
2020 Inspection Moss Adams LLP

(Headquartered in Seattle, Washington)

December 16, 2021

THIS IS A PUBLIC VERSION OF A PCAOB INSPECTION REPORT

PORTIONS OF THE COMPLETE REPORT ARE OMITTED FROM 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. 104-2022-004A

(Includes portions of Part II and Appendix A of the full report that were not included in PCAOB Release No. 104-2022-004)



EXECUTIVE SUMMARY

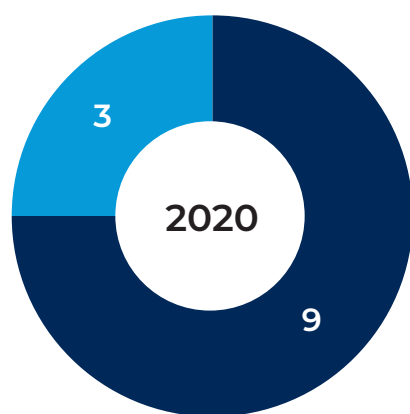
Our 2020 inspection report on Moss Adams LLP provides information on our inspection to assess the firm’s compliance with Public Company Accounting Oversight Board (PCAOB) standards and rules and other applicable regulatory and professional requirements. This executive summary offers a high-level overview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

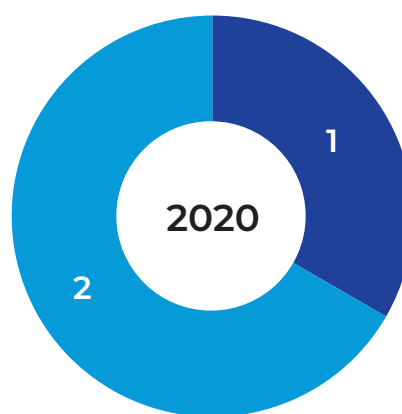
If we include a deficiency in this report — other than those deficiencies for audits with incorrect opinions on the financial statements and/or ICFR — it does not necessarily mean that the issuer’s financial statements are materially misstated or that undisclosed material weaknesses in ICFR exist. If 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

Three of the 12 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 a business combination.



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



■ Deficiencies in both financial statement and ICFR audits
■ Deficiencies in the financial statement audit only
■ Deficiencies in the ICFR audit only

The most common Part I.A deficiency in 2020 related to performing substantive procedures to address a risk of material misstatement.

An additional deficiency identified during the 2020 inspection that does not relate directly to the sufficiency or appropriateness of evidence the firm obtained to support its opinion(s), which appears in Part I.B, related to the firm's audit report.

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2020 INSPECTION

In the 2020 inspection of Moss Adams 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 12 audits of issuers with fiscal years 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:**
 - o **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.
 - o **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

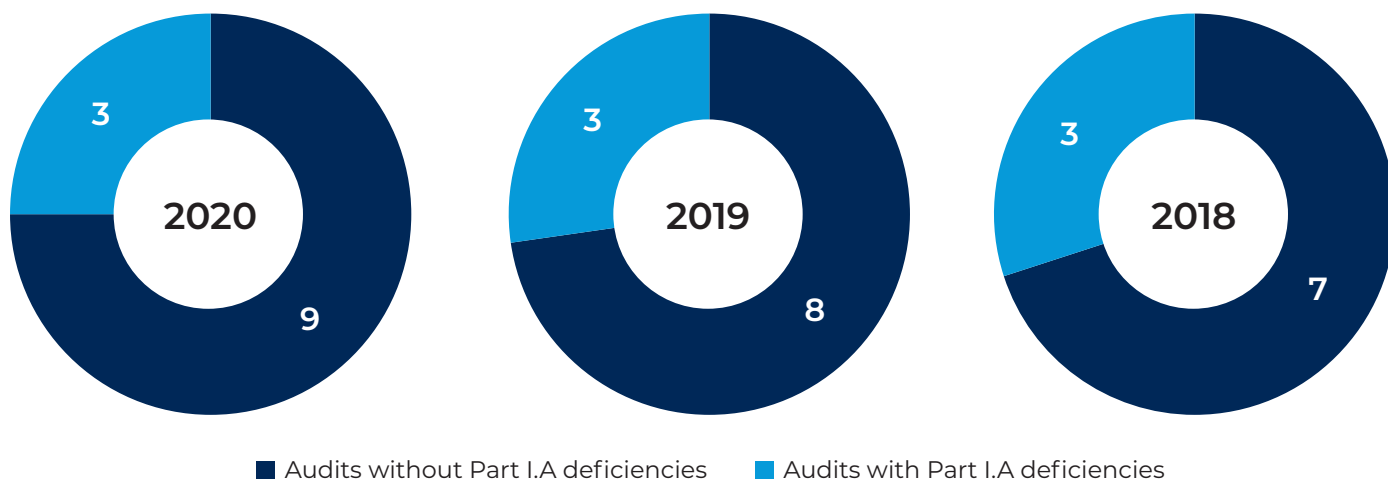
The following information provides an overview of our 2020 inspection as well as data from the previous two inspections. We use a combination of risk-based and random methods to select audits for review and to identify areas on which we focus our review. Because our inspection process evolves over time, 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	12	11	10
Selection method			
Risk-based selections	10	9	10
Random selections	2	2	0
Total audits reviewed	12	11	10
Principal auditor			
Audits in which the firm was the principal auditor	12	11	10
Audits in which the firm was not the principal auditor	0	0	0
Total audits reviewed	12	11	10
Audit type			
Integrated audits of financial statements and ICFR	5	7	6
Financial statement audits only	7	4	4
Total audits reviewed	12	11	10

