
2020 Inspection Marcum LLP

(Headquartered in Melville, New York)

December 16, 2021

THIS IS A PUBLIC VERSION OF A PCAOB INSPECTION REPORT

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THIS DOCUMENT IN ORDER TO COMPLY WITH SECTIONS 104(g)
(2) AND 105(b)(5)(A) OF THE SARBANES-OXLEY ACT OF 2002

PCAOB RELEASE NO. 104-2022-003A

(Includes portions of Part II of the full report that were not
included in PCAOB Release No. 104-2022-003)



PCAOB
PUBLIC COMPANY ACCOUNTING
OVERSIGHT BOARD

EXECUTIVE SUMMARY

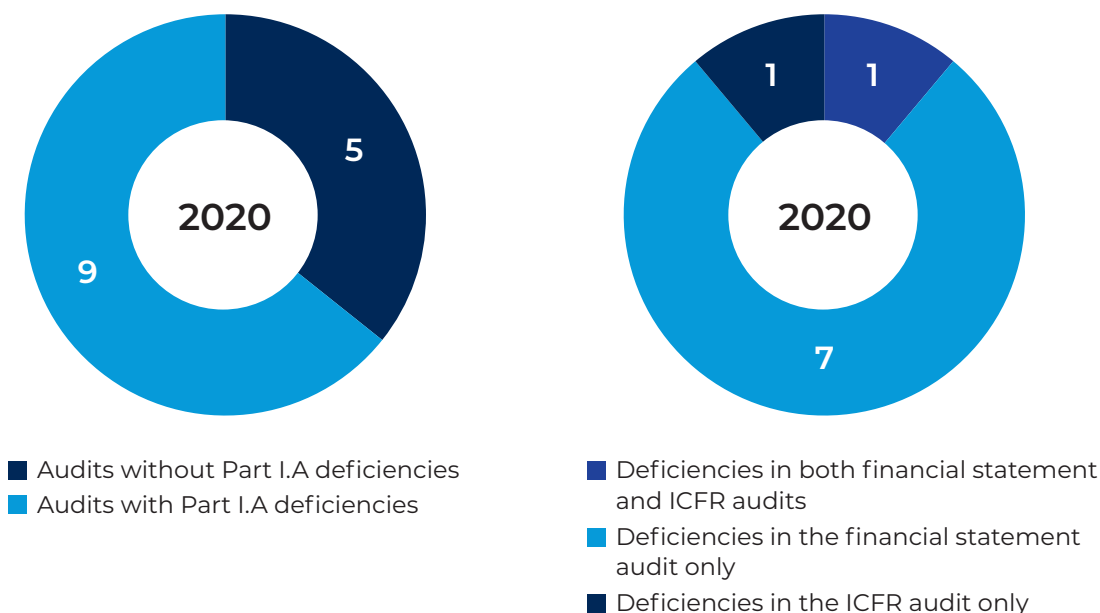
Our 2020 inspection report on Marcum LLP provides information on our inspection to assess the firm's compliance with Public Company Accounting Oversight Board (PCAOB) standards and rules and other applicable regulatory and professional requirements. This executive summary offers a high-level overview of:

- Part I.A of the report, which 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 on the issuer's financial statements and/or internal control over financial reporting (ICFR); and
- Part I.B of the report, which discusses deficiencies 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.

If we include a 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 deficiency in Part I.A or Part I.B of this report, it does not necessarily mean that the firm has not addressed the deficiency.

Overview of the 2020 Deficiencies Included in Part I

Nine of the 14 audits we reviewed in 2020 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, inventory, and investment securities.



The most common Part I.A deficiencies in 2020 related to testing data or reports used in substantive testing and performing substantive testing to address a risk of material misstatement.

Other deficiencies identified during the 2020 inspection that do not relate directly to the sufficiency or appropriateness of evidence the firm obtained to support its opinion(s), which appear in Part I.B, related to audit committee communications and Form AP.

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2020 INSPECTION

In the 2020 inspection of Marcum LLP, the PCAOB assessed the firm's compliance with laws, rules, and professional standards applicable to the audits of public companies.

We selected for review 14 audits of issuers with fiscal years generally ending in 2019. 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 2020 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:** Deficiencies 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.
- **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 Sarbanes-Oxley Act ("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.

2020 Inspection Approach

In selecting issuer audits for review, we use both risk-based and random methods of selection. We make most 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.

