2021 Inspection Grant Thornton LLP

(Headquartered in Chicago, Illinois)

November 4, 2022

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. 104-2022-221

PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

EXECUTIVE SUMMARY

Our 2021 inspection report on Grant Thornton LLP provides information on our inspection to assess the firm's compliance with Public Company Accounting Oversight Board (PCAOB) standards and rules and other applicable regulatory and professional requirements. This executive summary offers a high-level overview of:

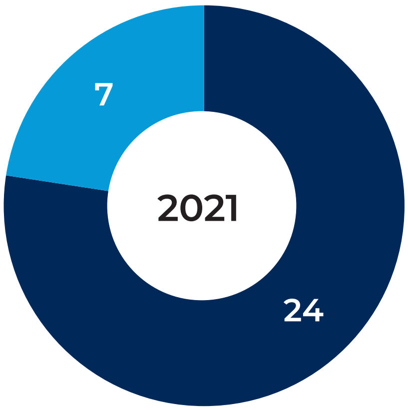
- Part I.A of the report, which discusses deficiencies ("Part I.A deficiencies") in certain issuer audits that were of such significance that we believe the firm, at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion(s) on the issuer's 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.

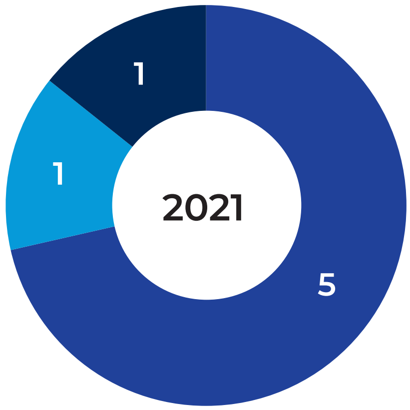
If we include a deficiency in this report — other than those deficiencies for audits with incorrect opinions on the financial statements and/or ICFR — it does not necessarily mean that the issuer's financial statements are materially misstated or that undisclosed material weaknesses in ICFR exist. If 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 2021 Deficiencies Included in Part I

Seven of the 31 audits we reviewed in 2021 are included in Part I.A of this report due to the significance of the deficiencies identified. The identified deficiencies primarily related to the firm's testing of controls over and/or substantive testing of revenue and related accounts and inventory.



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 2021 related to identifying controls related to a significant account or relevant assertion, testing controls over the accuracy and completeness of data or reports used in the operation of controls, evaluating the appropriateness of the issuer's accounting method or disclosure, and performing substantive testing to address a risk of material misstatement.

Other deficiencies identified during the 2021 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 retention of audit documentation, audit committee communications, reporting the results of audits of internal control over financial reporting, management representation letters, and critical audit matters.

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2021 INSPECTION

In the 2021 inspection of Grant Thornton 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 31 audits of issuers with fiscal years generally ending in 2020. For each issuer audit selected, we reviewed a portion of the audit. We also evaluated elements of the firm's system of quality control.

We also selected for review two reviews of interim financial information ("interim reviews"). Our reviews were performed to gain a timely understanding of emerging financial reporting and auditing risks associated with issuers that were formed by mergers between non-public operating companies and special purpose acquisition companies (SPACs). We did not identify any instances of non-compliance with PCAOB standards related to the interim reviews that we reviewed.

What's Included in this Inspection Report

This report includes the following sections:

- **Overview of the 2021 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.

2021 Inspection Approach

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

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

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

Our target team performs inspection procedures in areas of current audit risk and emerging topics and focuses its reviews primarily on evaluating the firm's procedures related to that risk or topic. In 2021, our target team focused primarily on audit areas affected by COVID-19, such as fraud and going concern, and on interim reviews of issuers that were formed by mergers between non-public operating companies and SPACs.[1]

For the interim reviews, similar to our approach for reviewing audits, our target team did not review every aspect of the interim review. Rather, its review procedures focused on a portion of the firm's procedures.

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

[1] Refer to Observations From the Target Team's 2021 Inspections for observations from the target team reviews.

OVERVIEW OF THE 2021 INSPECTION AND HISTORICAL DATA BY INSPECTION YEAR

The following information provides an overview of our 2021 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.

