
2020 Inspection RSM US LLP

(Headquartered in Chicago, Illinois)

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. 104-2022-005A

(Includes portions of Part II of the full report that were not included in PCAOB Release No. 104-2022-005)



EXECUTIVE SUMMARY

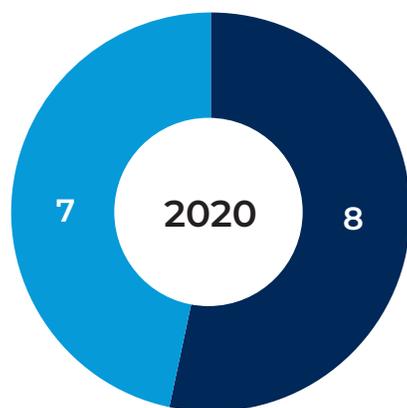
Our 2020 inspection report on RSM US LLP provides information on our inspection to assess the firm's compliance with Public Company Accounting Oversight Board (PCAOB) standards and rules and other applicable regulatory and professional requirements. This executive summary offers a high-level overview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

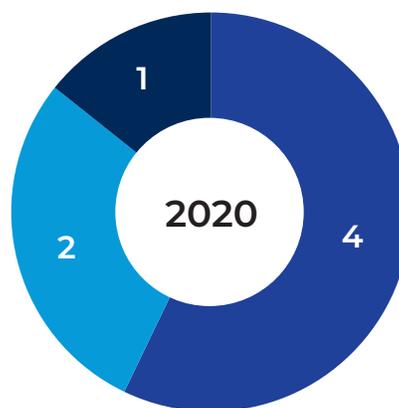
If we include a deficiency in this report — other than those deficiencies for audits with incorrect opinions on the financial statements and/or ICFR — it does not necessarily mean that the issuer’s financial statements are materially misstated or that undisclosed material weaknesses in ICFR exist. If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

Seven of the 15 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 and the allowance for loan losses.



- 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 deficiencies in 2020 related to testing the design or operating effectiveness of controls selected for testing and testing controls over the accuracy and completeness of data or reports used in the operation of controls.

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 audit committee communications.

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2020 INSPECTION

In the 2020 inspection of RSM US 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 15 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:**
 - 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

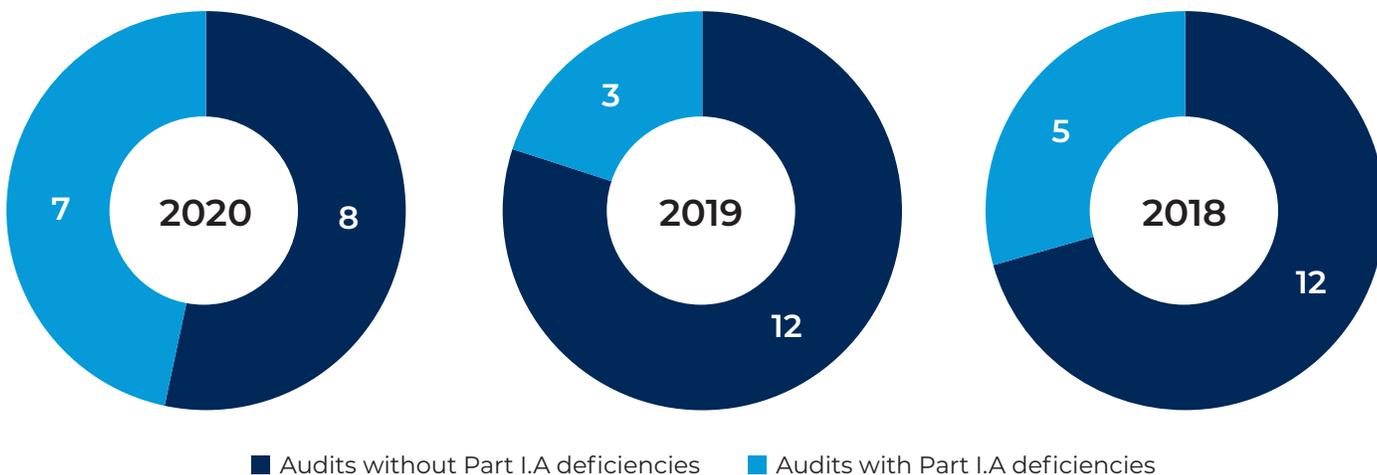
The following information provides an overview of our 2020 inspection as well as data from the previous two inspections. We use a combination of risk-based and random methods to select audits for review and to identify areas on which we focus our review. Because our inspection process evolves over time, 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	15	15	17
Selection method			
Risk-based selections	13	13	17
Random selections	2	2	0
Total audits reviewed	15	15	17
Principal auditor			
Audits in which the firm was the principal auditor	15	15	17
Audits in which the firm was not the principal auditor	0	0	0
Total audits reviewed	15	15	17
Audit type			
Integrated audits of financial statements and ICFR	8	10	12
Financial statement audits only	7	5	5
Total audits reviewed	15	15	17

