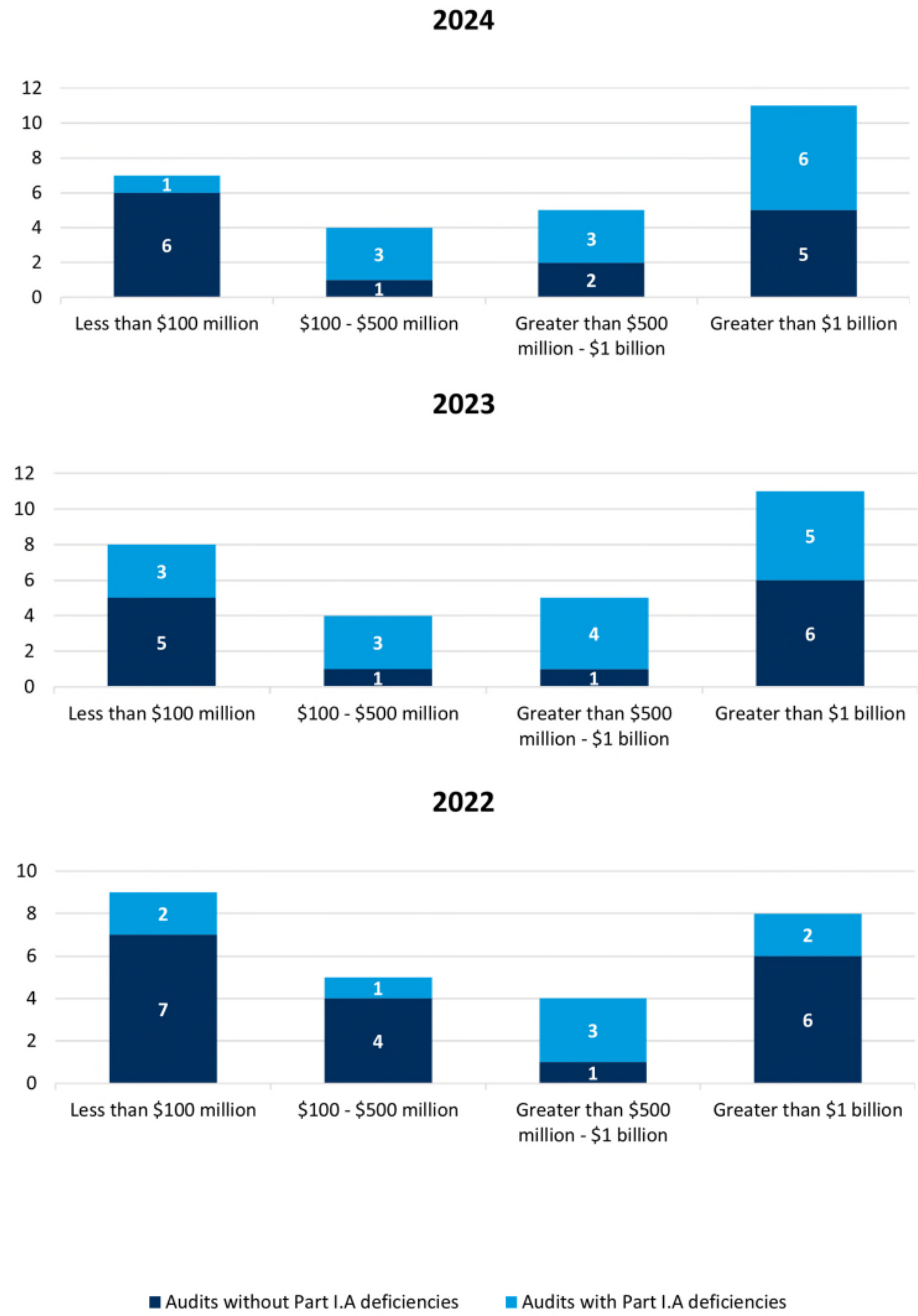
2023



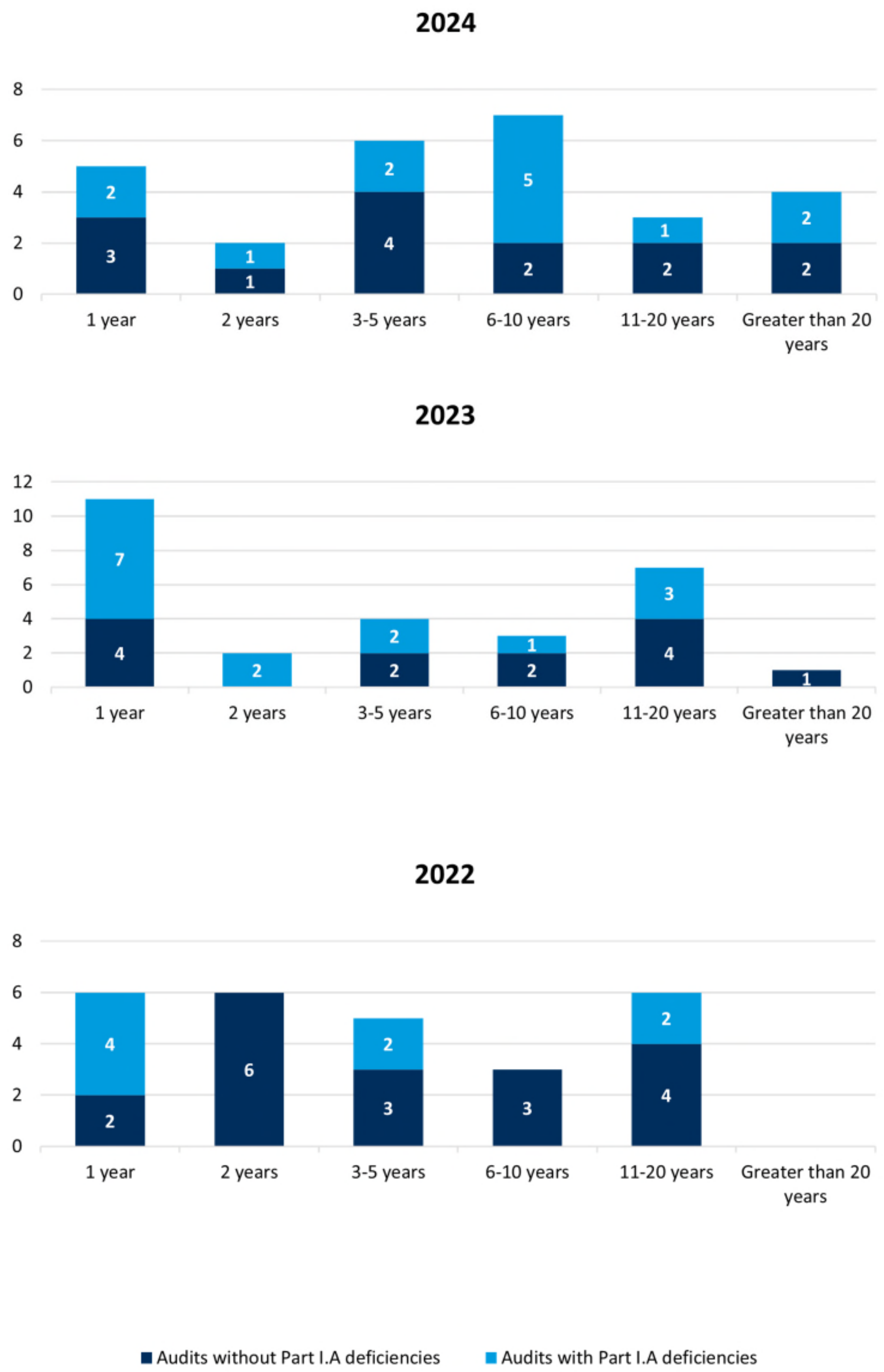