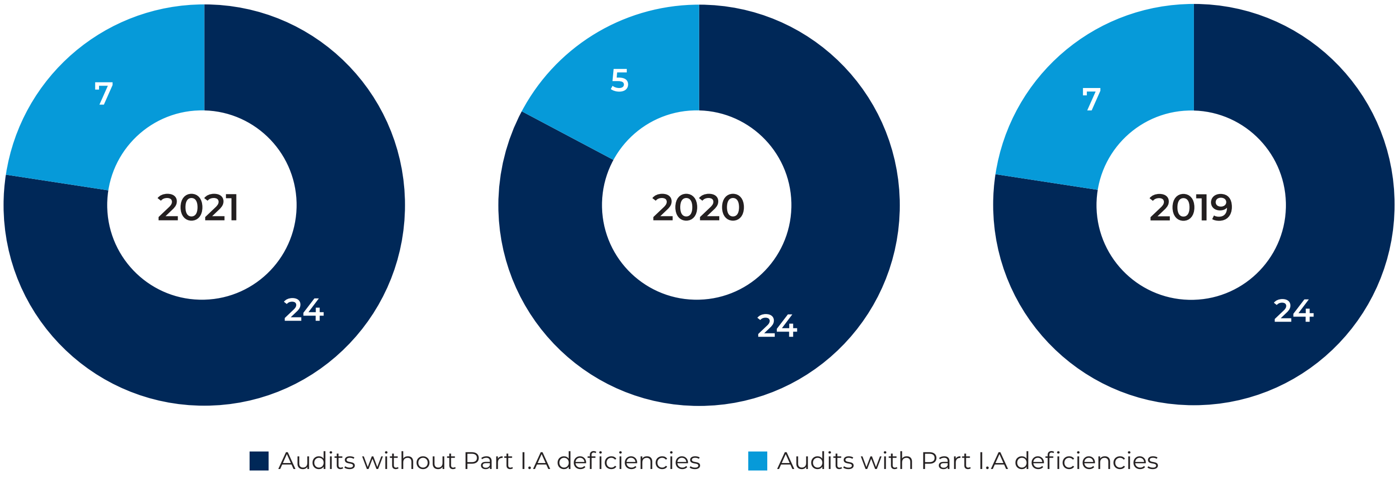
Audits Selected for Review

	2021	2020	2019
Total audits reviewed			
Total audits reviewed	31	29	31
Selection method			
Risk-based selections	13	21	20
Random selections	13	7	8
Target team selections[2]	5	1	3
Total audits reviewed	**31**	**29**	**31**
Principal auditor			
Audits in which the firm was the principal auditor	31	29	31
Audits in which the firm was not the principal auditor	0	0	0
Total audits reviewed	**31**	**29**	**31**
Audit type			
Integrated audits of financial statements and ICFR	22	27	25
Financial statement audits only	9	2	6
Total audits reviewed	**31**	**29**	**31**

[2] For further information on the target team's activities in 2020 and 2019, refer to those inspection reports.

Part I.A Deficiencies in Audits Reviewed

In 2021, four of the seven audits appearing in Part I.A were selected for review using risk-based criteria. In 2020, three of the five audits appearing in Part I.A were selected for review using risk-based criteria. In 2019, four of the seven audits appearing in Part I.A were selected for review using risk-based criteria.

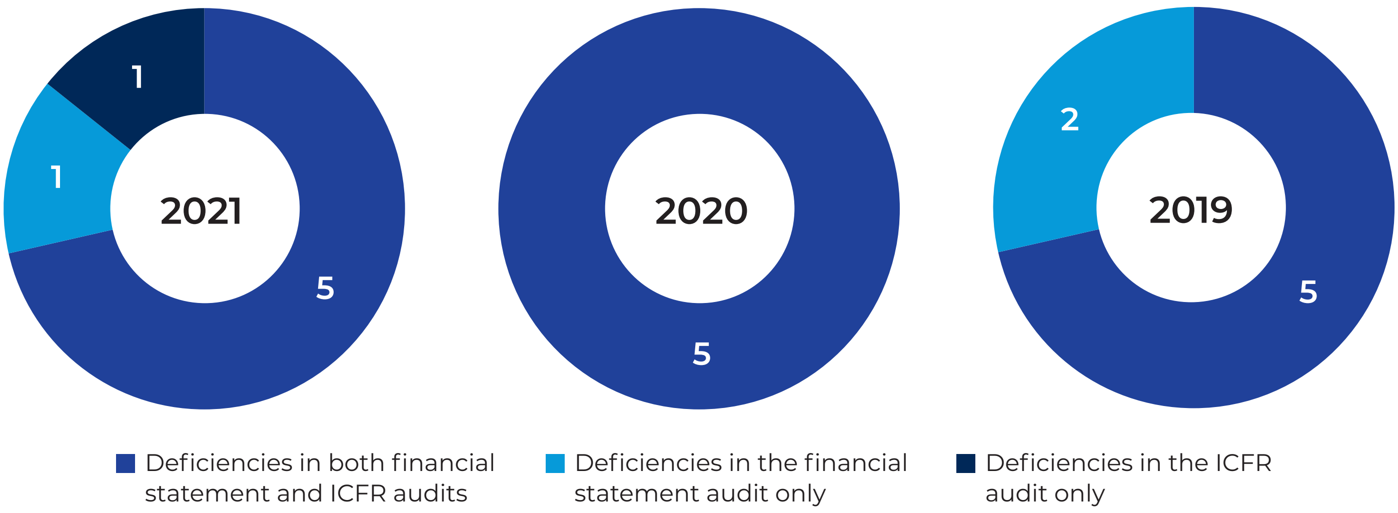


If we include a deficiency in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In many cases, the firm has performed remedial actions after the deficiency was identified. Depending on the circumstances, remedial actions may include performing additional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

Our inspection 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



Our 2021 inspection procedures involved one audit of an issuer that was formed by a merger between a non-public operating company and a SPAC for which the issuer, unrelated to our review, restated its financial statements to correct a misstatement and the firm revised and reissued its report on the financial statements. The issuer also revised its report on ICFR, and the firm revised its opinion on the effectiveness of the issuer's ICFR to express an adverse opinion and reissued its report. Our 2019 inspection procedures involved one audit for which the issuer, unrelated to our review, restated its financial statements to correct a misstatement and the firm revised and reissued its report on the financial statements. The issuer also revised its report on ICFR, and the firm revised its opinion on the effectiveness of the issuer's ICFR to express an adverse opinion and reissued its report.