Part I.A Deficiencies in Audits Reviewed

In 2020, two of the three audits appearing in Part I.A were selected for review using risk-based criteria. In both 2019 and 2018, all of the audits appearing in Part I.A were selected for review using risk-based criteria.

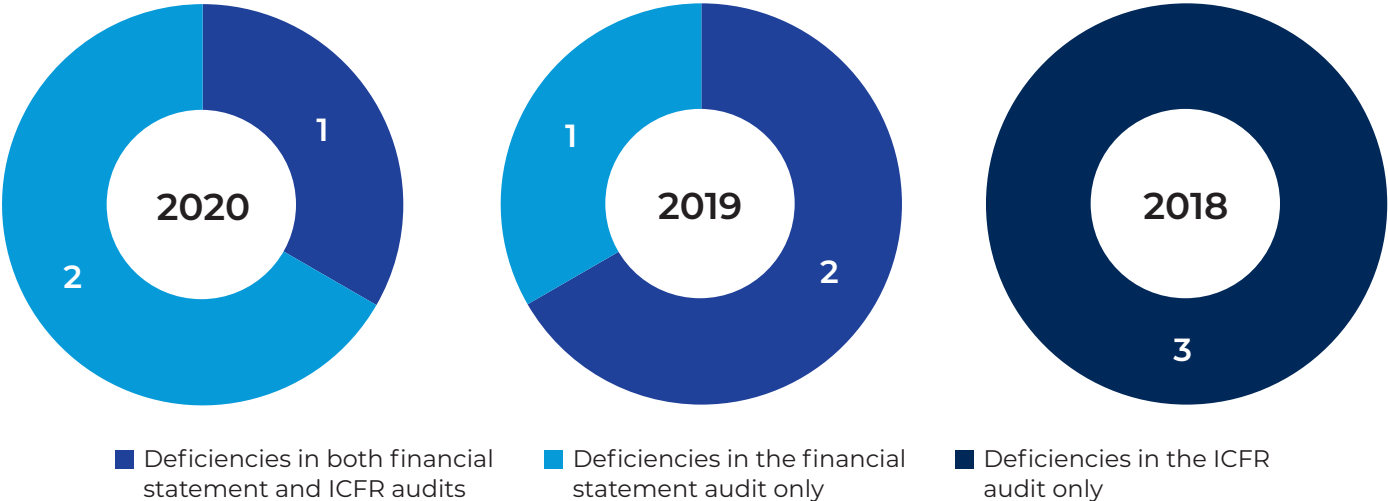


If we include a deficiency in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In many cases, the firm has performed remedial actions after the issue was identified. Depending on the circumstances, remedial actions may include performing additional 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 related to an account or significant portion of an account or to address an identified risk	2	0	0
Did not sufficiently evaluate significant assumptions or data that the issuer used in developing an estimate	1	1	0
Did not obtain sufficient evidence as a result of overreliance on controls (due to deficiencies in testing controls)	1	1	0

Deficiencies in ICFR audits	Audits with Part I.A deficiencies		
	2020	2019	2018
Did not identify and test any controls that addressed the risks related to a significant account or relevant assertion	1	0	2
Did not perform sufficient testing of the design and/or operating effectiveness of controls selected for testing	1	1	3
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	1	1
Did not appropriately evaluate control deficiencies	1	0	1

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.