2022



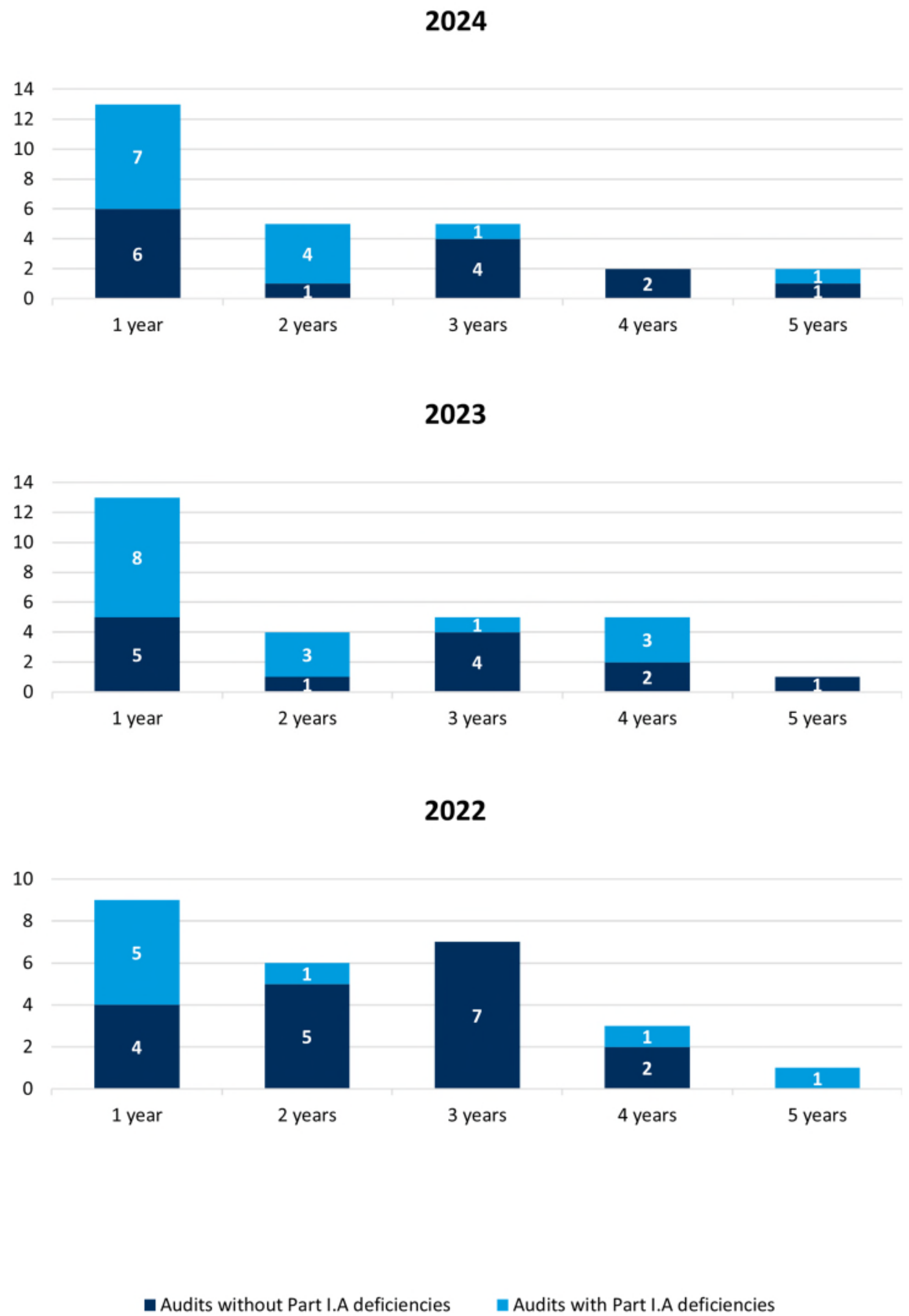
Inspection Results by Issuer Revenue Range