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

OVERVIEW OF THE 2020 INSPECTION AND HISTORICAL DATA BY INSPECTION YEAR

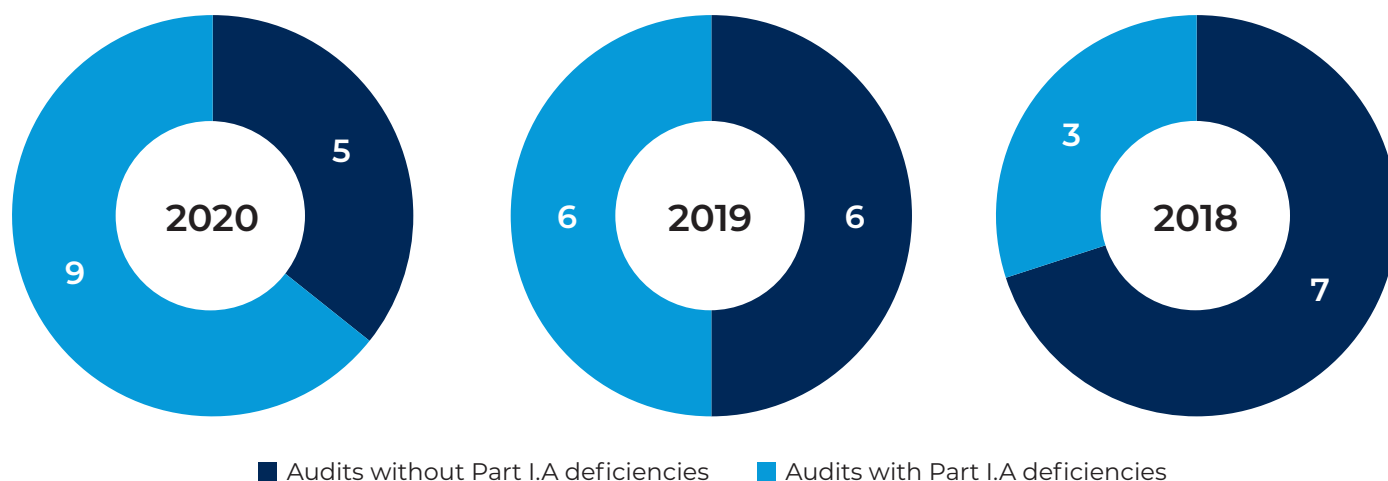
The following information provides an overview of our 2020 inspection as well as data from the previous two inspections. We use a combination of risk-based and random methods to select audits for review and to identify areas on which we focus our review. Because our inspection process evolves over time, 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

	2020	2019	2018
Total audits reviewed			
Total audits reviewed	14	12	10
Selection method			
Risk-based selections	12	10	10
Random selections	2	2	0
Total audits reviewed	14	12	10
Principal auditor			
Audits in which the firm was the principal auditor	14	12	10
Audits in which the firm was not the principal auditor	0	0	0
Total audits reviewed	14	12	10
Audit type			
Integrated audits of financial statements and ICFR	7	7	3
Financial statement audits only	7	5	7
Total audits reviewed	14	12	10

Part I.A Deficiencies in Audits Reviewed

In 2020, eight of the nine audits appearing in Part I.A were selected for review using risk-based criteria. In 2019, four of the six audits appearing in Part I.A were selected for review using risk-based criteria. In 2018, all audits appearing in Part I.A were selected for review using risk-based criteria.

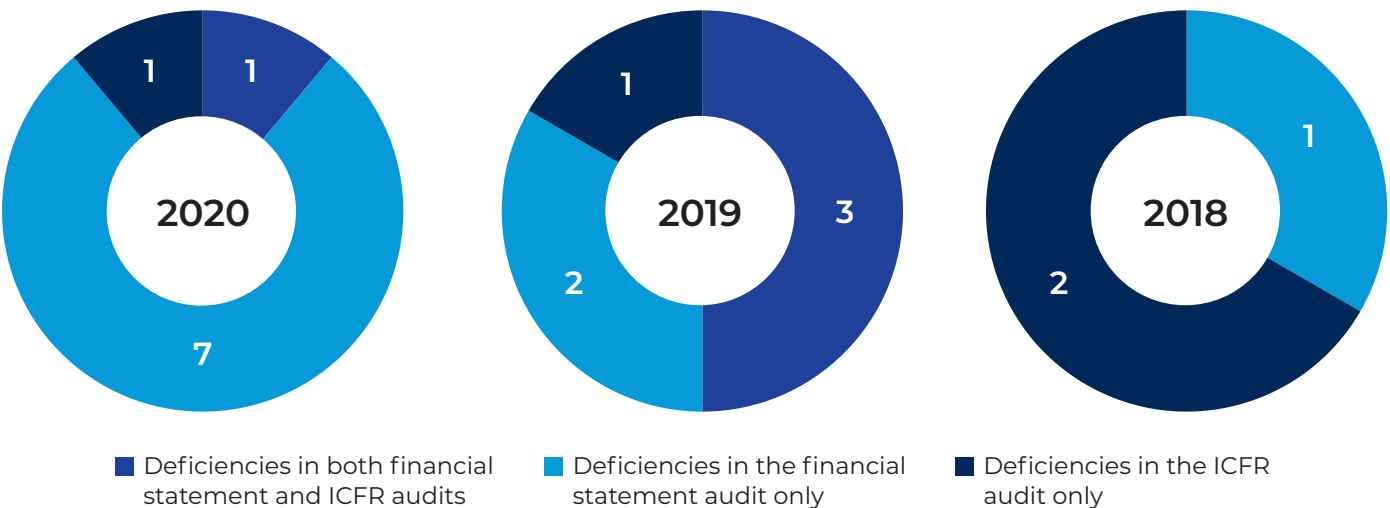


If we include a deficiency in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In many cases, the firm has performed remedial actions after the issue was identified. Depending on the circumstances, remedial actions may include performing additional 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 normally includes 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 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