The following tables and graphs summarize inspection-related information, by inspection year, for 2021 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		
	2021	2020	2019
Did not perform sufficient testing related to an account or significant portion of an account or to address an identified risk	3	1	2
Did not sufficiently evaluate the appropriateness of the issuer's accounting method or disclosure for one or more transactions or accounts	3	0	5
Did not perform sufficient testing of data or reports used in the firm's substantive testing	2	1	3

Deficiencies in ICFR audits	Audits with Part I.A deficiencies		
	2021	2020	2019
Did not identify and test any controls that addressed the risks related to a significant account or relevant assertion	5	1	4
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	4	3
Did not perform sufficient testing of the design and/or operating effectiveness of controls selected for testing	2	3	4

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.

2021			2020			2019		
Audit area	Audits reviewed	Audits with Part I.A deficiencies	Audit area	Audits reviewed	Audits with Part I.A deficiencies	Audit area	Audits reviewed	Audits with Part I.A deficiencies
Revenue and related accounts	19	5	Revenue and related accounts	25	3	Revenue and related accounts	26	6
Long-lived assets	10	1	Business combinations	8	1	Inventory	11	2
Cash and cash equivalents	8	0	Inventory	7	0	Long-lived assets	9	1
Debt	8	0	Cash and cash equivalents	5	1	Investment securities	8	0
Inventory	7	2	Goodwill and intangible assets	4	0	Goodwill and intangible assets	7	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	2021		2020		2019	
	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	19	3	25	6	26
Inventory	2	7	0	7	2	11
Business combinations	1	3	1	8	1	4
Goodwill and intangible assets	0	4	0	4	2	7

Revenue and related accounts: The deficiencies in 2021, 2020, and 2019 related to substantive testing of, and testing controls over, revenue.

Inventory: The deficiencies in 2021 related to substantive testing of, and testing controls over, the valuation of inventory. The deficiencies in 2019 related to substantive testing of, and testing controls over, the issuer's inventory obsolescence reserve and the existence of inventory.

Business combinations: The deficiencies in 2021, 2020, and 2019 primarily related to substantive testing of, and testing controls over, the reasonableness of assumptions used by the issuer to determine the fair values of acquired intangible assets.

Goodwill and intangible assets: The deficiencies in 2019 primarily related to substantive testing of, and testing controls over, reasonableness of assumptions and the accuracy and completeness of inputs used by the issuer in the valuation of goodwill and intangible assets.

Auditing Standards Associated with Identified Part I.A Deficiencies

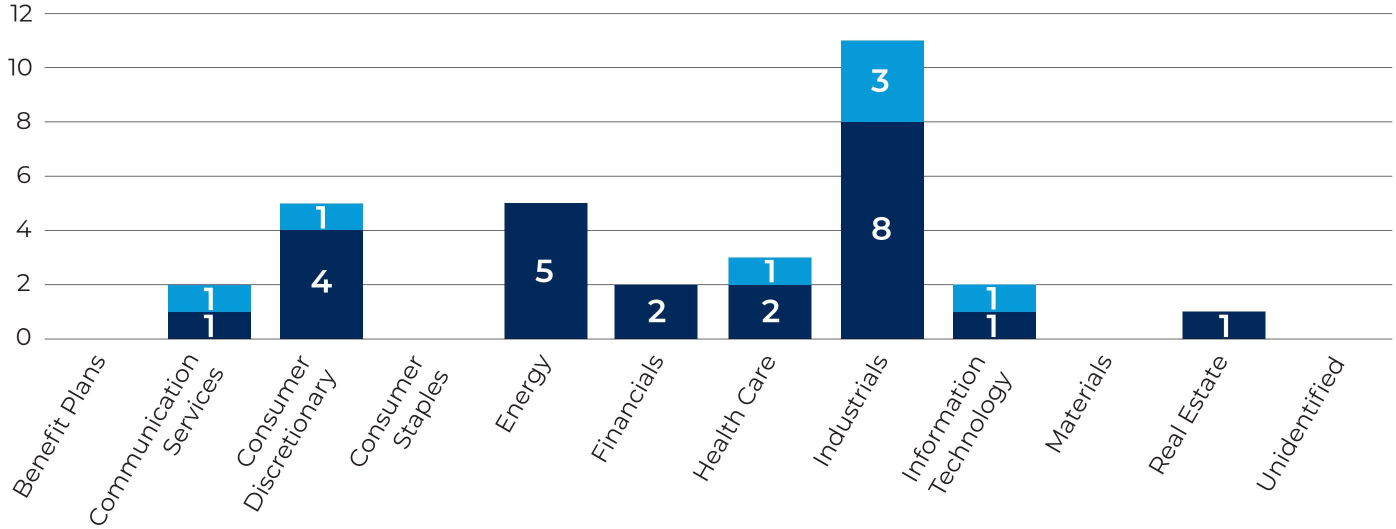
The following lists the auditing standards referenced in Part I.A of the 2021 and the previous two inspection reports, and the number of times that the standard is cited in Part I.A.