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	7	2	Revenue and related accounts	6	1	Revenue and related accounts	6	3
Allowance for loan losses	5	0	Business combinations	4	0	Inventory	3	1
Inventory	4	1	Allowance for loan losses	3	1	Allowance for loan losses	3	0
Business combinations	3	1	Long-lived assets	2	0	Investment securities	3	0
Loans and related accounts	2	0	Cash and cash equivalents	2	0	Cash and cash equivalents	2	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	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	2	7	1	6	3	6
Inventory	1	4	1	1	1	3
Business combinations	1	3	0	4	0	1
Allowance for loan losses	0	5	1	3	0	3
Loans and related accounts	0	2	1	2	0	1

Revenue and related accounts: The deficiencies in 2020 and 2019 related to substantive testing of, and testing controls over, revenue and related accounts. The deficiencies in 2018 related to testing controls over revenue and related accounts.

Inventory: The deficiencies in 2020 related to substantive testing of, and testing controls over, inventory, including cycle-count controls. The deficiencies in 2019 related to substantive testing of, and testing controls over, the accuracy and completeness of data or reports. The deficiencies in 2018 related to testing controls over inventory, including cycle-count controls.

Business combinations: The deficiency in 2020 related to substantive testing of the fair value of certain consideration transferred in a business combination.

Allowance for loan losses: The deficiencies in 2019 related to substantive testing of, and testing controls over, the allowance for loan losses.

Loans and related accounts: The deficiency in 2019 related to substantive testing of a note receivable from a related party.

Auditing Standards Associated with Identified Part I.A Deficiencies

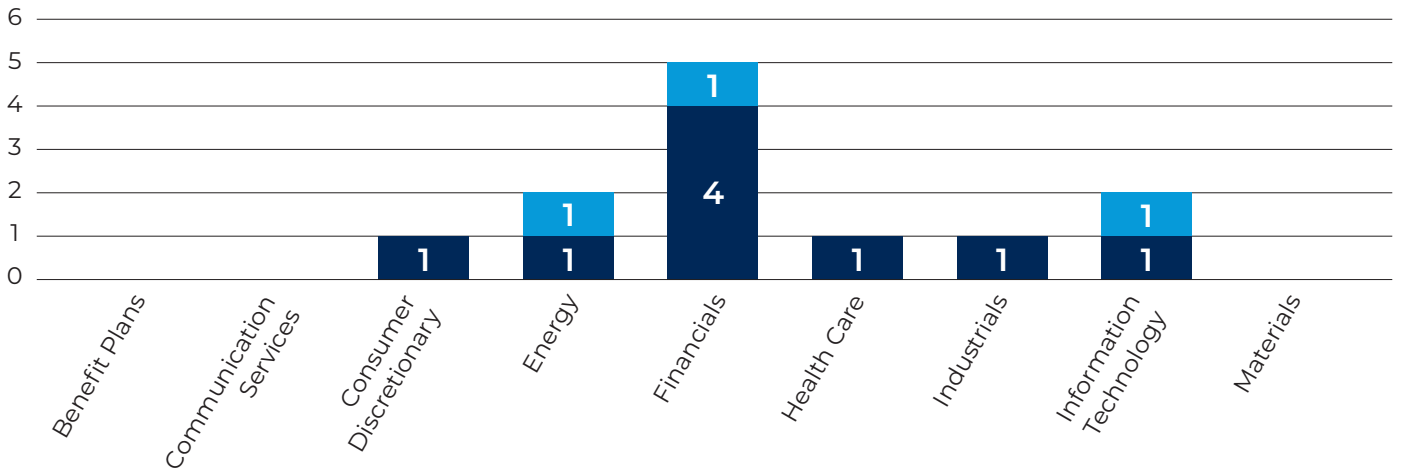
The following lists the auditing standards referenced in Part I.A of the 2020 and the previous two inspection reports and the number of times that the standard is cited in Part I.A.

PCAOB Auditing Standards	2020	2019	2018
<i>AS 2201, An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements</i>	7	3	5
<i>AS 2301, The Auditor's Responses to the Risks of Material Misstatement</i>	3	1	0
<i>AS 2305, Substantive Analytical Procedures</i>	0	1	0
<i>AS 2315, Audit Sampling</i>	1	1	0
<i>AS 2501, Auditing Accounting Estimates</i>	0	1	0
<i>AS 2502, Auditing Fair Value Measurements and Disclosures</i>	1	0	0
<i>AS 2810, Evaluating Audit Results</i>	0	1	0