The following tables and graphs summarize inspection-related information, by inspection year, for 2020 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		
	2020	2019	2018
Did not perform sufficient testing of data or reports used in the firm's substantive testing	4	3	1
Did not perform sufficient testing related to an account or significant portion of an account or to address an identified risk	3	3	0
Did not sufficiently evaluate the appropriateness of the issuer's accounting method or disclosure for one or more transactions or accounts	2	1	0
Did not sufficiently evaluate significant assumptions or data that the issuer used in developing an estimate	2	1	0

Deficiencies in ICFR audits	Audits with Part I.A deficiencies		
	2020	2019	2018
Did not perform sufficient testing of the design and/or operating effectiveness of controls selected for testing	2	3	2
Did not identify and test any controls that addressed the risks related to a significant account or relevant assertion	1	3	1
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	1	2	1

Audit Areas Most Frequently Reviewed

This table reflects the four 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.

2020			2019			2018		
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	12	5	Revenue and related accounts	11	5	Revenue and related accounts	8	3
Inventory	6	2	Inventory	4	0	Business combinations	3	1
Going concern	3	0	Long-lived assets	3	1	Income taxes	2	1
Investment securities	2	2	Equity and equity-related transactions	2	1	Investment securities	2	1

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	2020		2019		2018	
	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	5	12	5	11	3	8
Inventory	2	6	0	4	0	2
Investment securities	2	2	1	1	1	2
Equity and equity-related transactions	0	1	1	2	0	2
Income taxes	0	1	1	1	1	2
Business combinations	0	1	0	1	1	3

Revenue and related accounts: The deficiencies in 2020 and 2019 primarily related to substantive testing of, and testing controls over, revenue. The deficiencies in 2018 related to testing the accuracy and completeness of data or reports used in substantive testing and testing controls over revenue.

Inventory: The deficiencies in 2020 related to testing the accuracy and completeness of data or reports used in substantive testing and testing controls over inventory, including cycle-count controls.

Investment securities: The deficiencies in 2020 related to substantive testing of the valuation and existence of investment securities. The deficiencies in 2019 related to substantive testing of, and testing controls over, investment securities. The deficiencies in 2018 related to testing controls over the valuation and existence of investment securities.

Equity and equity-related transactions: The deficiencies in 2019 related to testing controls over stock-based compensation.

Income taxes: The deficiencies in 2019 and 2018 related to testing controls over income tax provisions and related accounts.

Business combinations: The deficiency in 2018 related to testing controls over the valuation of assets acquired and liabilities assumed.

Auditing Standards Associated with Identified Part I.A Deficiencies

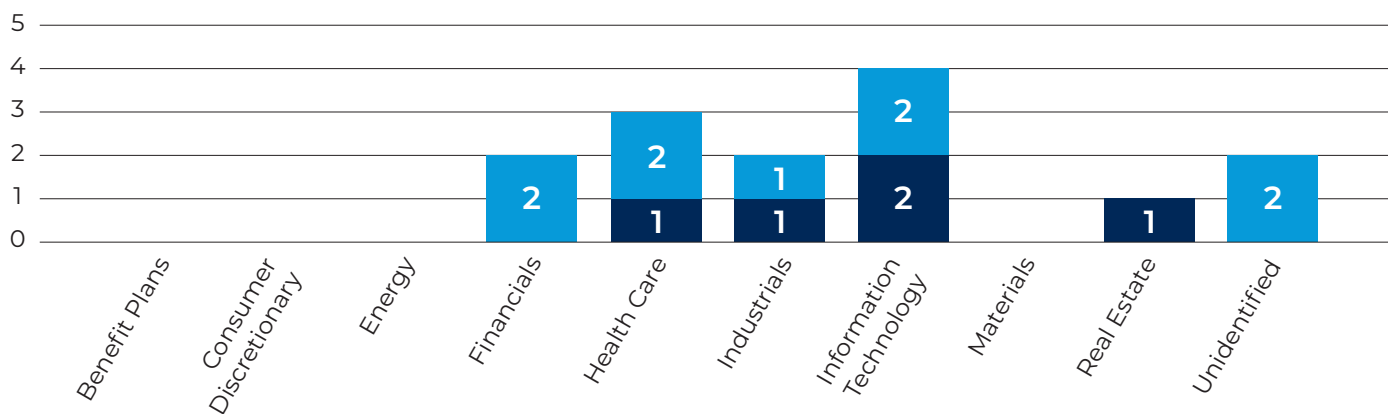
The following lists the auditing standards referenced in Part I.A of the 2020 and the previous two inspection reports and the number of times that the standard is cited in Part I.A.