PCAOB Auditing Standards	2021	2020	2019
AS 1105, *Audit Evidence*	4	3	6
AS 2201, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*	14	14	27
AS 2301, *The Auditor's Responses to the Risks of Material Misstatement*	4	2	7
AS 2315, *Audit Sampling*	1	1	2
AS 2401, *Consideration of Fraud in a Financial Statement Audit*	0	0	1
AS 2501, *Auditing Accounting Estimates, Including Fair Value Measurements* (effective for fiscal years ending on or after December 15, 2020)	2	-	-
AS 2501, *Auditing Accounting Estimates* (effective for fiscal years ending before December 15, 2020)	1	5	4
AS 2502, *Auditing Fair Value Measurements and Disclosures* (effective for fiscal years ending before December 15, 2020)	0	2	6
AS 2810, *Evaluating Audit Results*	4	0	7

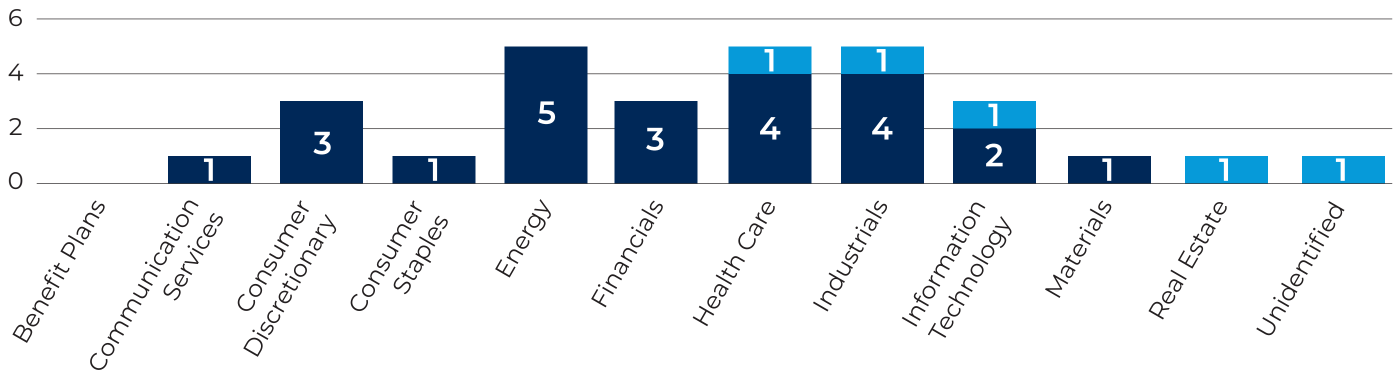
Inspection Results by Issuer Industry Sector