Part I.A Deficiencies in Audits Reviewed

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

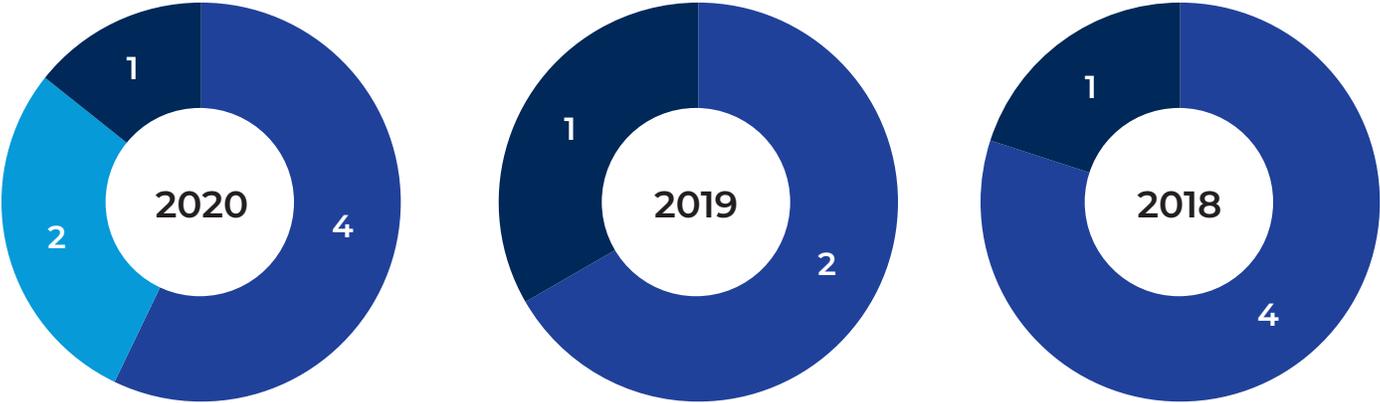


If we include a deficiency in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In many cases, the firm has performed remedial actions after the issue was identified. Depending on the circumstances, remedial actions may include performing additional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



■ Deficiencies in both financial statement and ICFR audits

■ Deficiencies in the financial statement audit only

■ Deficiencies in the ICFR audit only

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 sufficiently evaluate significant assumptions or data that the issuer used in developing an estimate	2	1	2
Did not perform sufficient testing of data or reports used in the firm's substantive testing	2	0	3
Did not sufficiently evaluate the appropriateness of the issuer's accounting method or disclosure for one or more transactions or accounts	2	0	1

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	3	2	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	3	1	3
Did not identify and test any controls that addressed the risks related to a significant account or relevant assertion	2	0	3

Audit Areas Most Frequently Reviewed

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

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	11	4	Revenue and related accounts	8	1	Revenue and related accounts	9	3
Investment securities	4	0	Investment securities	6	1	Investment securities	6	0
Allowance for loan losses	3	2	Allowance for loan losses	4	2	Inventory	5	0
Goodwill and other intangible assets	2	1	Inventory	4	1	Business combinations	4	3
Business combinations	2	0	Cash and cash equivalents	4	0	Allowance for loan losses	4	2

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	4	11	1	8	3	9
Allowance for loan losses	2	3	2	4	2	4
Business combinations	0	2	0	3	3	4

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

Allowance for loan losses: The deficiencies in 2020 related to substantive testing of, and testing controls over, the valuation of the allowance for loan losses. The deficiencies in 2019 and 2018 primarily related to testing controls over the valuation of the allowance for loan losses and the resulting overreliance on controls when performing substantive testing.

Business combinations: The deficiencies in 2018 related to substantive testing of, and testing controls over, the inputs and assumptions that the issuer used to value the acquired assets.