Inspection Results by the Firm's Tenure on the Issuer



Inspection Results by the Engagement Partner’s Tenure on the Issuer



Classification of Audits with Part I.A Deficiencies

Within Part I.A of this report, we classify each issuer audit in one of the categories discussed below based on the Part I.A deficiency or deficiencies identified in our review.

The purpose of this classification system is to group and present issuer audits by the number of Part I.A deficiencies we identified within the audit as well as to highlight audits with an incorrect opinion on the financial statements and/or ICFR.

Audits with an Incorrect Opinion on the Financial Statements and/or ICFR

This classification includes instances where a deficiency was identified in connection with our inspection and, as a result, an issuer's financial statements were determined to be materially misstated, and the issuer restated its financial statements. It also includes instances where a deficiency was identified in connection with our inspection and, as a result, an issuer's ICFR was determined to be ineffective, or there were additional material weaknesses that the firm did not identify, and the firm withdrew its opinion, or revised its report, on ICFR. This classification does not include instances where, unrelated to our review, an issuer restated its financial statements and/or an issuer's ICFR was determined to be ineffective. We include any deficiencies identified in connection with our reviews of these audits in the audits with multiple deficiencies or audits with a single deficiency classification below.

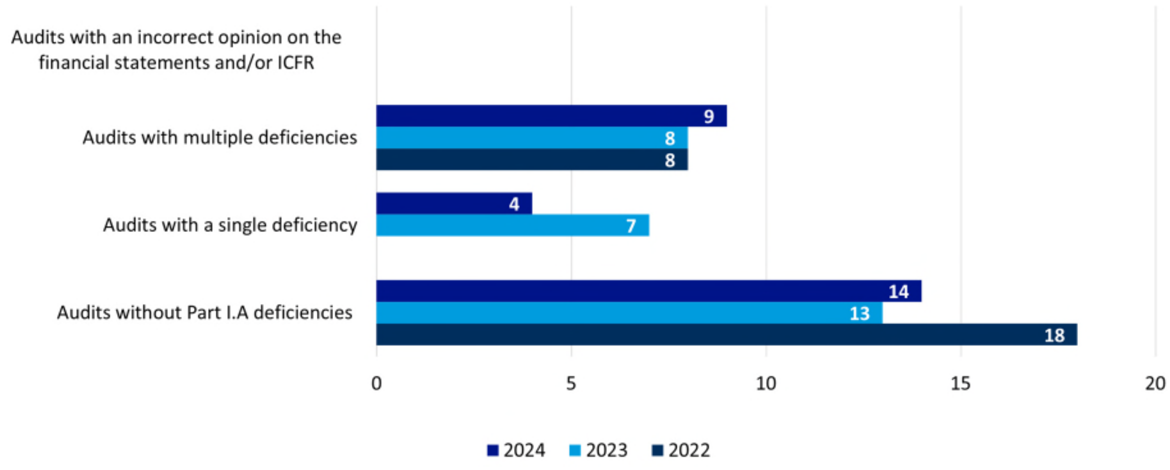
Audits with Multiple Deficiencies

This classification includes instances where multiple deficiencies were identified that related to a combination of one or more financial statement accounts, disclosures, and/or important controls in an ICFR audit.

Audits with a Single Deficiency

This classification includes instances where a single deficiency was identified that related to a financial statement account or disclosure or to an important control in an ICFR audit.

Number of Audits in Each Category



PART I: INSPECTION OBSERVATIONS

Part I.A of our report discusses deficiencies that were of such significance that we believe the firm, at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion(s) on the issuer's financial statements and/or ICFR.

Part I.B discusses certain deficiencies that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to support its opinion(s). This section does not discuss instances of apparent non-compliance with rules related to maintaining independence.

Part I.C discusses instances of apparent non-compliance with rules related to maintaining independence.

Consistent with the Act, it is the Board's assessment that nothing in Part I of this report deals with a criticism of, or potential defect in, the firm's quality control system. We discuss any such criticisms or potential defects in Part II. Further, you should not infer from any Part I deficiency, or combination of deficiencies, that we identified a quality control finding in Part II.

PART I.A: AUDITS WITH UNSUPPORTED OPINIONS

This section of our report discusses the deficiencies identified, by specific issuer audit reviewed, in the audit work supporting the firm's opinion(s) on the issuer's financial statements and/or ICFR.

We identify each issuer by a letter (e.g., Issuer A). Each deficiency could relate to several auditing standards, but we reference the PCAOB standard(s) that most directly relates to the requirement with which the firm did not comply.

We present issuer audits below within their respective deficiency classifications (as discussed previously). Within the classifications, we generally present the audits based on our assessment as to the relative significance of the identified deficiencies, taking into account the significance of the financial statement accounts and/or disclosures affected, and/or the nature or extent of the deficiencies.

Audits with an Incorrect Opinion on the Financial Statements and/or ICFR

None

Audits with Multiple Deficiencies

Issuer A – Information Technology

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Revenue**, **Accounts Receivable**, and **Inventory**.