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

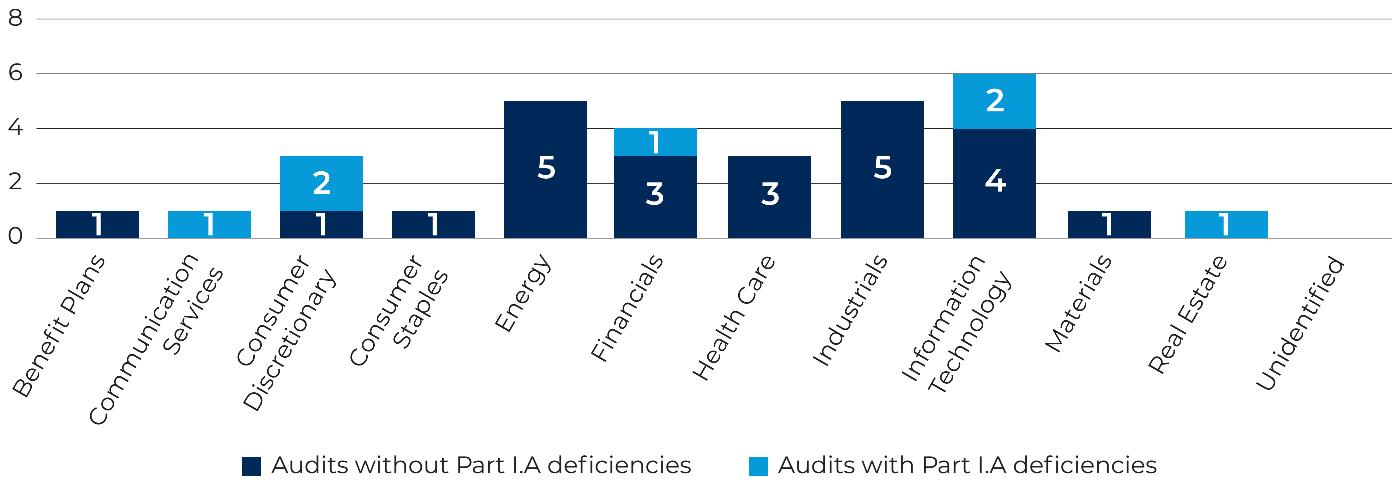
2021



2020

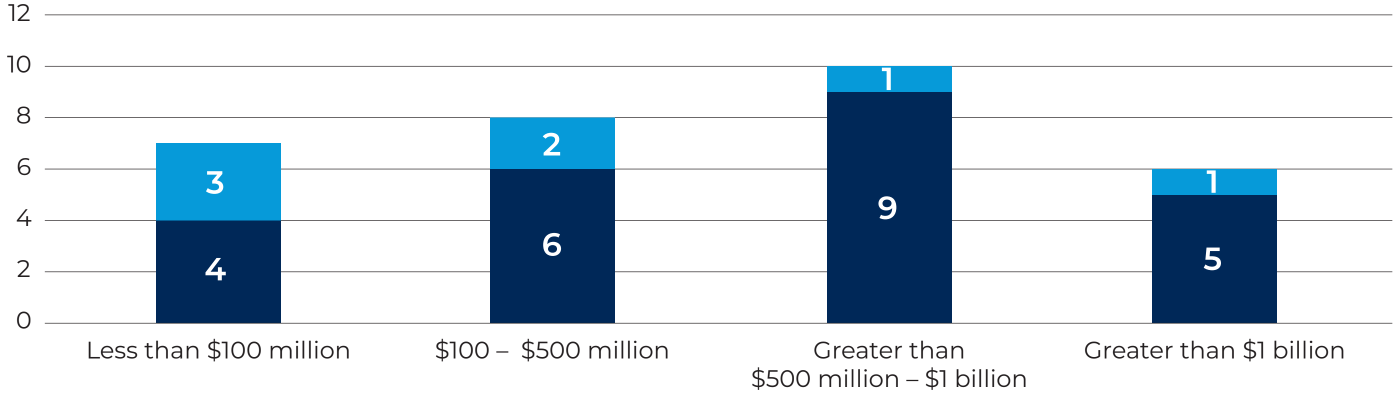


2019

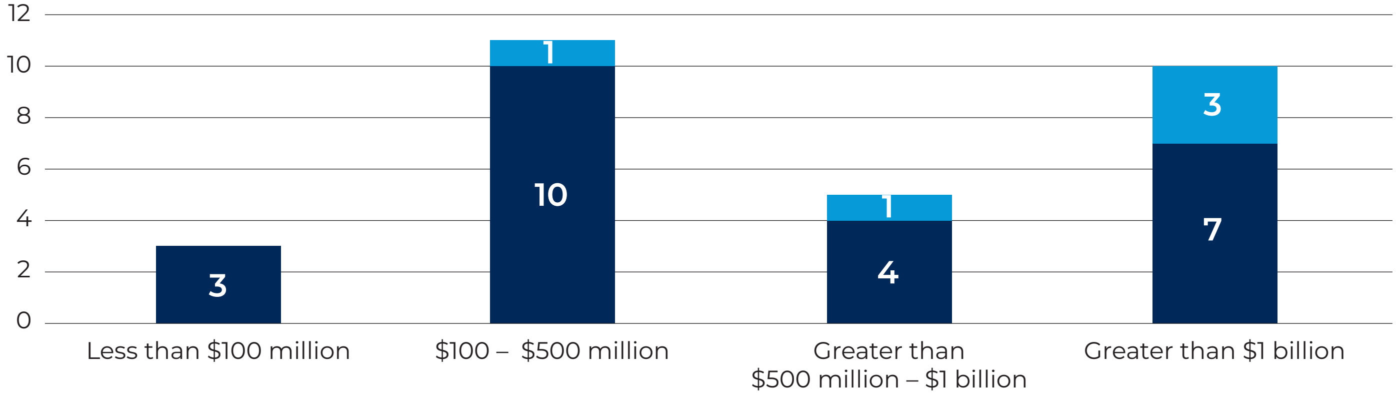


Inspection Results by Issuer Revenue Range

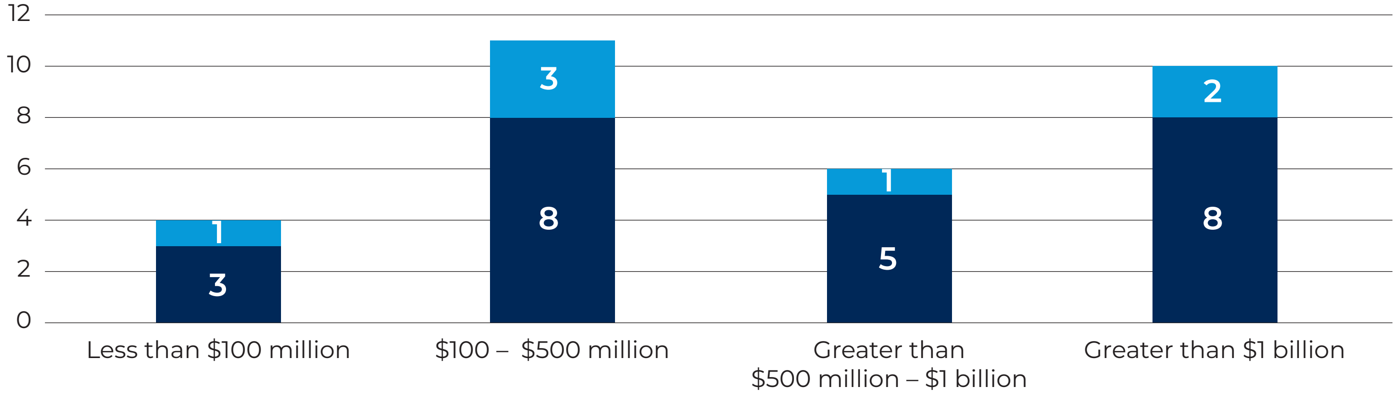
2021



2020



2019



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

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

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

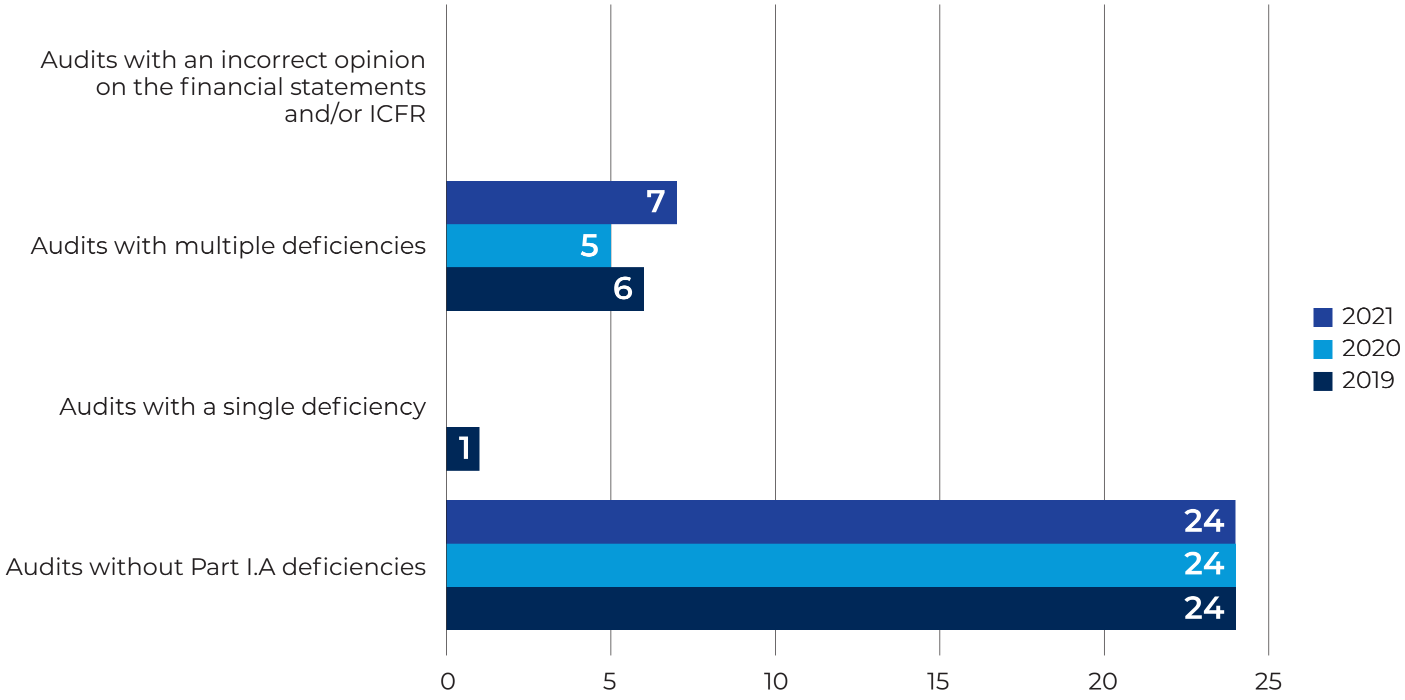
Audits with Multiple Deficiencies

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

Audits with a Single Deficiency

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

Number of Audits in Each Category



PART I: INSPECTION OBSERVATIONS

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

Part I.B discusses 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(s) 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 **Warrants**, **Business Combinations**, and **Revenue**.

Description of the deficiencies identified

With respect to **Warrants**:

During the audit, the firm did not identify, and appropriately address, that the issuer's accounting for warrants as equity was not in conformity with FASB ASC Topic 815, *Derivatives and Hedging*. (AS 2810.30)

Unrelated to our review, the issuer reevaluated its accounting for these warrants and concluded that a material misstatement existed that had not been previously identified. The issuer subsequently corrected this misstatement in a restatement of its financial statements, and the firm revised and reissued its report on the financial statements. The issuer also reevaluated its controls over the accounting for these warrants and concluded that a material weakness existed that had not been previously identified. The issuer subsequently reflected this material weakness in a revision to its report on ICFR, and the firm revised its opinion on the effectiveness of the issuer's ICFR to express an adverse opinion and reissued its report.