PCAOB Auditing Standards	2020	2019	2018
<i>AS 1105, Audit Evidence</i>	7	4	1
<i>AS 2201, An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements</i>	7	18	13
<i>AS 2301, The Auditor's Responses to the Risks of Material Misstatement</i>	1	2	0
<i>AS 2310, The Confirmation Process</i>	0	0	1
<i>AS 2501, Auditing Accounting Estimates</i>	1	0	0
<i>AS 2502, Auditing Fair Value Measurements and Disclosures</i>	2	1	0
<i>AS 2503, Auditing Derivative Instruments, Hedging Activities, and Investments in Securities</i>	1	0	0
<i>AS 2510, Auditing Inventories</i>	2	0	0
<i>AS 2810, Evaluating Audit Results</i>	2	2	0

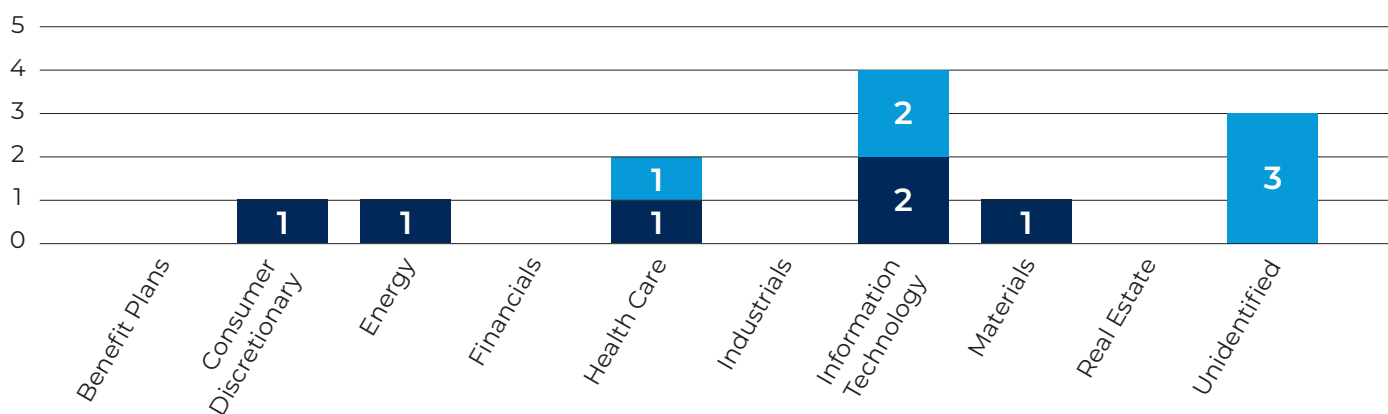
Inspection Results by Issuer Industry Sector

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."