Description of the deficiencies identified

With respect to **Revenue**, for which the firm identified a fraud risk, and **Accounts Receivable**:

Certain of the issuer's revenue arrangements included multiple performance obligations. The issuer allocated the total transaction price for each of these arrangements to the separate performance obligations based on the issuer's estimate of the relative standalone selling prices. The following deficiencies were identified:

- The firm selected for testing a control that consisted of the issuer's reviews of the estimated standalone selling prices. The firm did not evaluate the specific review procedures that the control owner performed to assess the reasonableness of certain significant assumptions used to develop the standalone selling prices. (AS 2201.42 and .44)
- The firm's approach for substantively testing the estimated standalone selling prices was to test the issuer's process. The firm selected a sample of revenue arrangements for testing but did not perform procedures to evaluate the reasonableness of certain significant assumptions used to develop the standalone selling prices, beyond performing a sensitivity analysis for certain revenue arrangements selected for testing. (AS 2501.16)

During the year, the issuer recorded revenue from bill-and-hold arrangements with one of its customers. The following deficiencies were identified:

- The firm did not identify and test any controls that addressed whether the issuer had met certain revenue recognition criteria for these bill-and-hold arrangements. (AS 2201.39)
- The firm did not perform substantive procedures to evaluate whether the issuer had met certain revenue recognition criteria for these bill-and-hold arrangements, beyond reading an issuer-prepared memorandum. (AS 2301.08 and .13)
- The firm did not identify and evaluate the issuer's omission of a required disclosure under FASB ASC Topic 606, *Revenue from Contracts with Customers*, related to when performance obligations are satisfied under bill-and-hold arrangements. (AS 2810.30 and .31)

With respect to the issuer's allowance for doubtful accounts, the following deficiencies were identified:

- The firm selected for testing a control that consisted of the issuer's review of the allowance for doubtful accounts at one of the issuer's business units. The firm did not evaluate the review procedures that the control owner performed, including the procedures to identify items for follow up and the procedures to determine whether those items were appropriately resolved. (AS 2201.42 and .44)
- The firm's approach for substantively testing the allowance for doubtful accounts at this business unit was to test the issuer's process. The firm did not perform any procedures to evaluate the reasonableness of the significant assumptions the issuer used to develop this allowance. (AS 2501.16)

With respect to revenue and accounts receivable at certain other business units that the firm subjected to less extensive audit procedures, the following deficiencies were identified:

- The firm selected for testing an entity-level control that included the issuer's comparison of forecasts, by business unit, to actual results, including revenue. The firm did not identify and test any controls over the forecasts used in the operation of this control. (AS 2201.39)

- The firm did not perform any substantive procedures to test revenue and accounts receivable for these business units. (AS 2301.08)

With respect to the issuer's revenue disclosures, the following deficiencies were identified:

- The firm selected for testing a control that included the issuer's review of certain revenue disclosures but did not test the aspect of the control that addressed the accuracy and completeness of the issuer-prepared schedules used to prepare these disclosures. (AS 2201.42 and .44)

- The firm used these issuer-prepared schedules in its substantive testing of these revenue disclosures but did not perform any procedures to test, or (as discussed above) sufficiently test controls over, the accuracy and completeness of these schedules. (AS 1105.10)

With respect to **Inventory**:

The firm selected for testing two controls that consisted of the issuer's review of the reserve for excess and obsolete inventory at certain business units. For the first control, the firm did not evaluate the specific review procedures that the control owners performed to assess the reasonableness of the significant assumptions that the issuer used to develop this reserve. (AS 2201.42 and .44) For the second control, the firm did not identify and test any controls over the accuracy of certain data that the control owners used in the operation of the control. (AS 2201.39)

The firm's approach for substantively testing the reserve for excess and obsolete inventory at these business units was to test the issuer's process. The following deficiencies were identified:

- The firm did not perform procedures to evaluate the reasonableness of the significant assumptions that the issuer used to develop this reserve, beyond reading an issuer-prepared memorandum. (AS 2501.16)

- The firm used certain issuer-produced data in its testing of this reserve but did not test, or (as discussed above) test any controls over, the accuracy of these data. (AS 1105.10)

Certain of the issuer's inventory was subject to cycle counts, and the issuer's cycle-count policy required this inventory to be counted at specific frequencies during the year. The following deficiencies were identified:

- The firm did not identify and test any controls that addressed whether each inventory item was counted with sufficient frequency in accordance with the issuer's cycle-count policy. (AS 2201.39)

- The firm selected for testing a control that consisted of the issuer's monitoring of its cycle count results. The firm did not identify and test any controls over the accuracy and completeness of certain information that the control owners used in the operation of the control. (AS 2201.39)

With respect to the issuer's work-in-process inventory at certain business units that the firm subjected to more extensive audit procedures, the following deficiencies were identified:

- The firm did not identify and test any controls over the existence of this work-in-process inventory. (AS 2201.39)
- The firm did not perform any procedures to test the existence of this work-in-process inventory. (AS 2301.08)

Issuer B – Consumer Discretionary

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement audit related to **Revenue** and **Inventory**.

