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# 2019 Inspection WWC, P.C.

(Headquartered in San Mateo, California)

September 9, 2021

# Table of Contents

2019 Inspection ..... 2

Overview of the 2019 Inspection and Historical Data by Inspection Year ..... 3

Part I: Inspection Observations ..... 5

Part I.A: Audits with Unsupported Opinions ..... 6

Part I.B: Other Instances of Non-Compliance with PCAOB Standards or Rules ..... 8

Part II: Observations Related To Quality Control ..... 9

Appendix A: Firm’s Response to the Draft Inspection Report .....A-1

# 2019 Inspection

During the Public Company Accounting Oversight Board (“PCAOB”)’s 2019 inspection of WWC, P.C., we assessed the firm’s compliance with laws, rules, and professional standards applicable to the audits of public companies.

We selected for review three audits of issuers with fiscal years ending in 2018. For each issuer audit selected, we reviewed a portion of the audit. We also evaluated elements of the firm’s system of quality control.

## 2019 Inspection Approach

In selecting issuer audits for review, we use a risk-based method of selection. We make 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. In certain situations we may select all of the firm’s issuer audits for review.

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.

View the details on the [scope of our inspections and our inspections procedures](#).

# Overview of the 2019 Inspection and Historical Data by Inspection Year

The following information provides an overview of our inspection in 2019 of the firm's issuer audits as well as data from the previous inspection. We use a risk-based method 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 inspection to inspection and firm to firm. Further, a firm's business, the applicable auditing standards, or other factors can change from the time of one inspection to the next. As a result of these variations, we caution that our inspection results are not necessarily comparable over time or among firms.

## Firm Data and Audits Reviewed

	2019	2017
<b>Firm Data</b>		
<b>Total issuer audit clients for which the firm was the principal auditor at the outset of the inspection procedures</b>	19	14
<b>Total engagement partners on issuer audit work<sup>1</sup></b>	5	2
<b>Audits Reviewed</b>		
<b>Total audits reviewed<sup>2</sup></b>	3	2
<b>Audits in which the firm was the principal auditor</b>	3	2
<b>Integrated audits of financial statements and internal control over financial reporting ("ICFR")</b>	0	0
<b>Audits with Part I.A deficiencies</b>	3	2

If a deficiency is included in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In many cases, the firm has performed remedial actions after the issue 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

<sup>1</sup> The number of engagement partners on issuer audit work represents the total number of firm personnel (not necessarily limited to personnel with an ownership interest) who had primary responsibility for an issuer audit (as defined in AS 1201) during the twelve-month period preceding the outset of the inspection.

<sup>2</sup> The population of issuer audits from which audits are selected for review may differ from the issuer audits at the outset of the inspection procedures due to variations such as new issuer audit clients for which the firm has not yet issued an opinion or issuer audit clients lost prior to the outset of the inspection.



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.

The fact that we have included a deficiency in our report — other than those deficiencies for audits with incorrect opinions on the financial statements and/or ICFR — 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.

## Audit Areas Most Frequently Reviewed

This table reflects the audit areas we have selected most frequently for review in the 2019 inspection and the previous inspection. 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.

2019		2017	
Audit area	Audits reviewed	Audit area	Audits reviewed
Revenue and related accounts	3	Revenue and related accounts	2
Cash and cash equivalents	3	Cash and cash equivalents	2
Long-lived assets	3	Long-lived assets	1
		Certain other assets	1

# Part I: Inspection Observations

Part I.A of our report discusses deficiencies, if any, 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 on the issuer's financial statements and/or ICFR. Part I.B discusses deficiencies, if any, that do not relate directly to the sufficiency or appropriateness of evidence the firm obtained to support its opinion(s) but nevertheless relate to instances of non-compliance with PCAOB standards or rules. Consistent with the Sarbanes-Oxley Act ("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. Any such criticisms or potential defects are discussed in Part II. Further, you should not infer from any Part I deficiency or combination of deficiencies that a quality control finding is identified in Part II. 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.

## 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 sole 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 modified 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. Any deficiencies identified in connection with our reviews of these audits would be included 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.

## 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 on the issuer's financial statements.

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.

Issuer audits are presented 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 – Materials

##### Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement audit related to **Revenue** and **Allowance for Doubtful Accounts**.