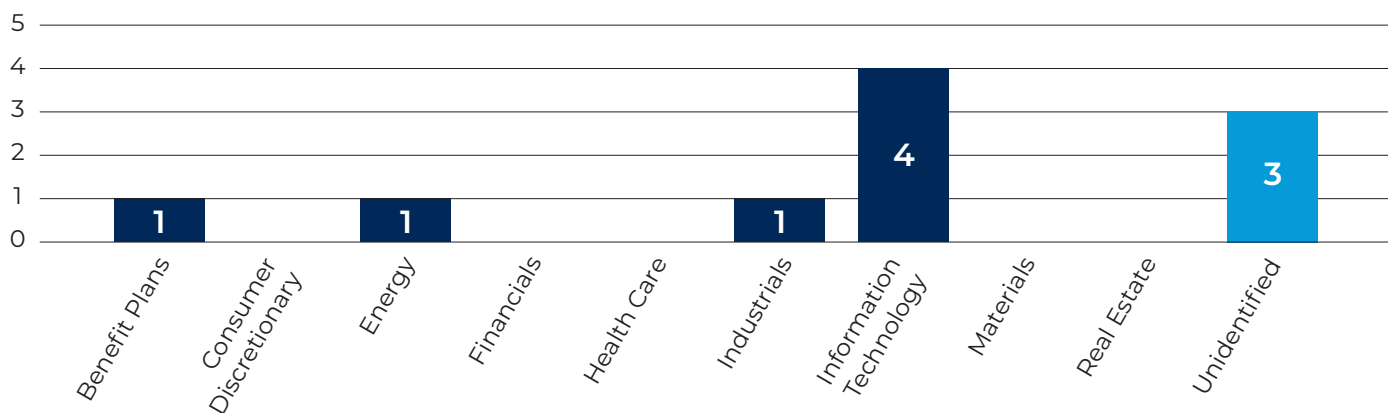
2020



2019



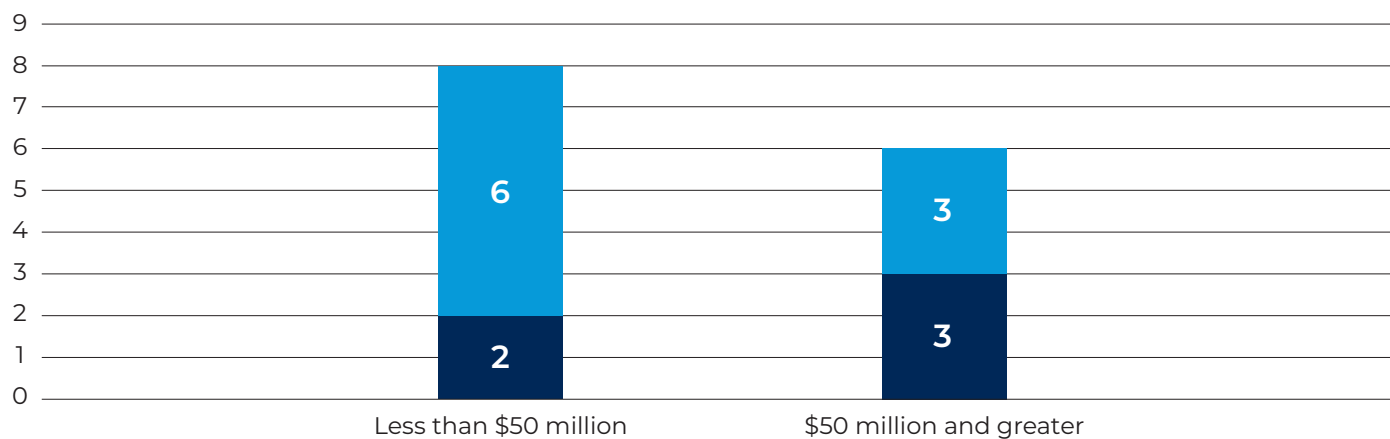
2018



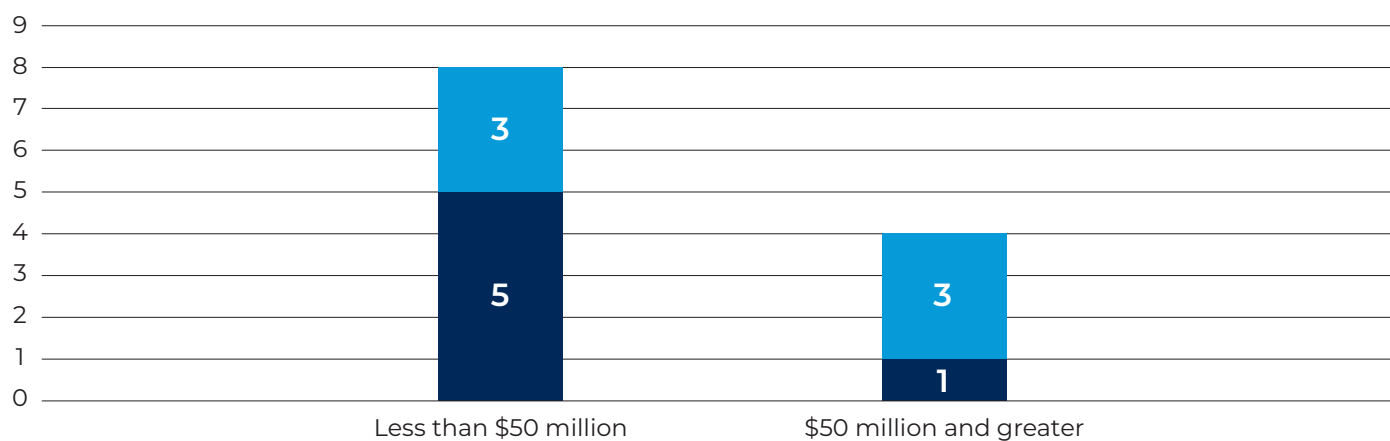
■ Audits without Part I.A deficiencies ■ Audits with Part I.A deficiencies