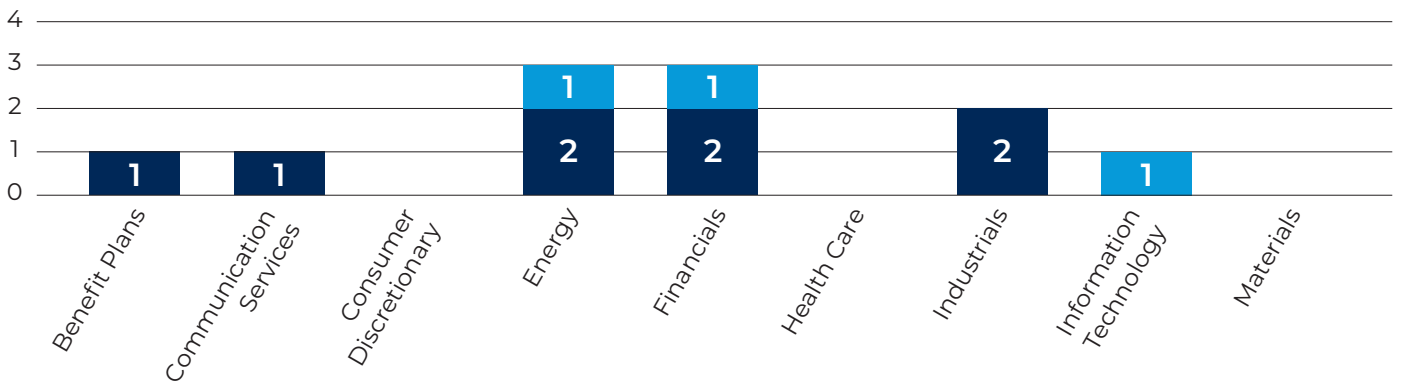
Inspection Results by Issuer Industry Sector

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.