##### Description of the deficiencies identified

With respect to **Revenue**:

For certain of the issuer's subsidiaries, the firm did not evaluate whether the relevant revenue recognition criteria had been met for the sales transactions selected for testing. (AS 2301.08)

With respect to **Allowance for Doubtful Accounts**:

For one of the issuer's subsidiaries, the firm did not perform any procedures to evaluate the reasonableness of the allowance for doubtful accounts. (AS 2501.07)

#### Issuer B – Consumer Discretionary

##### Type of audit and related area affected

In our review, we identified deficiencies in the financial statement audit related to **Long-Lived Assets**.

## Description of the deficiencies identified

The firm did not identify and evaluate whether (1) the issuer's exclusion of certain assets from its impairment analysis of long-lived assets was appropriate, and (2) the issuer's impairment analysis was performed at the appropriate level. (AS 2810.30)

In addition, the firm did not identify and appropriately address the issuer's omission of certain required disclosures. (AS 2810.30 and .31)

## Audits with a Single Deficiency

### Issuer C

#### Type of audit and related area affected

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

#### Description of the deficiency identified

The firm did not identify and appropriately address the issuer's omission of certain required disclosures under FASB ASC Topic 606, *Revenue From Contracts with Customers*, related to qualitative and quantitative information about (1) the issuer's existing contracts with customers; (2) the significant judgments, and changes in the judgments, made by the issuer in applying the guidance to those contracts; and 3) any assets recognized by the issuer from the costs to obtain or fulfill a contract with a customer. (AS 2810.30 and .31)

## Part I.B: Other Instances of Non-Compliance with PCAOB Standards or Rules

This section of our report discusses any deficiencies we identified that do not relate directly to the sufficiency or appropriateness of evidence the firm obtained to support its opinion(s) but nevertheless relate to instances of non-compliance with PCAOB standards or rules. 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 otherwise selected for review and may include 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 one of three audits reviewed, the firm did not assemble a complete and final set of audit documentation for retention within 45 days following the report release date. In this instance, the firm was non-compliant with AS 1215, *Audit Documentation*.
- In two of three audits reviewed, the firm did not make a required communication to the issuer's audit committee related to the significant risks identified through its risk assessment procedures. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.
- In three audits, the firm did not file its report on Form AP by the relevant deadline. In these instances, the firm was non-compliant with PCAOB Rule 3211, *Auditor Reporting of Certain Audit Participants*.
- In the three audits reviewed and in 10 other audits, the firm's reports on Form AP omitted information related to the participation in the audits by other accounting firms that was required to be reported. Further, in three of the other 10 audits, the firm's reports on Form AP either omitted required information or contained inaccurate information, such as the engagement partner's name, other Partner IDs by which the engagement partner had been identified on Form APs filed by different registered public accounting firms, and issuer's CIK number. In these instances, the firm was non-compliant with PCAOB Rule 3211, *Auditor Reporting of Certain Audit Participants*.



## 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.

Deficiencies are included 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.

Any changes or improvements to its system of quality control that the firm may have brought to the Board's attention may not be reflected in this report, but are taken into account during the Board's assessment of whether the firm has satisfactorily addressed the quality control criticisms or defects no later than 12 months after the issuance of this report.

Criticisms of, and potential defects in, the firm's system of quality control, to the extent any are identified, are nonpublic when the reports are issued. 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, any such deficiency will be made public.

### A. Testing Revenue

The inspection results indicate that the firm's system of quality control does not provide reasonable assurance that the work performed by the firm's personnel to test revenue will meet the requirements of AS 2301 and AS 2810. (QC 20.03 and .17)

In one audit,<sup>3</sup> which is included in Part I.A, the inspection team identified deficiencies related to the firm's testing of whether the relevant revenue recognition criteria were met. In another audit,<sup>4</sup> which is included in Part I.A, the inspection team identified deficiencies related to the firm not identifying and appropriately addressing a departure from GAAP related to revenue.

### B. Testing Allowance for Doubtful Accounts

The inspection results indicate that the firm's system of quality control does not provide reasonable assurance that the work performed by the firm's personnel to test accounts receivable will meet the requirements of AS 2501. (QC 20.03 and .17)

In one audit,<sup>5</sup> which is included in Part I.A, the inspection team identified a deficiency related to the firm's testing of the allowance for doubtful accounts.