Description of the deficiencies identified

With respect to **Revenue**, for which the firm identified a fraud risk:

During the year, the issuer recognized certain revenue upon its delivery of products to a customer, and also delivered additional products to this customer in exchange for the return of products sold to the customer in the previous year. The firm did not identify and evaluate that the issuer's conclusion that certain criteria required to recognize revenue for the products sold to this customer had been met was not in conformity with FASB ASC Topic 606, *Revenue from Contracts with Customers*. (AS 2810.30) In addition, the firm did not identify and evaluate that the issuer's conclusion that the exchange of products did not represent a product return was not in conformity with FASB ASC Topic 606. (AS 2810.30)

With respect to **Inventory**:

The issuer entered into arrangements to purchase inventory from certain suppliers. The firm did not evaluate whether these arrangements represented firm purchase commitments for which a loss should have been recognized under FASB ASC Topic 330, *Inventory*. Further, the firm did not evaluate whether these arrangements created an unconditional performance obligation that would have required disclosure under FASB ASC Topic 440, *Commitments*. (AS 2301.08)

Issuer C – Industrials

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Revenue** and **Insurance-related Liabilities**.

Description of the deficiencies identified

The issuer used multiple information technology (IT) systems to initiate, process, and record transactions related to certain revenue and insurance-related liabilities. In its testing of controls over these accounts, the firm tested various automated and IT-dependent manual controls that used data and reports generated or maintained by these IT systems. As a result of the following deficiencies in the firm's testing of IT general controls, the firm's testing of these automated and IT-dependent manual controls was not sufficient. (AS 2201.46)

The firm selected for testing a control at three of the issuer's business units that consisted of the issuer's monitoring and review of changes to certain of these IT systems. The following deficiencies were identified:

- The firm did not identify and test any controls over the accuracy and completeness of certain system change reports that the control owners used in the operation of this control at all three business units. (AS 2201.39)
- For the control at one of these business units, the firm did not evaluate the specific review procedures that the control owner performed to assess whether the system changes were appropriate. (AS 2201.42 and .44)

The firm selected for testing a control at these three business units that consisted of the issuer's approval of changes to these IT systems and testing of those changes prior to implementation into the production environment. The following deficiencies were identified:

- The firm used the system change reports discussed above to select its samples for testing this control at all three business units but did not test, or (as discussed above) test any controls over, the completeness of these reports. (AS 1105.10)
- The firm performed certain of its testing of this control at all three business units in the issuer's testing environment, rather than in its production environment, but did not perform any procedures to determine whether the testing environment was consistent with the production environment. (AS 2201.42 and .44)

As a result of the firm's control testing deficiencies discussed above, the firm did not perform sufficient substantive procedures, as follows:

- The sample sizes the firm used in certain of its substantive procedures to test revenue at two of these business units were too small to provide sufficient appropriate audit evidence because these procedures were designed based on a level of control reliance that was not supported. (AS 2301.16, .18, and .37; AS 2315.19, .23, and .23A)
- The firm did not perform sufficient procedures to test, or sufficiently test controls over, the completeness of certain system-generated data or reports that the firm used in its substantive testing of insurance-related liabilities at one of these business units. (AS 1105.10)

Issuer D – Industrials

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Revenue**, **Accounts Receivable**, and **Inventory**.

Description of the deficiencies identified

With respect to **Revenue**, for which the firm identified a fraud risk, and **Accounts Receivable**:

For revenue at one of the issuer's segments, the firm did not identify and test any controls over the accuracy and completeness of certain customer order data that were entered or transferred into the issuer's systems and used to recognize revenue. (AS 2201.39)

The sample sizes the firm used in its substantive procedures to test revenue and accounts receivable at this segment were too small to provide sufficient appropriate audit evidence because these procedures were designed based on a level of control reliance that was not supported due to the deficiency in the firm's control testing discussed above. (AS 2301.16, .18, and .37; AS 2315.19, .23, and .23A)

With respect to certain of the issuer's disclosures related to revenue, the following deficiencies were identified:

- The firm selected for testing a control that included the issuer's review of its financial statement disclosures. The firm did not identify and test any controls over the accuracy and completeness of certain issuer-prepared schedules related to revenue that the control owners used in the operation of this control. (AS 2201.39)
- The firm used these issuer-prepared schedules in its substantive testing of these revenue disclosures but did not perform any procedures to test, or (as discussed above) test any controls over, the accuracy and completeness of these schedules. (AS 1105.10)

With respect to **Inventory**:

Certain inventory at one of the issuer's segments was subject to cycle counts, and the issuer's cycle-count policy required this inventory to be counted at specific frequencies during the year. The firm did not identify and test any controls that addressed (1) whether each inventory item was counted with sufficient frequency in accordance with the issuer's cycle count policy and (2) the issuer's monitoring of the accuracy of the cycle-count results. (AS 2201.39)

Issuer E – Consumer Discretionary

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to the **Allowance for Credit Losses (ACL)** and **Revenue**.

Description of the deficiencies identified

With respect to the **ACL**, for which the firm identified a significant risk:

The firm selected for testing a control that consisted of the issuer's reviews of the ACL. The firm did not evaluate the specific review procedures that the control owners performed to assess the reasonableness of the ACL, including the significant assumptions used. (AS 2201.42 and .44) In addition, the firm did not identify and test any controls over the accuracy and completeness of certain data that the control owners used in the operation of the control. (AS 2201.39)

With respect to **Revenue**:

The issuer recognized certain revenue based on customer contracts that included financing arrangements with the customer. The firm selected for testing a control over this revenue that consisted of the issuer's review and approval of the credit application supporting the customer's ability and intent to pay. The firm did not evaluate the specific review procedures that the control owners performed to assess whether the customer contracts had met the collectability criteria before revenue was recognized. (AS 2201.42 and .44)

The firm's substantive procedures to test this revenue consisted of selecting a sample of transactions for testing. The firm did not evaluate whether these transactions had met the collectability criteria before revenue was recognized, beyond reviewing the customer's credit application. (AS 2301.08)

Issuer F

Type of audit and related area affected

In our review, we identified deficiencies in the financial statement audit related to **Inventory**.