Auditing Standards Associated with Identified Part I.A Deficiencies

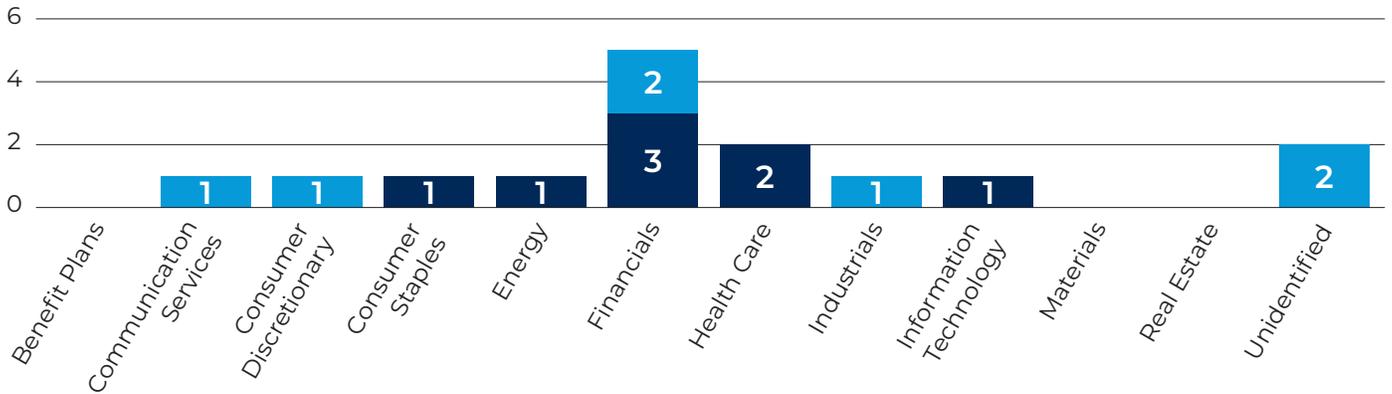
The following lists the auditing standards referenced in Part I.A of the 2020 and the previous two inspection reports and the number of times that the standard is cited in Part I.A.

PCAOB Auditing Standards	2020	2019	2018
<i>AS 1105, Audit Evidence</i>	2	0	2
<i>AS 1210, Using the Work of a Specialist</i>	0	0	3
<i>AS 2201, An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements</i>	12	8	19
<i>AS 2301, The Auditor's Responses to the Risks of Material Misstatement</i>	3	1	3
<i>AS 2305, Substantive Analytical Procedures</i>	1	0	1
<i>AS 2310, The Confirmation Process</i>	1	0	0
<i>AS 2315, Audit Sampling</i>	1	1	4
<i>AS 2501, Auditing Accounting Estimates</i>	2	1	0
<i>AS 2502, Auditing Fair Value Measurements and Disclosures</i>	0	0	3
<i>AS 2810, Evaluating Audit Results</i>	3	0	1

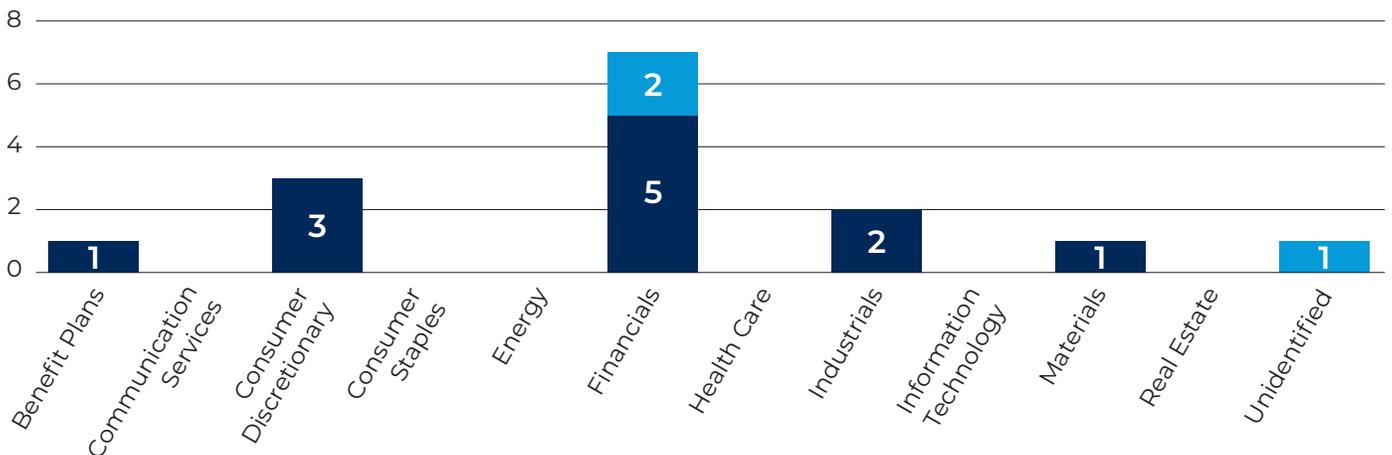
Inspection Results by Issuer Industry Sector