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<sup>3</sup> Issuer A

<sup>4</sup> Issuer C

<sup>5</sup> Issuer A

## C. Testing Long-Lived Assets

The inspection results indicate that the firm's system of quality control does not provide reasonable assurance that the work performed by the firm's personnel to test long-lived assets will meet the requirements of AS 2810. (QC 20.03 and .17)

In one audit,<sup>6</sup> which is included in Part I.A, the inspection team identified deficiencies related to the firm's testing of impairment of long-lived assets, including deficiencies related to not identifying and appropriately addressing omitted required disclosures.

## D. Communications with Audit Committees

The inspection results indicate that the firm's system of quality control does not provide reasonable assurance that the firm's personnel will comply with the requirements of AS 1301. (QC 20.03 and .17)

In two audits,<sup>7</sup> the firm did not make a required communication to the issuer's audit committee related to the significant risks identified through its risk assessment procedures.

## E. Engagement Quality Review

The inspection results indicate that the firm's system of quality control does not provide reasonable assurance that the review procedures performed by the firm's engagement quality review ("EQR") partners will meet the requirements of AS 1220. (QC 20.03 and .17)

In three audits,<sup>8</sup> which are included in Part I.A, the inspection team identified one or more deficiencies in an area that the EQR partner was required to evaluate. In these audits, the EQR partner did not identify a deficiency in an area of significant risk, including in some cases a fraud risk.

## F. Auditor Reporting of Certain Audit Participants

The inspection results indicate that the firm's system of quality control does not provide reasonable assurance that the firm's personnel will comply with PCAOB Rule 3211. (QC 20.03 and .17)

In three audits,<sup>9</sup> the firm did not file its report on Form AP by the relevant deadline.

The inspection team identified 13 audits<sup>10</sup> in which the firm either omitted required information or reported incorrect information in its report on Form AP, including (a) 13 audits<sup>11</sup> where the firm's report on Form AP did not include information related to the participation in the audits by other accounting firms; (b) two audits<sup>12</sup> led by the same engagement partner where the firm's reports on Form AP reflected inconsistent presentation of the partner's name and did not report all other Partner IDs by which the partner had been

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<sup>6</sup> Issuer B

<sup>7</sup> Issuers A and B

<sup>8</sup> Issuers A, B, and C

<sup>9</sup> Issuers B, C, and K

<sup>10</sup> Issuers A, B, C, D, E, F, G, H, I, J, K, L, and M

<sup>11</sup> Issuers A, B, C, D, E, F, G, H, I, J, K, L, and M

<sup>12</sup> Issuers I and L

identified on Form APs filed by different registered public accounting firms; and (c) one audit<sup>13</sup> in which the firm reported the incorrect CIK number for the issuer.

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<sup>13</sup> Issuer D

## 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.



**WWC, P.C.** CERTIFIED PUBLIC ACCOUNTANTS

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February 10, 2021

**BY EMAIL**

Public Company Accounting Oversight Board  
Division of Registration and Inspections  
1666 K Street, N.W.  
Washington, DC 20006  
Attn: Mr. George Botic, Director

Re: WWC, P.C. (Firm ID No.: 1171)  
Response to Part I of the Draft Inspection  
Report on the 2019 Inspection

Dear Mr. Botic:

We are writing in response to Part I of the draft Report of the Public Company Accounting Oversight Board ("PCAOB") on our 2019 inspection. We thank the Board for providing a draft inspection report to us so that we may assess and remediate deficiencies on our firm's audit quality.

We have assessed the matters discussed in Part I.A of the draft inspection report and are currently implementing appropriate actions under both PCAOB standards and our firm's policies to address and rectify deficiencies identified by the inspection team, specifically: AS 2301 *The Auditor's Responses to the Risks of Material Misstatement*, AS 2501 *Auditing Accounting Estimates*, and AS 2810 *Evaluating Audit Results*. We have either determined that there has been no material misstatement based on additional procedures performed by us, or we are taking further action to determine if there has been material misstatement.

We have assessed the matters discussed in Part I.B of the draft inspection report and are currently implementing appropriate actions under both PCAOB standards and our firm's policies to address and rectify deficiencies identified by the inspection team, specifically: AS 1215 *Audit Documentation*, AS 1301 *Communications with Audit Committees*, and AS 3211 *Auditor Reporting on Certain Audit Participants*. We have invested in additional resources in terms of both qualified personnel and automated systems to mitigate the risk of non-compliance with these rules.

We are committed to improving our audit process and our underlying systems of audit quality control.