Description of the deficiencies identified

The issuer held certain inventory at external warehouses. The firm did not perform any procedures to test the existence of this inventory. (AS 2510.14)

The issuer classified inventory as current or noncurrent based on its estimate of when it expected to sell the inventory. The firm's approach for substantively testing this estimate was to test the issuer's process. The firm did not perform procedures to evaluate the reasonableness of the significant assumptions that the issuer used to develop this estimate. (AS 2501.16)

The firm did not identify and evaluate a misstatement in a required disclosure under FASB ASC Topic 230, *Statement of Cash Flows*. (AS 2810.30 and .31)

Issuer G – Industrials

Type of audit and related areas affected

In our review, we identified deficiencies in the ICFR audit related to **Inventory** and **Revenue**. The firm's internal inspection program had inspected this audit, reviewed these areas, and also identified the deficiencies below. This was the firm's initial audit of this issuer.

Description of the deficiencies identified

With respect to **Inventory**:

The issuer held inventory at numerous business units. The firm subjected certain of the issuer's business units that were included within three of the issuer's segments to more extensive audit procedures. The following deficiencies were identified:

- Inventory at one of these business units was subject to cycle counts, and the issuer used its IT system to determine the frequency with which the items should be counted during the year by assigning a count designation to each inventory item. The firm did not identify and test any controls that addressed whether (1) the issuer's IT system was configured to assign an appropriate count designation to each inventory item and (2) each inventory item was counted with sufficient frequency in accordance with the designated count frequency. (AS 2201.39)

- For a second of these business units, the firm identified control deficiencies related to the issuer's cycle counts performed at certain locations, including the lack of monitoring of whether the cycle-count results were sufficiently accurate. The firm identified and tested compensating controls that it believed mitigated these deficiencies but did not identify that these compensating controls did not address the accuracy of the cycle-counts results. (AS 2201.68)
- For a third of these business units, the firm selected for testing controls over the existence of inventory that included the control owners' use of various system-generated reports in the operation of the controls. The firm did not identify and test any controls that addressed the risk that unauthorized or inappropriate changes could be made to these reports. (AS 2201.39)

With respect to **Revenue**, for which the firm identified a fraud risk:

The issuer recorded transactions related to revenue at numerous business units. The firm subjected certain of the issuer's business units that were included within three of the issuer's segments to less extensive audit procedures. To address the risks of material misstatement related to revenue for these business units, the firm selected for testing various entity-level controls. The following deficiencies were identified:

- For one segment, the firm selected for testing controls that consisted of the issuer's reviews of the forecasts that were used in its entity-level controls over this segment, including the assumptions used in these forecasts. The firm did not evaluate the specific review procedures that the control owners performed to assess the reasonableness of these assumptions. (AS 2201.42 and .44)
- For a second segment, the firm selected for testing a control that consisted of the issuer's monthly comparisons of prior-period results to current-period results. The firm did not evaluate the specific review procedures that the control owners performed to determine whether items identified for follow up had been appropriately resolved. (AS 2201.42 and .44)
- For a third segment, the firm selected for testing a control that consisted of the issuer's quarterly comparisons of prior-period results to current-period results. The firm did not evaluate the review procedures that the control owners performed, including the procedures to identify items for follow up and the procedures to determine whether those items were appropriately resolved. (AS 2201.42 and .44)

Issuer H – Health Care

Type of audit and related area affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Intangible Assets**, for which the firm identified a significant risk.

Description of the deficiencies identified

The issuer performed quantitative assessments of the possible impairment of its intangible assets at an interim date and at year end using cash-flow forecasts. The firm selected for testing a control that consisted of the issuer's review of these cash-flow forecasts. The firm did not evaluate the specific review procedures that the control owner performed to assess the reasonableness of certain assumptions the issuer used in these forecasts. (AS 2201.42 and .44)

The firm's approach for substantively testing the issuer's impairment assessments was to test the issuer's process. The following deficiencies were identified:

- For the interim impairment assessment, the firm did not sufficiently evaluate the reasonableness of certain significant assumptions because its procedures were limited to inquiring of management and evaluating these assumptions for consistency with the issuer's historical or recent experience. (AS 2501.16)
- For the year-end impairment assessment, the firm did not sufficiently evaluate the reasonableness of certain significant assumptions because it did not evaluate the significant differences between these assumptions and the industry information it had obtained. Further, the firm did not perform any procedures to evaluate the reasonableness of certain other significant assumptions. (AS 2501.16)

Issuer I – Communication Services

Type of audit and related area affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Payroll Expenses**.

Description of the deficiencies identified

The firm selected for testing various controls over payroll expenses but did not identify and test any controls over the accuracy of certain payroll data, including employee headcount and cost-center data, that were used in the operation of these controls. (AS 2201.39)

The firm's substantive procedures to test payroll expenses included performing substantive analytical procedures. The firm used employee headcount data produced by the issuer to develop its expectations but did not test, or (as discussed above) test any controls over, the accuracy of these data. (AS 2305.16)

The issuer allocated its payroll costs to the various types of expenses it reported based on the cost centers to which its employees were assigned. The firm did not perform any substantive procedures to test whether the issuer's allocation of certain of these payroll costs was appropriate. (AS 2301.08)

Audits with a Single Deficiency

Issuer J – Industrials

Type of audit and related area affected

In our review, we identified a deficiency in the financial statement audit related to **Going Concern**, for which the firm identified a significant risk.