Inspection Results by Issuer Revenue Range

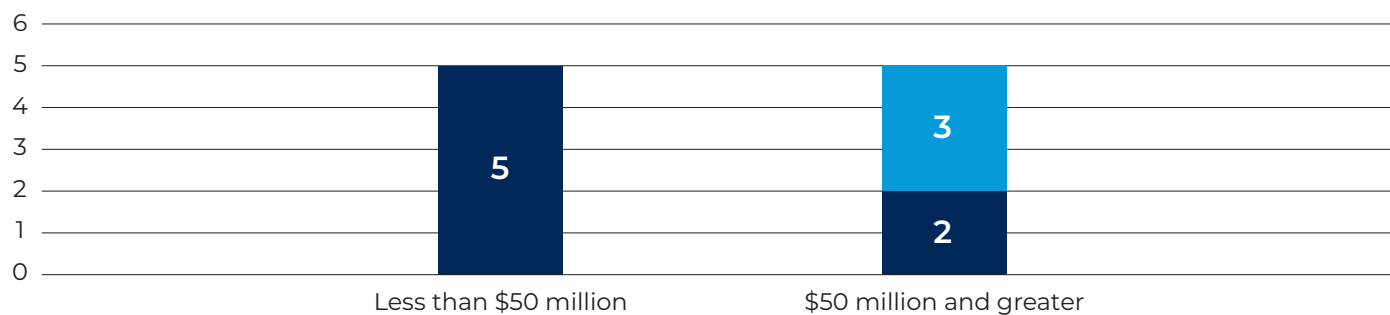
2020



2019



2018



■ Audits without Part I.A deficiencies ■ Audits with Part I.A deficiencies

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 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.

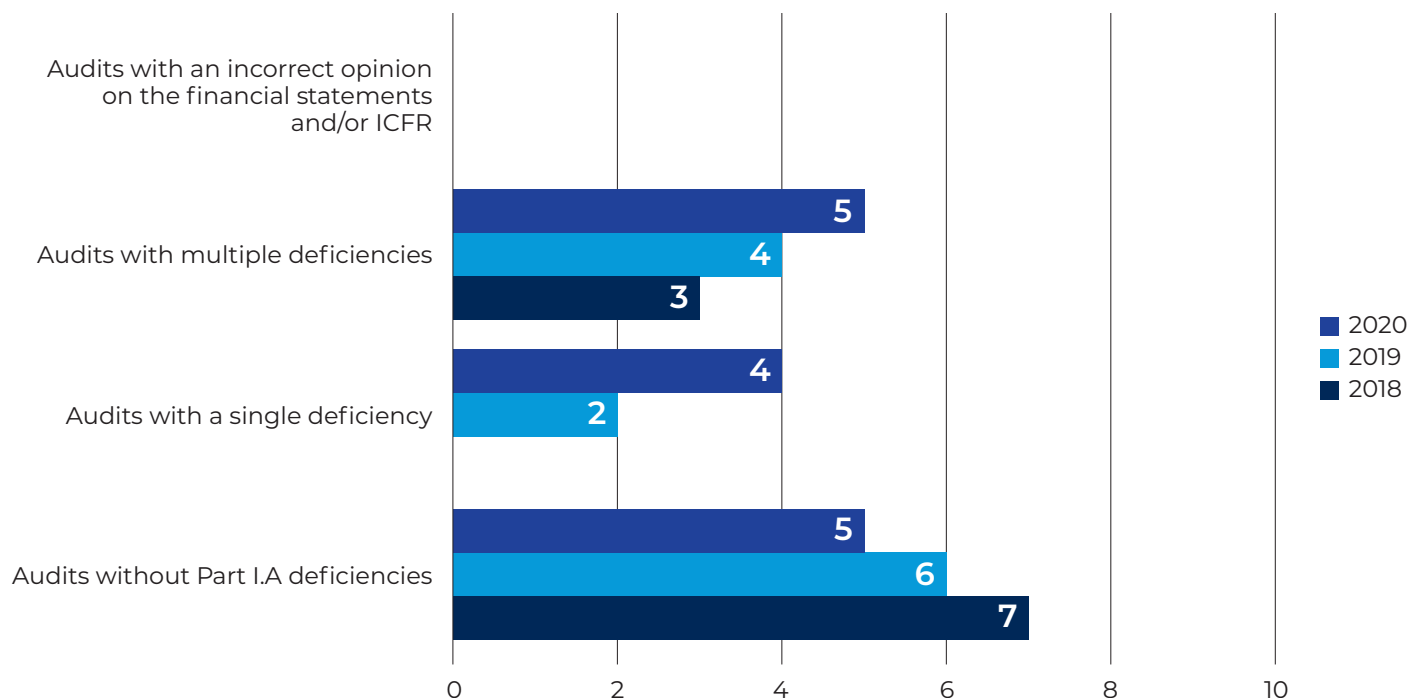
Audits with Multiple Deficiencies

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 on the issuer's financial statements and/or ICFR.