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."

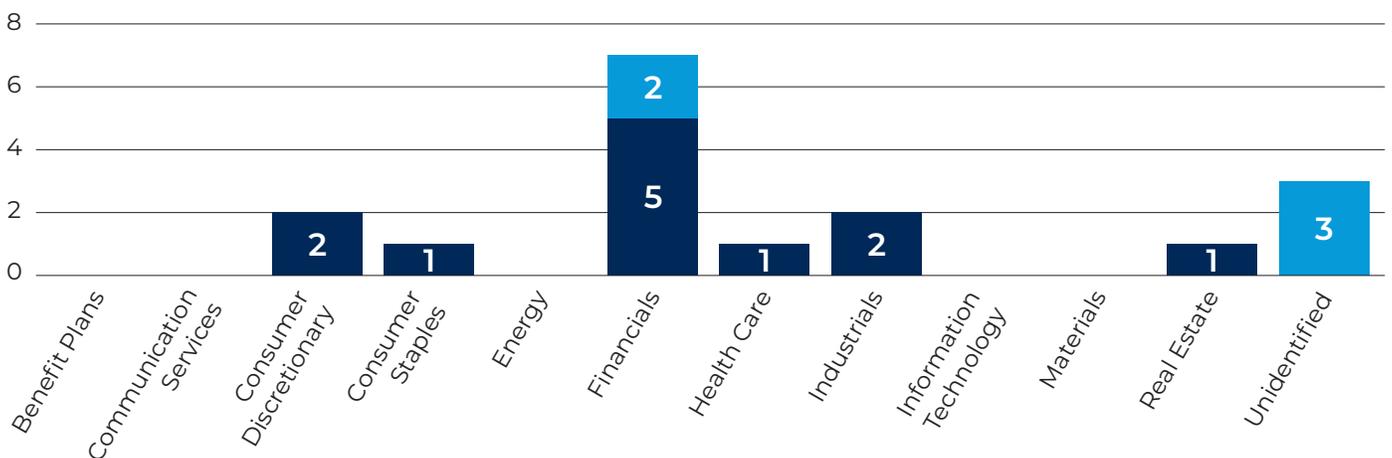
2020



2019



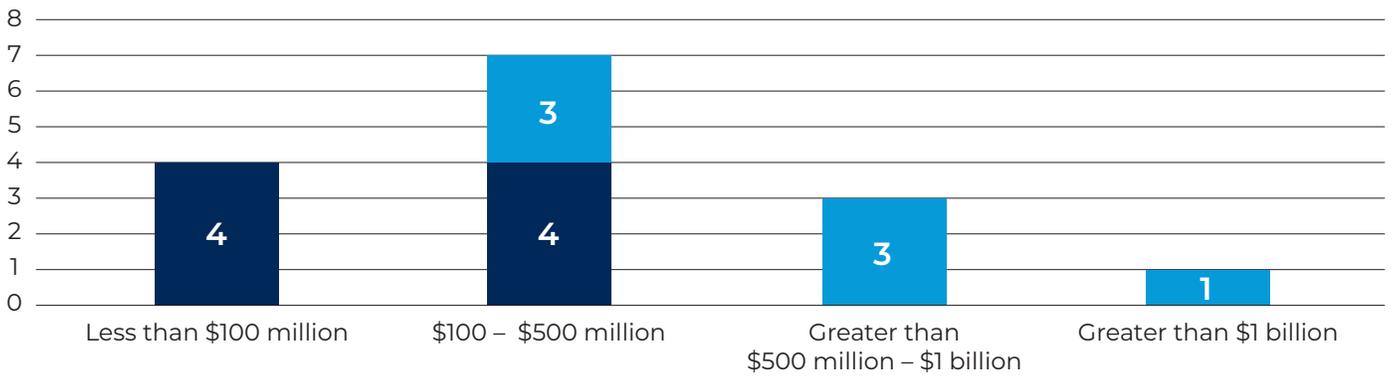
2018



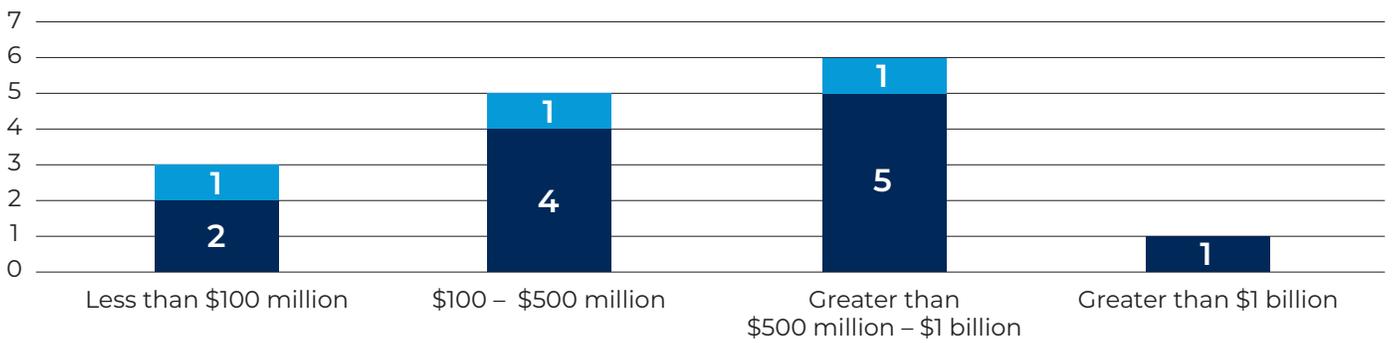