Description of the deficiency identified

The issuer used forecasted financial information in its evaluation of its ability to continue as a going concern and concluded that the substantial doubt was alleviated by its plans. In evaluating management's plans, the firm did not evaluate the relevance and reliability of certain forecasted financial information that was particularly significant to those plans. (AS 1105.04 and .06; AS 2415.03, .08, and .09)

Issuer K – Financials

Type of audit and related area affected

In our review, we identified a deficiency in the ICFR audit related to the **ACL**, for which the firm identified a significant risk.

Description of the deficiency identified

The firm selected for testing a control that consisted of the issuer's review of the appropriateness of the ACL but did not test the aspect of the control that addressed the accuracy and completeness of information that was included in an issuer-prepared memorandum that the control owners used in the operation of this control. (AS 2201.42 and .44)

Issuer L – Information Technology

Type of audit and related area affected

In our review, we identified a deficiency in the financial statement audit related to **Intangible Assets**.

Description of the deficiency identified

The issuer performed a quantitative assessment of the possible impairment of certain intangible assets. The firm did not perform any substantive procedures to test this assessment. (AS 2501.07)

Issuer M – Energy

Type of audit and related area affected

In our review, we identified a deficiency in the financial statement audit related to **Inventory**.

Description of the deficiency identified

During the year, the issuer completed numerous nonmonetary exchanges of inventory with various counterparties. The firm did not identify and evaluate the issuer's omission of certain disclosures related to these nonmonetary exchanges that were required under FASB ASC Topic 845, *Nonmonetary Transactions*. (AS 2810.30 and .31)

PART I.B: OTHER INSTANCES OF NON-COMPLIANCE WITH PCAOB STANDARDS OR RULES

This section of our report discusses certain deficiencies that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to support its opinion(s). This section does not discuss instances of apparent non-compliance with rules related to maintaining independence.

When we review an audit, we do not review every aspect of the audit. As a result, the areas below were not necessarily reviewed on every audit. In some cases, we assess the firm's compliance with specific PCAOB standards or rules on other audits that were not reviewed and include any instances of non-compliance below.

The deficiencies below are presented in numerical order based on the PCAOB standard or rule with which the firm did not comply. We identified the following deficiencies:

- In three of 26 audits reviewed, the firm did not make a required communication to the audit committee related to (1) significant unusual transactions; (2) the firm's evaluation of the issuer's ability to continue as a going concern; or (3) the name, location, and planned responsibilities of an other accounting firm that performed audit procedures in the audit. In one additional audit reviewed, the firm did not make a required communication to the audit committee related to uncorrected misstatements prior to the issuance of the auditor's report. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.

- In two of 26 audits reviewed, the firm did not inquire of, or make all required inquiries of, certain members of management about the risks of material misstatement, including fraud risks. In these instances, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*.

- In one of 19 audits reviewed, the firm, when evaluating the presentation of the elements that management is required to present in its annual report on ICFR, did not identify and evaluate inaccurate information included in one of the required elements. In this instance, the firm was non-compliant with AS 2201, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*.

- In one of 19 audits reviewed, the firm did not communicate to management, in writing, all control deficiencies identified during the audit. In this instance, the firm was non-compliant with AS 2201, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*.

- In one of 27 audits reviewed, the firm did not communicate an accumulated misstatement to management on a timely basis to provide management with an opportunity to correct it. In this instance, the firm was non-compliant with AS 2810, *Evaluating Audit Results*.

- In one of 27 audits reviewed, the firm's audit report omitted one of the issuer's financial statements. In this instance, the firm was non-compliant with AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*.
- In one of 26 audits reviewed, the firm did not describe, in writing, to the audit committee the scope of certain permissible tax services and the fee structure for these services. In this instance, the firm was non-compliant with PCAOB Rule 3524, *Audit Committee Pre-Approval of Certain Tax Services*.

PART I.C: INDEPENDENCE

PCAOB Rule 3520, *Auditor Independence*, requires a firm and its personnel to be independent of the firm's audit clients. This requirement encompasses not only an obligation to satisfy the independence criteria set out in PCAOB rules and standards but also an obligation to satisfy all other independence criteria applicable to an engagement, including the independence criteria set out by the SEC in Regulation S-X, 17 C.F.R. § 210.2-01, *Qualifications of Accountants* ("Rule 2-01").

This section of our report discusses identified instances of apparent non-compliance with PCAOB Rule 3520. An instance of apparent non-compliance with PCAOB Rule 3520 does not necessarily mean that the Board has concluded the firm was not objective and impartial throughout the audit and professional engagement period. Although this section includes instances of apparent non-compliance with PCAOB Rule 3520 that we identified and the firm brought to our attention, there may be other instances of non-compliance with rules related to independence that were not identified through our procedures or the firm's monitoring activities.

PCAOB-Identified

We identified the following instances of apparent non-compliance with PCAOB Rule 3520:

Under Rule 2-01(c)(7), an accountant is not independent if it is engaged to render audit or non-audit services to an issuer or its subsidiaries without that engagement having been pre-approved by the audit committee. In 26 audits reviewed, we identified five instances across four issuers in which the firm could provide no persuasive evidence of the necessary audit committee pre-approval.

Firm-Identified

During the inspection, the firm brought to our attention that it had identified, through its independence monitoring activities, for a 12-month period, 105 instances across 51 issuers,[2] representing approximately 6% of the firm's total reported issuer audits, in which the firm appeared to have impaired its independence because it may not have complied with Rule 2-01(c) related to maintaining independence. Approximately 44% of these instances of apparent non-compliance involved non-U.S. associated firms.