Part I.B discusses deficiencies 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 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 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

Type of audit and related areas affected

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

Description of the deficiencies identified

With respect to **Revenue** at one of the issuer's business units:

The firm did not identify and test any controls over the accuracy and completeness of the shipment information from the system that the issuer used to record revenue. (AS 2201.39)

The firm selected for testing controls that consisted of the issuer's review of sales orders. The firm used the results of its substantive testing of this revenue as evidence that these controls were operating effectively. The firm's procedures did not provide sufficient appropriate audit evidence because the firm did not directly test the review procedures that the control owners performed. (AS 2201.42, .44, and .B9)

The firm selected for testing a control that consisted of the issuer's review of the calculation of the rebate accrual. The firm did not identify and test any controls over the accuracy and completeness of the system-generated reports used in the operation of this control. (AS 2201.39)

With respect to **Inventory** at one of the issuer's business units:

The firm did not identify and test any controls that addressed the issuer's determination of the cost of its inventory and whether the amounts relieved from inventory and recorded to cost of goods sold were accurate. (AS 2201.39)

The firm selected for testing the issuer's daily cycle-count control over the existence of this inventory. The small number of cycle-counts that the firm selected for testing did not provide sufficient appropriate audit evidence in light of the frequency of the operation of the control. (AS 2201.46)

The firm selected for testing a control that consisted of the issuer's review of the reserve for excess and obsolete inventory. The firm did not identify and test any controls over the accuracy and completeness of the system-generated report used in the operation of this control. (AS 2201.39)

Due to the deficiency related to the cycle-count control discussed above, the firm did not obtain sufficient appropriate audit evidence that the cycle-count procedures the issuer used for this inventory were sufficiently reliable to produce results substantially the same as those that would have been obtained by a count of all items each year. (AS 2510.11)

Issuer B – Information Technology

Type of audit and related area affected

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

Description of the deficiencies identified

The issuer recognized certain revenue from contracts over time using an input method based on costs incurred. The following deficiencies were identified:

- The firm did not perform any substantive procedures to evaluate the reasonableness of the estimated costs to complete open contracts at year end, beyond (1) comparing, in the aggregate, estimated total costs for open contracts as of the prior year end to the revised estimated total costs for those contracts as of the current year end and (2) obtaining, for two open contracts, a summary of actual costs incurred during a period of time subsequent to year end and inquiring of management. (AS 2501.07)
- The firm used certain labor information in its substantive testing of the costs incurred to date that the issuer used to recognize this revenue but did not test, or in the alternative, test any controls over, the accuracy and completeness of this information. (AS 1105.10)

The firm identified the issuer's omission of a required disclosure under FASB ASC Topic 606, *Revenue from Contracts with Customers*, related to the disaggregation of revenue recognized over time and at a point in time. The firm concluded that the omission did not represent a material misstatement but did not evaluate the significance of a misstatement in the total amount of point-in-time revenue disclosed. (AS 2810.17)

Issuer C – Health Care

Type of audit and related area affected

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

Description of the deficiencies identified

The issuer recognized certain revenue based on electronic activity that was tracked using an internally developed information-technology (IT) system. In its substantive testing of this revenue, the firm used activity information obtained from external parties to test the electronic activity in this system but did not perform any procedures to evaluate the reliability of this activity information. (AS 1105.04 and .06)

The issuer recognized certain other revenue based on user activity in an electronic environment that was tracked and provided by two external parties. The firm obtained this information from the issuer and used it in its substantive testing of this revenue. The following deficiencies were identified:

- With respect to the user activity information provided by one external party, the firm did not sufficiently test the accuracy and completeness of the information because it did not test the parameters that the issuer input into the IT system that the external party used to track the activity. (AS 1105.10)
- With respect to the user activity information provided by the other external party, the firm did not sufficiently test the accuracy and completeness of the information because its procedures were limited to obtaining an understanding of and testing certain IT general controls over the IT system that the external party used to track the activity. (AS 1105.10)

Issuer D – Information Technology

Type of audit and related area affected

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

Description of the deficiencies identified

The issuer entered into revenue arrangements with multiple performance obligations. The firm did not perform any substantive procedures to evaluate whether the issuer's identification of the performance obligations was in conformity with FASB ASC Topic 606 and whether such obligations had been satisfied before revenue was recognized. (AS 2810.30)

The issuer recognized revenue from certain other arrangements based on information provided by external parties. The firm obtained this information from the issuer and used it in its substantive testing of this revenue. The following deficiencies were identified:

- The firm did not perform any procedures to test, or in the alternative, test any controls over, the accuracy and completeness of this information. (AS 1105.10)
- The firm selected the issuer's largest revenue transactions for testing but did not perform any substantive procedures to test the remaining portion of this revenue. (AS 1105.27)

Issuer E – Financials

Type of audit and related area affected

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

Description of the deficiencies identified

The issuer held certain investments in privately held companies that were categorized as level 3 within the fair value hierarchy as set forth in FASB ASC Topic 820, *Fair Value Measurement*. The following deficiencies were identified:

- The firm's approach for substantively testing the valuation of certain of these investments was to review and test management's process. The firm did not perform any procedures to test the share price the issuer used to record the fair value of each investment, beyond (1) obtaining, for one investment, an unexecuted consent of the investee company's board of directors regarding a possible equity transaction and (2) obtaining, for the other investments, an email that the issuer had received from a broker indicating the weighted-average share price for trades that the broker executed in the last quarter of the year under audit. (AS 2502.26 and .28)
- The firm's approach for substantively testing the valuation of another investment was to develop an independent estimate. The firm did not evaluate the appropriateness of the peer companies determined by the issuer that the firm used in developing its fair value estimate of this investment. (AS 2502.40)