■ Audits without Part I.A deficiencies ■ Audits with Part I.A deficiencies

Inspection Results by Issuer Revenue Range

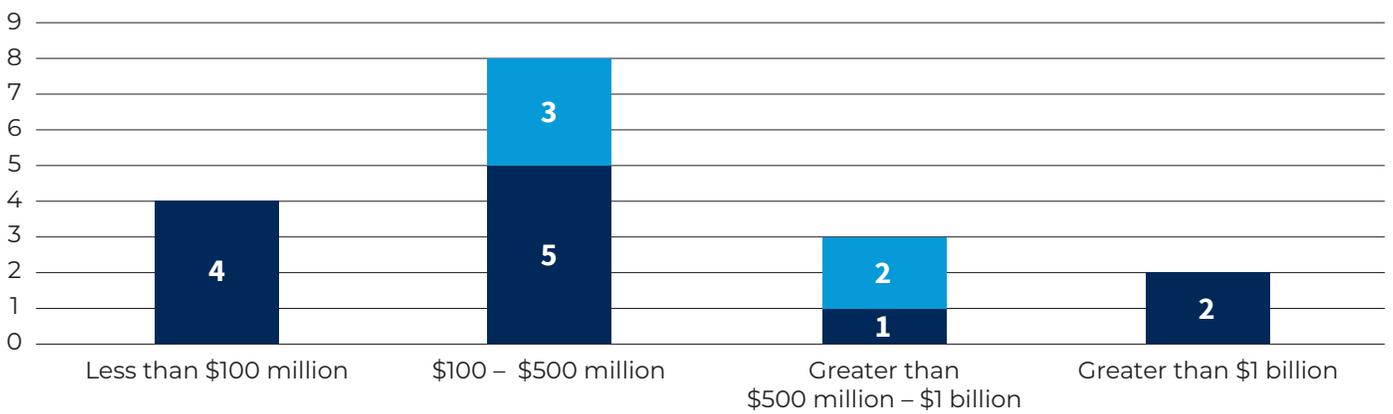
2020



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.