Sincerely,

*WWC, P.C.*

WWC, P.C.  
Certified Public Accountants

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WWC, P.C. CERTIFIED PUBLIC ACCOUNTANTS

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February 10, 2021

**BY EMAIL**

Public Company Accounting Oversight Board  
Division of Registration and Inspections  
1666 K Street, N.W.  
Washington, DC 20006  
Attn: Mr. George Botic, Director

Re: WWC, P.C. (Firm ID No.: 1171)  
Response to Part II of the Draft Inspection  
Report on the 2019 Inspection

Dear Mr. Botic:

We are writing in response to Part II of the draft Report of the Public Company Accounting Oversight Board ("PCAOB") on our 2019 inspection. We thank the Board for providing a draft inspection report to us so that we may assess and remediate deficiencies on our firm's audit quality.

We have assessed the matters discussed in Part II of the draft inspection report and have either executed or are the midst of taking appropriate actions under both PCAOB standards and our Firm's policies in order to rectify the deficiencies observed during the review of the audit engagement workpapers and the effectiveness of our system of quality control cited in your draft report.

Since the inspection, we have taken remedial measures with the engagement teams and issuers to address the deficiencies identified.

In order to address deficiencies related to: AS 2301 *The Auditor's Responses to the Risks of Material Misstatement*, AS 2810 *Evaluating Audit Results*, and AS 2501 *Auditing Accounting Estimates*, the engagement teams have revisited their working papers to identify the deficiencies in detail, contacted the issuers, conducted additional substantive procedures, and the results of such testing will be reported back to all relevant groups as soon as appropriate. The Firm has held internal discussions, reviewed its own auditing tools, templates, training materials, and methodologies to avoid such deficiencies recurring in the future.

WWC

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In order to address deficiencies related to: AS 1301 *Communications with Audit Committees*, the Firm has held internal meeting to discuss its understanding of the standard and how to better use the audit tools so as to avoid such deficiencies in the future which may include the specification identification of fraud or significant risks to audit committees.

In order to address deficiencies related to: AS 3211 *Auditor Reporting on Certain Audit Participants*, the Firm has held internal meetings and studied training presentations provided by the PCAOB and has agreed on the proper application of the rules. The Firm is taken remedial actions to address this deficiency by hiring more personnel and investing in automated resources to ensure timely and accurate filings of the Form AP. Additionally, the Firm has discontinued its relationship with certain participating firms that give rise to one of the cited deficiencies and has modified the Firm's policy in regard to working with other participating firms.

In the matters related deficiencies cited for the Firm not reporting certain affiliates, the Firm believes it is necessary to point out that there is an impasse on the applications of rules promulgated by the PCAOB that has led to our Firm's lack of compliance with an aspect of AS 3211. The Firm is associated with an affiliate public accounting firm registered and operating in Hong Kong that full is controlled by a majority of the partners of the Firm. The affiliate has made best efforts to register with the PCAOB in order to comply; however, PCAOB has not consented to the registration of the affiliate in Hong Kong assuming that the affiliate would not provide access to work papers. Our Firm has never not co-operated with PCAOB. The affiliate in Hong Kong is willing to comply with PCAOB inspection and oversight for engagement with issuers; moreover, all final work papers have always been the property of this Firm and are included in this Firm's audit files. Additionally, the Firm was cited for a deficiency regarding the use of an affiliate in Beijing that is 100% owned by one of the Firm's partners. The Beijing affiliate exists for the purpose of providing services to the Firm. The Beijing affiliate should be interpreted as a shared service center. All work hours performed by the affiliate in Beijing are included in the total audit hours submitted to the PCAOB. If the PCAOB believes that the affiliates in Hong Kong and Beijing should be reported as participating firms, the Firm believes that the PCAOB should indicate that both those affiliates are eligible for registration, and that they should be registered so that the Firm can avoid non-compliance with the standard.

In order to comprehensively address deficiencies regarding: AS 1220 *Engagement Quality Review*, QC 20 *System of Quality Control for a CPA Firm's Accounting and Auditing Practice*, the Firm will hold a meeting amongst all its management and staff and will discuss the issues identified by the PCAOB. The Firm will identify the necessary additional training, continuing professional education, systems, and tools. The Firm is working to promote a positive attitude towards improvement, diligence, skepticism, independence, and ethics in all that we do.

Sincerely,

*WWC, P.C.*

WWC, P.C.

Certified Public Accountants