With respect to **Business Combinations**:

During the year, the issuer acquired multiple businesses and determined the fair values of the acquired intangible assets and consideration transferred using forecasted cash flows and other assumptions. Each business combination contained provisions for contingent consideration to be paid to the sellers. The following deficiencies were identified:

- The firm selected for testing two controls over the preliminary valuation of acquisitions that included reviews of the assumptions the issuer used in these forecasted cash flows and other assumptions the issuer used to determine these fair values. The firm did not evaluate the specific review procedures that the control owners performed to assess the reasonableness of these assumptions. (AS 2201.42 and .44) In addition, the firm did not identify and test any controls over the accuracy and completeness of certain information that the control owners used in the operation of these controls. (AS 2201.39)
- The firm selected for testing one control over the final valuation of acquisitions that included the review of data that the company's specialist had used to develop certain assumptions that were used to determine these fair values. The firm did not evaluate the specific review procedures that the control owners performed to assess the reliability of these data. (AS 2201.42 and .44)
- The firm did not test the aspects of the above controls that addressed the issuer's evaluation of the accounting for contingent consideration in these business combinations. (AS 2201.42 and .44)

The firm's approach for substantively testing the fair values of the acquired intangible assets and consideration transferred was to test the issuer's process. The following deficiencies were identified:

- For two acquired businesses, the firm did not evaluate the reasonableness of the significant assumptions used to determine these fair values. (AS 2501.16) In addition, the firm did not perform procedures to test the accuracy and completeness of certain information produced by the issuer that was used to determine these fair values. (AS 1105.10)
- For another acquired business, the following deficiencies were identified:
    - The firm did not perform procedures to test the accuracy and completeness of the information the issuer used to develop certain assumptions used to determine these fair values. (AS 1105.10) In addition, the firm did not perform procedures to (1) test the accuracy and completeness of issuer-produced data that the company's specialist had used and (2) evaluate the reliability of data from sources external to the company that the company's specialist had used to develop certain of these assumptions. (AS 1105.A8a)
    - The firm did not evaluate the reasonableness of certain assumptions the issuer used to determine the fair values. (AS 2501.16)
- The firm did not perform procedures to evaluate whether the accounting for contingent payments to certain sellers in these business combinations was in conformity with FASB ASC Topic 805, *Business Combinations*. (AS 2810.30)

With respect to **Revenue**:

The issuer recognized certain revenue based, in part, on contractual rates input into the systems the issuer used to process revenue. The firm selected for testing a control that consisted of the issuer's reviews of changes to these contractual rates in these systems. The firm did not identify and test any controls over the completeness of the report the issuer used in the operation of this control. (AS 2201.39)

Issuer B – Health Care

Type of audit and related areas affected

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

Description of the deficiencies identified

The issuer used a service organization to process certain revenue and accounts receivable. The firm obtained two service auditor's reports that addressed information technology general controls (ITGCs) at this service organization. The service auditor's report that addressed 11 months of the year under audit contained a qualified opinion for certain ITGCs that were ineffective. The firm did not perform any procedures to evaluate the effect of this qualified opinion on the audit. (AS 2201.B21)

The issuer recorded certain revenue net of estimated allowances for contractual adjustments. These estimated allowances were determined based, in part, on historical cash collections data applied at the transaction level. The firm did not identify and test any controls that addressed the accuracy of these data. (AS 2201.39)

For certain customer contracts, the firm did not identify and test any controls that addressed whether relevant terms and conditions were identified and evaluated for appropriate revenue recognition. (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)

The firm did not perform substantive procedures to evaluate the terms and conditions included in certain customer contracts when testing whether the issuer appropriately recognized revenue related to these contracts. (AS 2301.08)

Issuer C – Communication Services

Type of audit and related areas affected

In our review, we identified deficiencies in the ICFR audit related to **Leases** and **Depreciation Expense**.

Description of the deficiencies identified

With respect to **Leases**:

The firm selected for testing a control that included the issuer's review of forecasts used in the issuer's analysis of possible impairment of operating lease right-of-use assets. The firm did not evaluate the specific review procedures that the control owners performed to assess the reasonableness of the revenue growth rates that the issuer used in these forecasts. (AS 2201.42 and .44)

The firm selected for testing controls that included the issuer's reviews of new and amended lease agreements and the reconciliation of the lease asset balance from the lease sub-ledger to the general ledger. The firm did not identify and test any controls over the accuracy and completeness of the lease information that was used in the operation of these controls. (AS 2201.39)

With respect to **Depreciation Expense**:

The firm selected for testing controls that included the issuer's review of the estimated useful lives assigned to long-lived assets and the calculation of depreciation expense for these assets. The firm did not evaluate the specific review procedures that the control owner performed to assess the reasonableness of the useful lives assigned to these assets. (AS 2201.42 and .44)