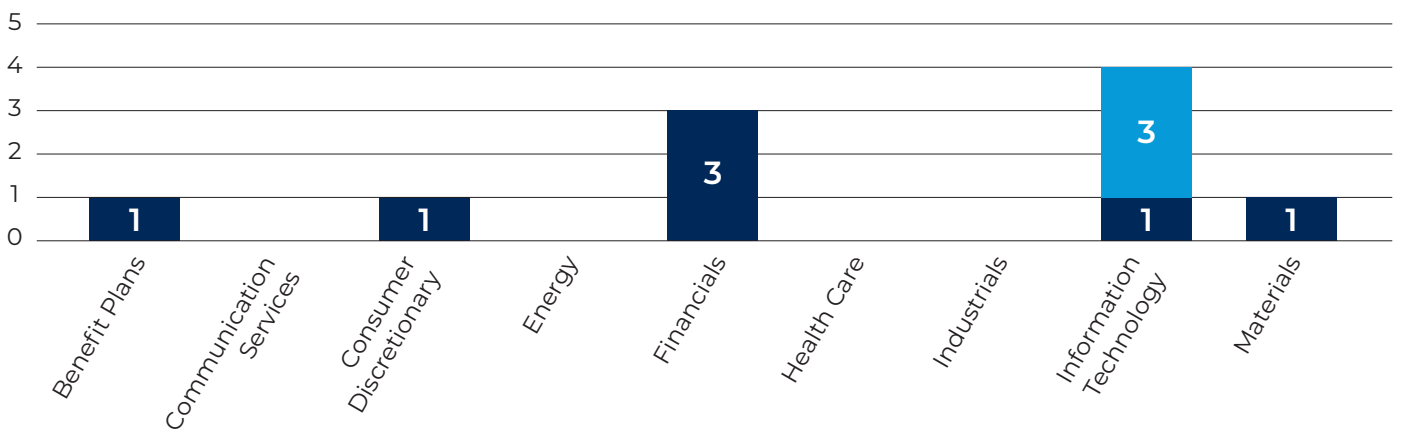
2020



2019



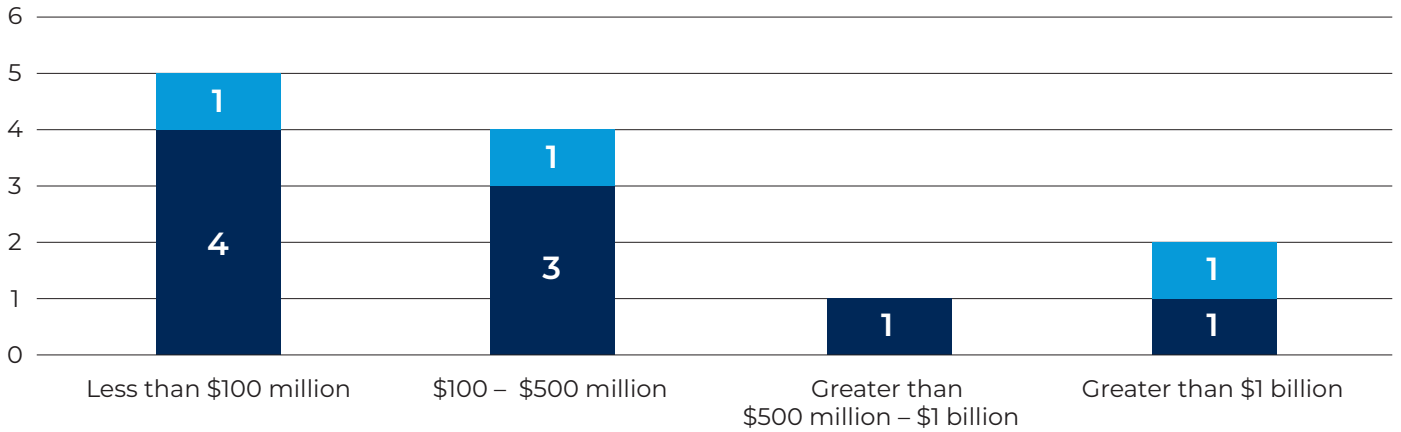
2018



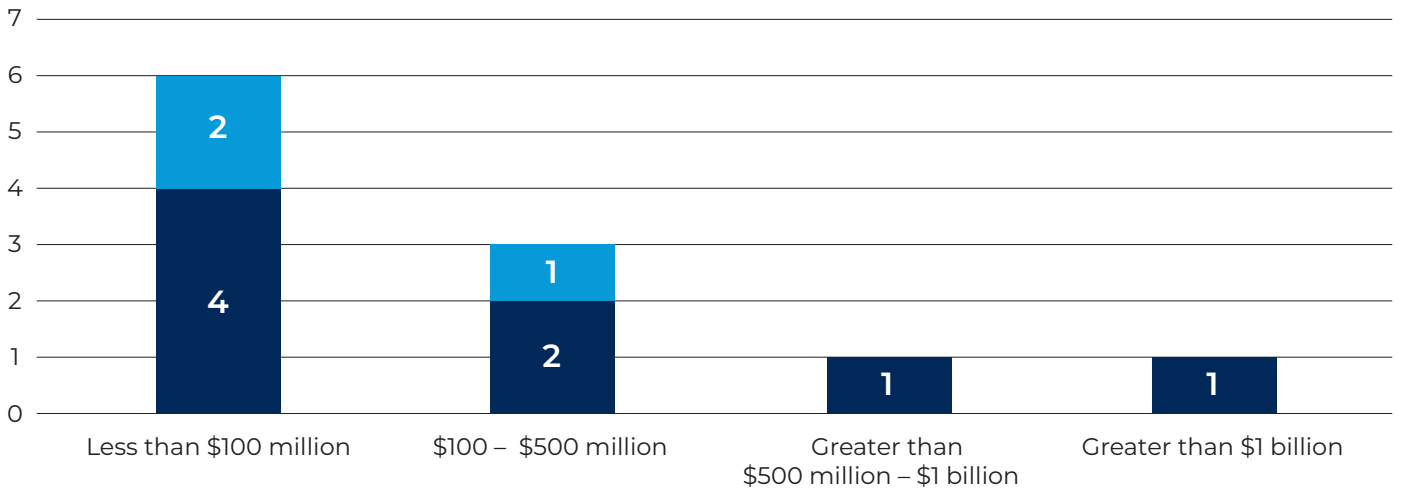
■ Audits without Part I.A deficiencies ■ Audits with Part I.A deficiencies