While we have not evaluated the underlying reasons for the instances of apparent non-compliance with PCAOB Rule 3520, the number, large or small, of firm-identified instances of apparent non-compliance may be reflective of the size of the firm, including the number of non-U.S. associated firms in the global network; the design and effectiveness of the firm's independence monitoring activities; and the size and/or complexity of the issuers it audits, including the number of affiliates of the issuer. Therefore, we caution against making any comparison of these firm-identified instances of apparent non-compliance across firms.

The instances of apparent non-compliance related to audit committee pre-approval requirements and non-audit services:

[2] The firm-identified instances of apparent non-compliance do not necessarily relate to the issuer audits that we selected for review.

- The firm reported 102 instances of apparent non-compliance with Rule 2-01(c)(7) regarding audit committee pre-approval, 43 of which related to services performed by non-U.S. associated firms. Of these 102 instances, 64 related to audit services provided by the firm or non-US associated firms and 38 related to tax services provided by non-U.S. associated firms without those engagements having been pre-approved by the audit committee.
- The firm reported three instances of apparent non-compliance with Rule 2-01(c)(4) regarding non-audit services. All of these instances related to services provided by non-U.S. associated firms that the firm determined to be prohibited, such as performing management functions or bookkeeping for a company that was an affiliate of an issuer.

The firm has reported to us that it has evaluated these instances of apparent non-compliance and determined in all instances that its objectivity and impartiality were not impaired. The firm also reported to us that it communicated these instances to the issuers' audit committees as required by PCAOB Rule 3526.

PART II: OBSERVATIONS RELATED TO QUALITY CONTROL

Part II of our report discusses criticisms of, and potential defects in, the firm's system of quality control.

We include deficiencies in Part II if an analysis of the inspection results, including the results of the reviews of individual audits, indicates that the firm's system of quality control does not provide reasonable assurance that firm personnel will comply with applicable professional standards and requirements. Generally, the report's description of quality control criticisms is based on observations from our inspection procedures.

This report does not reflect changes or improvements to the firm's system of quality control that the firm may have made subsequent to the period covered by our inspection. The Board does consider such changes or improvements in assessing whether the firm has satisfactorily addressed the quality control criticisms or defects no later than 12 months after the issuance of this report.

When we issue our reports, we do not make public criticisms of, and potential defects in, the firm's system of quality control, to the extent any are identified. If a firm does not address to the Board's satisfaction any criticism of, or potential defect in, the firm's system of quality control within 12 months after the issuance of our report, we will make public any such deficiency.

APPENDIX A: FIRM'S RESPONSE TO THE DRAFT INSPECTION REPORT

Pursuant to Section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(a), the firm provided a written response to a draft of this report. Pursuant to Section 104(f) of the Act and PCAOB Rule 4007(b), the firm's response, excluding any portion granted confidential treatment, is attached hereto and made part of this final inspection report.

The Board does not make public any of a firm's comments that address a nonpublic portion of the report unless a firm specifically requests otherwise. In some cases, the result may be that none of a firm's response is made publicly available.

In addition, pursuant to Section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(b), if a firm requests, and the Board grants, confidential treatment for any of the firm's comments on a draft report, the Board does not include those comments in the final report. The Board routinely grants confidential treatment, if requested, for any portion of a firm's response that addresses any point in the draft that the Board omits from, or any inaccurate statement in the draft that the Board corrects in, the final report.

Grant Thornton LLP
171 N Clark St, Suite 200
Chicago, IL 60601

T 312.856.0200
F 312.565.4719
www.GrantThornton.com

February 14, 2025

Ms. Christine Gunia, Director
Division of Registration and Inspections
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington D.C. 20006

Re: Response to Part I of the Draft Report on the 2024 Inspection of Grant Thornton LLP

Dear Ms. Gunia:

On behalf of Grant Thornton LLP, we are pleased to provide our response to the Public Company Accounting Oversight Board's ("PCAOB") Draft Report on the 2024 Inspection of Grant Thornton LLP, principally related to the firm's 2023 audits (the "Draft Report").

Quality is the foundation of all that we do at Grant Thornton and we are committed to its continual advancement. We have strong service delivery systems, quality controls and risk management tools that provide the necessary framework to meet the high-quality standards of the firm and the profession as described in our Audit Quality & Transparency Report 2023 (https://www.grantthornton.com/insights/articles/audit/2023/a-foundation-built-on-quality). In addition, we regularly address and challenge our existing processes and perform continuous monitoring of our audit engagements to identify opportunities for enhancements, evaluate underlying causal factors, and implement solutions to drive improvements in audit quality. We are also acutely focused on investing in our people, technology and innovation, and regularly look for ways to hone our training, monitoring and processes and standards — all with a goal of providing high-quality audits and protecting the capital markets.

To that end, we carefully considered each of the matters identified in Part I of the Draft Report. Accordingly, we took all steps necessary to fulfil our responsibilities under AS 2901, *Consideration of Omitted Procedures after the Report Date* and AS 2905, *Subsequent Discovery of Facts Existing at the Date of the Auditor's Report.*

Integrity and quality are and will continue to be the foundation for our strategy, and we fully support the PCAOB's mission to protect the interests of investors and further the public interest in the preparation of informative, accurate and independent audit reports. The PCAOB inspection report and dialogue with the inspections staff remains an integral component to our commitment to achieving the highest levels of audit quality. We look forward to continuing our discussions with you and the inspections staff on improving audit quality at our firm and across the profession.

Respectfully submitted,

By:

Janet Malzone
Chief Executive Officer
Grant Thornton LLP

Grant Thornton LLP
U.S. member firm of Grant Thornton International Ltd.