Issuer D – 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

With respect to the issuer's disclosure of transaction prices allocated to unsatisfied performance obligations, the following deficiencies were identified:

- The firm did not identify and test any controls that addressed whether the estimated transaction prices for certain types of contracts included in this disclosure were determined in conformity with FASB ASC Topic 606, *Revenue from Contracts with Customers*. (AS 2201.39)
- The firm did not identify, and evaluate the significance to the financial statements of, misstatements in this disclosure under FASB ASC Topic 606. (AS 2810.30 and .31)

Issuer E – Industrials

Type of audit and related areas affected

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

Description of the deficiencies identified

With respect to **Revenue**:

The firm did not perform sufficient substantive procedures to evaluate whether one type of revenue was appropriately recognized because the firm did not review certain customer contracts, which was necessary in order to identify performance obligations and evaluate whether this revenue was appropriately recognized. (AS 2301.08)

With respect to **Inventory**:

The firm's approach for substantively testing the reserve for excess and obsolete inventory was to review and test management's process. The firm did not perform any substantive procedures to test, or in the alternative, test any controls over, the accuracy and completeness of the forecasted demand data that the issuer used to develop the reserve for excess and obsolete inventory. (AS 1105.10; AS 2501.11)[3]

[3] This citation refers to AS 2501, *Auditing Accounting Estimates*, which was in effect for this audit. This standard was replaced by AS 2501, *Auditing Accounting Estimates, Including Fair Value Measurements*, which became effective for audits of financial statements for fiscal years ending on or after December 15, 2020.

Issuer F – Consumer Discretionary

Type of audit and related area affected

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

Description of the deficiencies identified

The issuer intended to use a significant portion of its inventory on hand at year end to manufacture a product type it had sold at a significant loss during the year. The following deficiencies were identified:

- The firm did not identify and test any controls that addressed whether this inventory was recorded at the lower of cost or net realizable value. (AS 2201.39)
- The firm did not perform any substantive procedures to test whether this inventory was recorded at the lower of cost or net realizable value. (AS 2301.08)

Issuer G – 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

With respect to the issuer's disclosure of transaction prices allocated to unsatisfied performance obligations, the following deficiencies were identified:

- The firm selected for testing controls that consisted of the issuer's reviews of this disclosure. The firm did not test the aspects of these controls that addressed the issuer's assessment of whether certain contractual terms and estimated transaction prices for contracts that were included in this disclosure were in conformity with FASB ASC Topic 606. (AS 2201.42 and .44)
- The firm did not perform any substantive procedures to evaluate whether certain contractual terms and estimated transaction prices for contracts that were included in this disclosure were disclosed in conformity with FASB ASC Topic 606. (AS 2810.30 and .31)

Audits with a Single Deficiency

None

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 five of 31 audits reviewed, the firm did not include all relevant work papers in the final set of audit documentation it was required to assemble. In these instances, the firm was non-compliant with AS 1215, *Audit Documentation*.
- In two of 26 audits reviewed, the firm did not make certain required communications to the issuer's audit committee related to uncorrected and corrected misstatements. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.
- In two of 22 audits reviewed, the firm did not communicate to management, in writing, all control deficiencies identified during the audit. In these instances, the firm was non-compliant with AS 2201, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*.
- In one of 26 audits reviewed, the firm did not provide management with a complete list of uncorrected misstatements to be included or attached to the management representation letter. In this instance, the firm was non-compliant with AS 2805, *Management Representations*.
- In 10 of 21 audits reviewed, the engagement team performed procedures to determine whether or not matters were critical audit matters but did not include in those procedures one or more matters that were communicated, or required to be communicated, to the issuer's audit committee and that related to accounts or disclosures that were material to the financial statements. In these instances, the firm was non-compliant with AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*. These instances of non-compliance do not necessarily mean that other critical audit matters should have been communicated in the auditor's report.
- In three of 21 audits reviewed, the firm's communication of a critical audit matter in the audit report included language that was inconsistent with information in the firm's audit documentation. In these instances, the firm was non-compliant with AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*.

PART II: OBSERVATIONS RELATED TO QUALITY CONTROL

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

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

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

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

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

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

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

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

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October 14, 2022

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 the Draft Report on the 2021 Inspection of Grant Thornton LLP

Dear Mr. Botic:

On behalf of Grant Thornton LLP, we are pleased to provide our response to the Public Company Accounting Oversight Board's (the "PCAOB") Draft Report on the 2021 Inspection of Grant Thornton LLP, principally related to our 2020 audits (the "Draft Report").

Quality is our highest priority at Grant Thornton and we are committed to its continual advancement. We have implemented service delivery systems, quality controls, and risk management tools to provide the necessary framework to meet the high-quality standards of the firm and the profession described in our Audit Quality & Transparency Report 2021 (https://www.grantthornton.com/insights/articles/audit/2020/a-foundation-built-on-quality).

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

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

Respectfully submitted,

By:

Seth Siegel
Chief Executive Officer

Janet Malzone
National Managing Partner of Audit Services