Inspection Results by Issuer Revenue Range

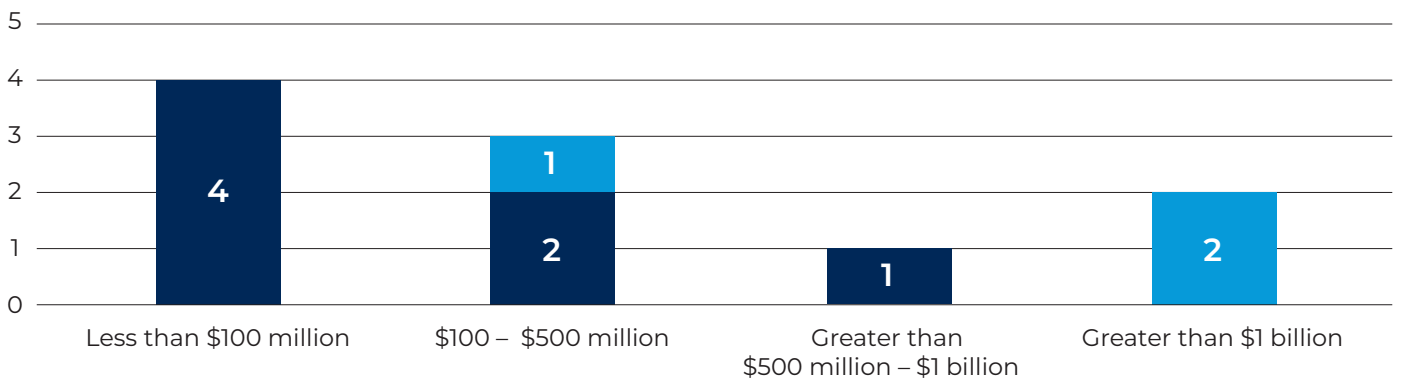
2020



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.

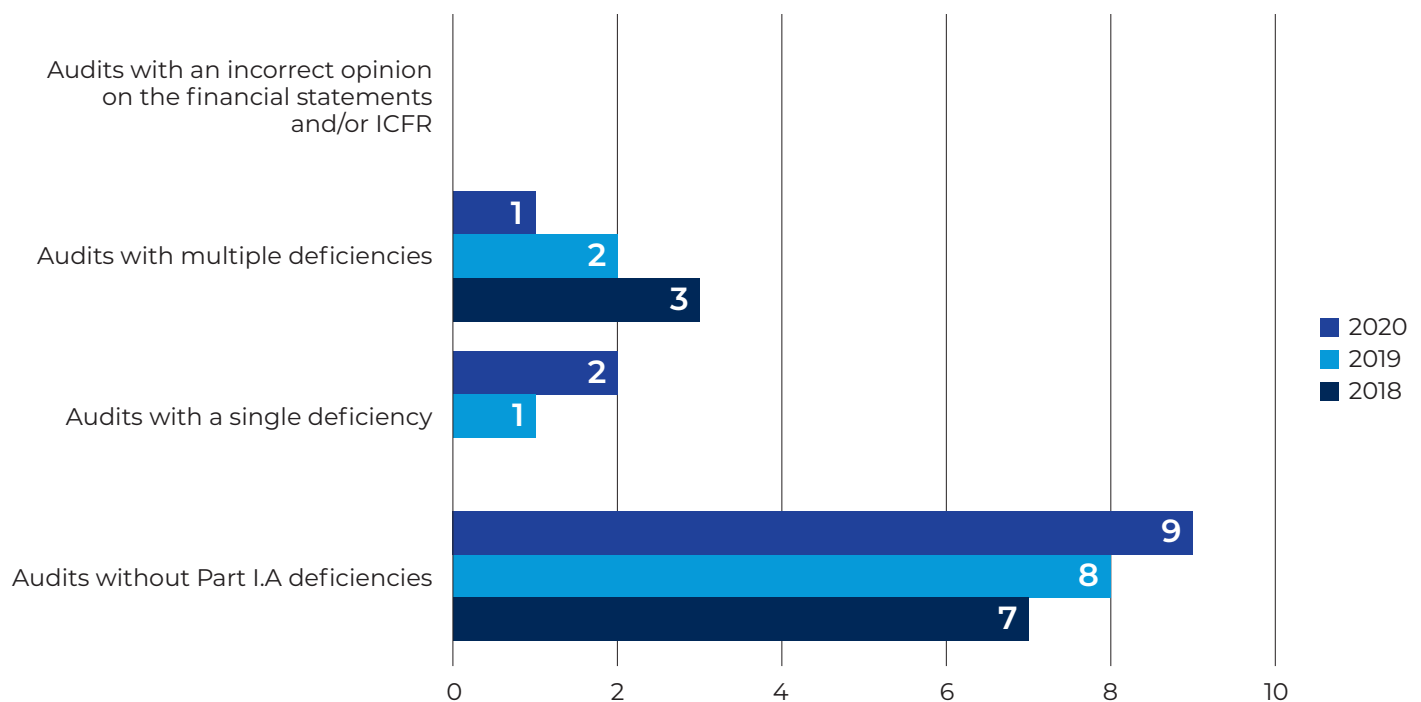
Audits with Multiple Deficiencies

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) and industry sector. 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**, **Accounts Receivable**, and **Inventory** for one of the issuer's business units:

The issuer used two information-technology (IT) systems to process and record transactions related to revenue, accounts receivable, and inventory for this business unit. The following deficiencies were identified:

- With respect to the first system, the issuer maintained separate instances of this system at each of its locations; each instance represented a separate occurrence of the system that could be configured

differently. The firm selected for testing certain automated controls over this system. The firm's approach to testing only one instance of the operation of these automated controls was inappropriate because it was based on an unsupported assumption that all instances of this system were configured the same way and that the automated controls for each instance were designed and operated the same way. (AS 2201.46)

- The firm identified control deficiencies related to certain controls over access to the second system. The firm did not sufficiently evaluate the severity of these control deficiencies because its procedures were limited to evaluating whether the changes made to the system in the current year were appropriate, without evaluating the magnitude of the potential misstatement that could have resulted from inappropriate access to this system. (AS 2201.62)
- The firm selected for testing certain automated and IT-dependent manual controls that used information generated or maintained by the second system. The accuracy and completeness of this information depended on effective IT general controls (ITGCs). Due to the deficiency in the firm's evaluation of the ITGC control deficiencies discussed above, the firm's testing of these automated and IT-dependent manual controls was not sufficient. (AS 2201.46)

With respect to **Revenue** for this business unit:

The firm selected for testing a control that consisted of the issuer's review of invoices to determine whether revenue was appropriately recorded. The firm did not identify and test any controls that addressed the accuracy and completeness of the price and quantity data that the issuer used in the operation of this control. (AS 2201.39)

The sample sizes the firm used in certain of its substantive procedures to test this revenue 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 deficiencies in the firm's control testing discussed above. (AS 2301.16, .18, and .37; AS 2315.19, 23, and .23A)

With respect to **Inventory** for this business unit:

The issuer performed cycle counts of inventory held at certain locations. The following deficiencies were identified:

- The firm did not identify and test any controls over the issuer's monitoring of its cycle-count program. (AS 2201.39)
- The firm selected for testing certain cycle-count controls that it assessed as having a higher risk of failure. To test the design and operating effectiveness of these controls, the firm selected a sample of cycle counts. The firm observed a small number of these counts and, for certain of the remaining counts, inquired of the issuer's personnel and inspected cycle-count documentation. The firm's procedures for the unobserved counts did not provide sufficient appropriate audit evidence given the assessed higher risk associated with these controls. (AS 2201.46)
- The firm did not perform any substantive procedures to test the existence of inventory held at certain of these locations. (AS 2301.08)

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

Audits with a Single Deficiency

Issuer B – Financials

Type of audit and related area affected

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

Description of the deficiency identified

During the year, the issuer acquired a business. The firm did not sufficiently test the fair value of certain consideration transferred by the issuer because its procedures were limited to recalculating this consideration based on the terms of the purchase agreement, without evaluating certain relevant available market information. (AS 2502.26, .28, .31 and .36)

Issuer C – Energy

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

During the year, the issuer recorded revenue from a bill-and-hold arrangement with one of its customers. The firm did not perform any procedures to evaluate whether the issuer met certain revenue recognition criteria for bill-and-hold arrangements, beyond reading a memorandum prepared by the issuer and inquiring of management. (AS 2301.08)

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 area below was 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.

We identified the following deficiency:

In one of seven audits reviewed, the firm's audit report did not include explanatory language regarding ICFR. In this instance, the firm was non-compliant with AS 3105, *Departures from Unqualified Opinions and Other Reporting Circumstances*.

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.

A. 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 four audits,¹ three of which are included in Part I.A² and one of which is included in Part I.B,³ the inspection team identified one or more deficiencies that the engagement partner, or an assisting partner who performed supervisory activities, should have identified and appropriately addressed but did not. In three of these audits,⁴ the engagement team had identified a significant risk, including in some cases a fraud risk, in an area in which a deficiency was identified.

B. 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 four audits,⁵ three of which are included in Part I.A⁶ and one of which is included in Part I.B,⁷ the inspection team identified one or more deficiencies in an area that the EQR partner was required to evaluate. In three of these audits,⁸ 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.

¹ Issuers A, B, C, and D

² Issuers A, B, and C

³ Issuer D

⁴ Issuers A, B, and C

⁵ Issuers A, B, C, and D

⁶ Issuers A, B, and C

⁷ Issuer D

⁸ Issuers A, B, and C

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.