Audits with a Single Deficiency

Issuer F – Health Care

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 issuer recorded two types of revenue for one of its subsidiaries net of customer discounts, rebates, and other deductions. The firm did not perform any substantive procedures to test these sales deductions, beyond comparing the total amount recorded by the issuer to an amount the firm calculated by applying the issuer's historical sales deduction rates to the gross sales for each revenue type. (AS 2301.08)

Issuer G – Industrials

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

Certain of the issuer's inventory was subject to weekly cycle counts, and the issuer used system-generated reports to determine the frequency with which each item should be counted and to select the items that should be counted each week. The firm did not perform any substantive procedures to test, or in the alternative, test any controls over, the accuracy and completeness of these reports. As a result, the firm did not obtain sufficient appropriate audit evidence that the cycle-count procedures the issuer used for this inventory were sufficiently reliable to produce results substantially the same as those that would have been obtained by a count of all items each year. (AS 1105.10; AS 2510.11)

Issuer H – Financials

Type of audit and related area affected

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

Description of the deficiency identified

For certain investments the issuer held, the firm performed confirmation procedures for a small number of these investments but did not perform any procedures to obtain evidence that the remaining population of these investments existed at year end. (AS 2503.21)

Issuer I

Type of audit and related area affected

In our review, we identified a deficiency in the ICFR audit related to **Leases**.

Description of the deficiency identified

The firm selected for testing a control that included the review of the issuer's accounting for leases for conformity with FASB ASC Topic 842, *Leases*. 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)

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 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 one audit reviewed, the firm did not make a required communication to the issuer's audit committee related to the name, location, and planned responsibilities of an other accounting firm that performed audit procedures in the audit. In this instance, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.
- In one of 14 audits reviewed and in 13 other audits, the firm did not file one or more reports 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*.

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.

Reliance on Data or Reports

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 establish a basis for reliance on data or reports will meet the requirements of AS 1105 and AS 2201. (QC 20.03 and .17)

The inspection team identified five audits,¹ all of which are included in Part I.A, with deficiencies related to unwarranted reliance on data or reports.

- In four of these audits,² the firm did not perform procedures to test, or sufficiently test, the accuracy and completeness of certain data or reports that it used in its substantive testing, or in the alternative, test, or sufficiently test, controls over those data and reports.
- In one of these audits,³ the firm did not identify and test controls over the accuracy and completeness of certain reports that the issuer used in the operation of controls that the firm tested.

Supervision of the Audit

The inspection results indicate that the firm's system of quality control does not provide reasonable assurance that the supervisory activities, including reviews of audit work, performed by the firm's engagement partners will meet the requirements of AS 1201. (QC 20.03 and .17)

In nine audits,⁴ all of which are included in Part I.A, the inspection team identified one or more deficiencies that the engagement partner should have identified and appropriately addressed but did not. In six of these audits,⁵ the engagement team had identified a significant risk, including in some cases a fraud risk, in an area in which a deficiency was identified.

¹ Issuers A, B, C, D, and G

² Issuers B, C, D, and G

³ Issuer A

⁴ Issuers A, B, C, D, E, F, G, H, and I

⁵ Issuers A, B, C, D, E, and F

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 six audits,⁶ all of 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 all of these audits, the EQR partner did not identify a deficiency in an area in which the engagement team had identified a significant risk, including in some cases a fraud risk.

* * * *

⁶ Issuers A, B, C, D, E, and F

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.



October 22, 2021

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

Re: Response to the Draft Report on 2020 Inspection of Marcum LLP

Dear Mr. Botic:

Marcum LLP (the "Firm") is pleased to provide this response to the Public Company Accounting Oversight Board's (the "PCAOB") draft report on the 2020 inspection of Marcum LLP (the "Draft Report").

The Firm respects the inspection process and we believe that, through formal communications and through interactions with PCAOB staff, it has led to improved audit quality. As we have after every inspection, we carefully considered the matters brought to our attention in connection with the 2020 inspection, and have taken actions to enhance our policies and procedures as part of our commitment to the highest standards of audit quality.

We have also thoroughly evaluated the matters described in Part I.A of the Draft Report and have taken steps 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*.

We appreciate the opportunity to respond to the Draft Report and welcome the opportunity to discuss our response and look forward to continued interaction with your staff.

Sincerely,

A handwritten signature in black ink that reads "Marcum LLP".

Marcum LLP



Marcum LLP ■ 10 Melville Park Road ■ Melville, New York 11747 ■ Phone 631.414.4000 ■ Fax 631.414.4001 ■ marcumllp.com