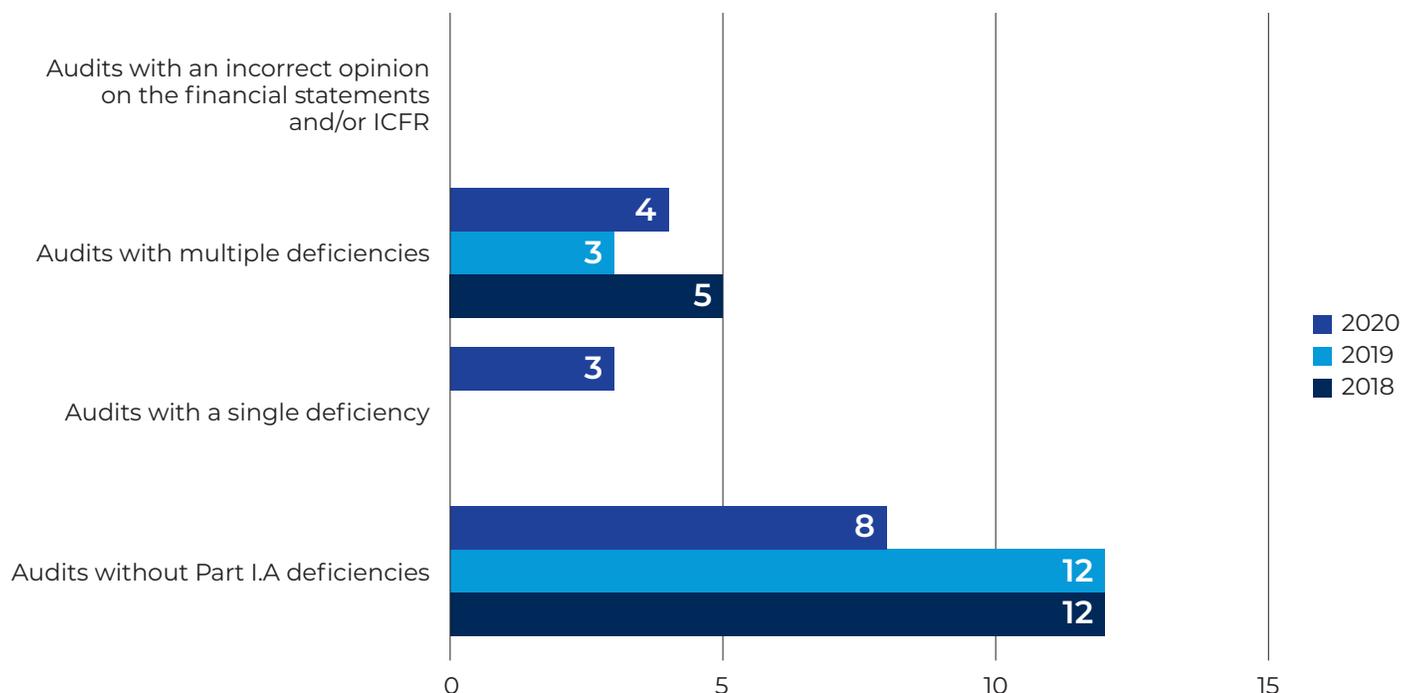
Audits with Multiple Deficiencies

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**, **Goodwill**, and **Cash**.

Description of the deficiencies identified

With respect to **Revenue**:

The issuer used various information-technology (IT) systems to initiate, process, and record transactions related to revenue for one business unit. The firm tested IT general controls (ITGCs) for these IT systems. The following deficiencies were identified:

- The firm identified a deficiency in ITGCs related to an individual's inappropriate administrative rights over user access to these systems but did not evaluate the severity of this control deficiency. (AS 2201.62)

- The firm selected for testing controls over user access to one of these systems. The firm did not evaluate the specific review procedures that the control owners performed to determine whether previously granted access continued to be appropriate. Further, the firm identified users who had the ability to initiate, process, and record transactions but did not evaluate whether those rights represented a control deficiency. (AS 2201.42 and .44)

The issuer used multiple service organizations to host and/or maintain and manage IT systems that the issuer used to initiate, process, and record transactions related to certain revenue for another business unit. The following deficiencies were identified:

- The firm identified a control deficiency related to the issuer's evaluation of service auditor reports for certain service organizations. The firm identified and tested three compensating controls that it believed would mitigate this deficiency but did not sufficiently evaluate the effect of these controls because it (1) determined that one of these controls was ineffective and (2) did not identify that the control owner of the other two controls was an individual the firm had identified as having inappropriate access to the systems hosted by these service organizations. (AS 2201.68)
- The firm did not perform any procedures to test controls at certain other service organizations or identify and test any other controls over the revenue processed by the systems maintained and managed by these service organizations. (AS 2201.39 and .B19)