T (206) 302-6500
F (206) 622-9975

999 Third Avenue
Suite 2800
Seattle, WA 98104

October 28, 2021

Mr. George Botic, 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 Draft Report on 2020 Inspection of Moss Adams LLP

Dear Mr. Botic:

On behalf of Moss Adams LLP, we are pleased to provide our response to the Public Company Accounting Oversight Board's (the "PCAOB") Draft Report on the 2020 Inspection of Moss Adams LLP (the "Draft Report").

Our Firm is committed to the highest standards of audit quality. We continually monitor our methodologies, policies, procedures and practices and seek every opportunity to make changes when we identify improvements that could enhance audit quality.

We have carefully evaluated the matters described in Part I of the Draft Report and, in each case, we have taken actions to fulfill our professional responsibilities in accordance with PCAOB standards AS 2901, *Consideration of Omitted Procedures After the Report Date*, and where applicable, AS 2905, *Subsequent Discovery of Facts Existing at the Date of the Auditor's Report*.

We support the PCAOB inspection process and believe the inspection comments, observations and dialogue with the PCAOB inspection staff assist in the achievement of our shared objective of continual improvement in audit quality.

Sincerely,

Moss Adams LLP

Assurance, tax, and consulting offered through Moss Adams LLP. Investment advisory services offered through Moss Adams Wealth Advisors LLC. Investment banking offered through Moss Adams Capital LLC.



T (206) 302-6500
F (206) 622-9975

999 Third Avenue
Suite 2800
Seattle, WA 98104

October 28, 2021

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

Re: Response to Part II of Draft Report on the 2020 Inspection of Moss Adams LLP dated September 28, 2021

Dear Mr. Botic:

We are pleased to provide our response to the non-public portion included in Part II of the Public Company Accounting Oversight Board's (the "PCAOB" or "Board") Draft Report on the 2020 Inspection of Moss Adams LLP (the "Draft Report"). We support the PCAOB inspection process and believe the inspection comments and observations assist in the achievement of our shared objective of improving audit quality.

For the Board's convenience, the comments received in Part II of the Draft Report have been included in this response letter.

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 7207. (QC 20.03 and .77)

In four audits, three of which are included in Part I.A and one of which is included in Part I.B, the inspection team identified one or more deficiencies that the engagement partner, or an assisting partner who performed supervisory activities, should have identified and appropriately addressed but did not. In three of these audits, the engagement team had identified a significant risk, including in some cases a fraud risk, in an area in which a deficiency was identified.

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 7220. (QC 20.03 and .77)

In four audits, three of which are included in Part I.A and one of which is included in Part I.B, the inspection team identified one or more deficiencies in an area that the EQR partner was required to evaluate. In three 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.

Assurance, tax, and consulting offered through Moss Adams LLP. Investment advisory services offered through Moss Adams Wealth Advisors LLC. Investment banking offered through Moss Adams Capital LLC.

Response:

****REDACTED. Comments on Non-public Aspects of Report



To improve the performance of our engagement teams and engagement quality reviewers with respect to issues identified in Part II of the Draft Report during the 2020 PCAOB inspection, we have taken steps to address the findings, including but not limited to, the following:

- Required training on relevant ICFR and substantive procedure topics that was delivered to firm SEC personnel in different formats and varied content in 2020 as well as training to be delivered in December 2021. The respective trainings emphasized the issues identified in the 2020 Firm Report as well as comments received from subsequent PCAOB inspections conducted in 2021, including a focus on controls, including management review controls, and substantive testing related to revenue, accounts receivable, inventory and ITGCs.
- IT Specialists were required to attend additional training developed and provided to our IT audit specialists in May of 2020 which contains topics, among others, specific to issues raised in relation to ITGCs and IT related matters raised during the inspection process.
- Modifications to firm templates and tools used in performing walkthroughs and testing operating effectiveness of management review controls which will be effective for audits beginning after December 15, 2021.
- Updating reporting templates used in the banking practice when controls are tested for non-integrated audits solely for FDICIA reporting purposes.

We will continue to evaluate the causes of the identified deficiencies and will provide additional training and adopt changes in practices and policies as considered necessary.



Mr. George Botic
October 28, 2021
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We are available to the Board and its staff to discuss our response in further detail. In addition, upon receipt of the final report we will initiate dialog with you and work towards providing you with appropriate evidence of our remediation of the quality control concerns addressed in Part II of the Draft Report. If you should require additional information at this time or have any questions do not hesitate to contact Jeff Brown, Chief Risk Officer at 206.302.6814 or Michael Spencer, Partner PCAOB Compliance at 408.916.0589.

Sincerely,

Moss Adams LLP