In its testing of controls over certain revenue for both of these business units, the firm selected for testing various IT-dependent manual controls that used data and reports generated or maintained by certain of these systems. As a result of the deficiencies in the firm's control testing over these systems as discussed above, the firm's testing of these IT-dependent manual controls was not sufficient. (AS 2201.46) In addition, the firm selected for testing certain other controls over this revenue for these business units. The firm did not identify and test any controls over the accuracy and completeness of the reports or data that the control owners used in the performance of these controls. (AS 2201.39)

The firm did not perform substantive procedures to test, or (as discussed above) sufficiently test controls over, the accuracy and completeness of certain reports or data that the firm used in its substantive testing of certain revenue for both of these business units. (AS 1105.10)

With respect to **Goodwill**:

The firm did not identify and test any controls over the issuer's review of its goodwill impairment analysis. (AS 2201.39)

The issuer changed the number of its reporting units in the current year for purposes of its annual goodwill impairment analysis. The following deficiencies were identified:

- The firm did not perform any procedures to evaluate whether the issuer's change in the number of reporting units was in conformity with FASB ASC Topic 350, *Intangibles – Goodwill and Other*, and was preferable under FASB ASC Topic 250, *Accounting Changes and Error Corrections*. (AS 2810.30)
- The firm did not perform any procedures to evaluate whether the goodwill associated with any of the prior-year reporting units may have been impaired at the time of the issuer's change in the number of reporting units. (AS 2301.08)
- The firm did not identify, and evaluate the significance to the financial statements of, the issuer's omission of a required disclosure under FASB ASC Topic 250 related to its change in the number of reporting units. (AS 2810.30 and .31)

With respect to **Cash**:

To test cash at one of the issuer's business units, the firm performed confirmation procedures for a sample of cash accounts. The firm did not maintain control over the confirmation requests because the issuer sent the requests. (AS 2310.28) In addition, for the majority of the items in its sample, the responses were returned by email. The firm did not perform substantive procedures that provided sufficient appropriate audit evidence to verify the source of these responses. (AS 2301.08)

Issuer B – Industrials

Type of audit and related area affected

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

Description of the deficiencies identified

The issuer recognized certain revenue from contracts based on labor hours recorded in the issuer's time system. The following deficiencies were identified:

- The firm did not identify and test any controls over the accuracy of these labor hours. (AS 2201.39)
- Certain of this revenue was generated from contracts that specified the maximum amount of revenue that could be earned under each contract. The firm did not identify and test any controls that addressed the risk that revenue may have been recognized in excess of these contractual maximums. (AS 2201.39)
- The firm used labor hours in its substantive testing of this revenue but did not perform any substantive procedures to test, or in the alternative, test any controls over, the accuracy of these labor hours. (AS 1105.10)
- 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)

Issuer C – Financials

Type of audit and related area affected

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

Description of the deficiencies identified

For loans that were collectively evaluated for impairment, the issuer determined the qualitative reserve component of the ALL using certain qualitative factors. The following deficiencies were identified:

- The firm selected for testing controls that consisted of the issuer's reviews of the ALL, including an assessment of the qualitative factors for reasonableness. The firm did not evaluate the specific review procedures that the control owners performed to assess the reasonableness of the qualitative factors. (AS 2201.42 and .44)

- The firm's approach for substantively testing the ALL was to review and test management's process. The firm did not sufficiently evaluate the reasonableness of the qualitative reserve component of the ALL because the firm's procedures to test the qualitative factors the issuer used to determine the reserve were limited to (1) reading the issuer's ALL memorandum and (2) comparing the qualitative factors the issuer used at year end to those used in prior periods. (AS 2501.09, .10, and .11)

Issuer D – Financials

Type of audit and related area affected

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

Description of the deficiencies identified

For loans that were collectively evaluated for impairment, the issuer determined the qualitative reserve component of the ALL using certain qualitative factors. The following deficiencies were identified:

- The firm selected for testing a control that consisted of the issuer's review of the qualitative factors for reasonableness. The firm did not evaluate the specific review procedures that the control owners performed to assess the reasonableness of certain qualitative factors. (AS 2201.42 and .44)
- The firm's approach for substantively testing the ALL was to review and test management's process. The firm did not sufficiently evaluate the reasonableness of the qualitative reserve component of the ALL because the firm's procedures to test certain qualitative factors the issuer used to determine the reserve were limited to (1) reading the issuer's ALL memorandum and its analysis of the factors and (2) comparing the qualitative factors the issuer used at year end to those used in the prior year. (AS 2501.09, .10, and .11)

Audits with a Single Deficiency

Issuer E

Type of audit and related area affected

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

Description of the deficiency identified

During the year, the issuer entered into a lease amendment. The firm did not evaluate whether the issuer's accounting for certain terms of this amendment as a new lease commencing in the subsequent year was in conformity with FASB ASC Topic 842, *Leases*. (AS 2810.30)

Issuer F – Consumer Discretionary

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's substantive procedures to test certain revenue consisted of analytical procedures. To develop its expectation, the firm used the quantities of units sold that had been recorded in the issuer's revenue system. The firm's testing of these quantities was not sufficient because its sample size was too small to assess whether the quantities recorded in this system were reliable. (AS 2305.16)

Issuer G – Communication Services

Type of audit and related area affected

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

Description of the deficiency identified

The issuer used a service organization to accumulate customer activity data initiated in and processed by the issuer's mobile or web-based applications and recorded certain revenue based on these data. The firm did not identify and test any controls over the accuracy and completeness of the customer activity data within the applications. (AS 2201.39)

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 five audits reviewed, the firm did not make certain required communications 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*.

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.

Testing Controls

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 with respect to testing controls will meet the requirements of AS 2201 and AS 2301. (QC 20.03 and .17)

The inspection team identified deficiencies in the firm's testing of controls **** that include a review element. ****

Addressing the concerns and monitoring the effects of the actions taken regarding testing controls are critical because (1) the results of these procedures are used to support the firm's opinion on the effectiveness of ICFR and (2) control reliance is often used as the basis for modifying the nature, timing, and extent of substantive testing in audits of financial statements.

Testing Controls that Include a Review Element

In three audits,¹ all of which are included in Part I.A, the firm did not sufficiently evaluate whether controls that it selected for testing that included a review element operated at a level of precision that would prevent or detect material misstatements because the firm did not evaluate the review procedures that the control owners performed, including instances in which the firm did not evaluate the procedures to identify items for follow up and the procedures to determine whether those items were appropriately resolved.

¹ Issuers A, C, and D

Independence Policies and Procedures

The inspection results indicate that the firm's system of quality control does not provide reasonable assurance that the firm and its personnel will comply with the firm's policies and procedures with respect to independence-related regulatory requirements. (QC 20.04, .09, .10, and .20)

Policies for Financial Holdings Disclosures

The firm conducts periodic audits of a sample of its personnel to monitor compliance with certain of its independence policies. In the audits conducted during the twelve-month period ended December 31, 2019, the firm identified that * * * * 38% of the directors and managers who were audited had not reported financial relationships that were required to be reported in accordance with the firm's policies. This high rate of non-compliance with the firm's policies, which are designed to provide compliance with applicable independence regulatory requirements, provides cause for concern, especially considering that these individuals are required to certify on an annual basis that they have complied with the firm's independence policies and procedures.

* * * *

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 seven audits,² 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,³ 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 1220. (QC 20.03 and .17)

In five audits,⁴ 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 four of these audits,⁵ 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.

* * * *

² Issuers A, B, C, D, E, F, and G

³ Issuers A, B, C, D, E, and G

⁴ Issuers A, B, C, D, and E

⁵ Issuers B, C, D, and E

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.



RSM US LLP

30 South Wacker Drive
Suite 3000
Chicago, IL 60606

October 29, 2021

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

Re: Response to Part I of the Public Company Accounting Oversight Board (PCAOB) Draft Report on
2020 Inspection of RSM US LLP

Dear Mr. Botic:

On behalf of RSM US LLP, we are pleased to provide our response to Part I of the PCAOB's Draft Report on the 2020 Inspection of RSM US LLP dated September 28, 2021 ("Draft Report").

We have thoroughly evaluated the matters described in Part I of the Draft Report and have taken appropriate actions to address the findings in accordance with PCAOB rules and auditing standards and our policies.

We support the PCAOB's inspection process and believe that it helps us improve the quality of our audit engagements. RSM US LLP is committed to using the inspection comments and observations to improve our system of quality control. We have a long history of audit quality founded on our commitment to integrity, objectivity and excellence.

We appreciate the opportunity to provide our response to the Draft Report and remain committed to working with the PCAOB to improve audit quality.

Sincerely,

Joseph Adams
Managing Partner and Chief Executive Officer

Joel Shamon
National Audit Leader

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

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