2021 Inspection
Plante Moran, P.C.

(Headquartered in Southfield, Michigan)

October 6, 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

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PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

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2021 INSPECTION

In the 2021 inspection of Plante Moran, P.C., the Public Company Accounting Oversight Board (PCAOB) assessed the firm's compliance with laws, rules, and professional standards applicable to the audits of public companies.

We selected for review one audit of an issuer with a fiscal year ending in 2020. For the issuer audit selected, we reviewed a portion of the audit. We also evaluated elements of the firm's system of quality control.

2021 Inspection Approach

In selecting issuer audits for review, we use a risk-based method of selection. We make selections based on (1) our internal evaluation of audits we believe have a heightened risk of material misstatement, including those with challenging audit areas, and (2) other risk-based characteristics, including issuer and firm considerations. In certain situations, we may select all of the firm's issuer audits for review.

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

Our selection of audits for review does not necessarily 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 2021 INSPECTION

The following information provides an overview of our 2021 inspection, which was our first inspection of this firm. We use a risk-based method to select audits for review and to identify areas on which we focus our review. Because our inspection process evolves over time, it can, and often does, focus on a different mix of audits and audit areas from inspection to inspection and firm to firm. Further, a firm's business, the applicable auditing standards, or other factors can change from the time of one inspection to the next. As a result of these variations, we caution that our inspection results are not necessarily comparable over time or among firms.

Firm Data and Audits Selected for Review

	2021
Firm data	
Total issuer audit clients for which the firm was the principal auditor at the outset of the inspection procedures	1
Total engagement partners on issuer audit work[1]	1
Audits reviewed	
Total audits reviewed[2]	1
Audits in which the firm was the principal auditor	1
Integrated audits of financial statements and internal control over financial reporting (ICFR)	1
Audits with Part I.A deficiencies	1

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 may include 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

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

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

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.

Audit Areas Most Frequently Reviewed

This table reflects the audit areas we have selected most frequently for review in the 2021 inspection. For the issuer audit 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	
Audit area	**Audits reviewed**
Revenue and related accounts	1
Inventory	1

PART I: INSPECTION OBSERVATIONS

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

Part I.B discusses deficiencies, if any, that do not relate directly to the sufficiency or appropriateness of evidence the firm obtained to support its opinion(s) but nevertheless relate to instances of non-compliance with PCAOB standards or rules.

Consistent with the Sarbanes-Oxley Act ("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. Section 104(g)(2) of the Act restricts us from publicly disclosing Part II deficiencies unless the firm does not address the criticisms or potential defects to the Board's satisfaction no later than 12 months after the issuance of this report.

Classification of Audits with Part I.A Deficiencies

Within Part I.A of this report, we classify each issuer audit in one of the categories discussed below based on the Part I.A deficiency or deficiencies identified in our review.

The 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.

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 – Consumer Staples

Type of audit and related areas affected

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

Description of the deficiencies identified

With respect to **Revenue and Related Accounts** and **Inventory**:

The issuer used multiple information technology (IT) applications to initiate, process, and record transactions related to revenue and related accounts and inventory. The firm selected for testing certain automated and IT-dependent manual controls that used data and reports generated or maintained by certain of these applications. The accuracy and completeness of these data and reports depended on effective IT general controls (ITGCs). As a result of the following deficiencies in the firm's testing of ITGCs, the firm's testing of these automated and IT-dependent manual controls was not sufficient. (AS 2201.46)

- The firm did not sufficiently test change management controls because the firm did not consider all program changes in making its selections for testing. (AS 2201.42 and .44)

- The firm did not sufficiently test privileged access controls because the firm did not (1) consider all privileged access users in making its selections for testing and (2) test the procedures that control owners performed to evaluate the appropriateness of access. (AS 2201.42 and .44)

- The firm did not sufficiently test the periodic user account review control because the firm did not sufficiently evaluate whether the control as designed could effectively prevent or detect a material misstatement because the firm did not consider whether every user was assigned to an approver or the appropriateness of permissions granted to roles. (AS 2201.42 and .44) In addition, the engagement team did not identify and test any controls over the accuracy and completeness of user access lists used in the operation of the control, including whether all users were included and all access roles for each user were listed for review. (AS 2201.39)

With respect to **Revenue and Related Accounts**:

The firm selected for testing certain automated application controls related to revenue. The firm's testing of these controls was not sufficient because the procedures performed were substantive in nature and did not directly test the controls. (AS 2201.42, .44, and .B9)

The firm selected for testing two controls that consisted of reviews of contracts and analyses for appropriate accounting treatment under FASB ASC Topic 606, *Revenue from Contracts with Customers*. The firm did not evaluate the specific review procedures performed by the control owners to ensure appropriate evaluation of revenue recognition criteria. (AS 2201.42 and .44) In addition, the engagement team did not identify and test any controls over the completeness of the population of new and amended contracts used in the operation of one of the controls. (AS 2201.39)

To test certain revenue, the firm selected sales transactions for testing. The firm did not perform sufficient procedures to test this revenue because its procedures were limited to (1) verifying that contracts were approved and (2) reading the issuer's technical accounting memorandums regarding the implementation of ASC Topic 606 for certain contracts that were entered into in years prior to the year under audit. (AS 2301.08) In addition, the number of transactions the firm used in its substantive procedures to test revenue was too small to provide sufficient appropriate audit evidence because it used a proprietary accept/reject methodology that did not consider factors relevant to determining sample size for substantive testing. (AS 2301.37 and .42; AS 2315.16, .19, .23, and .23A)

With respect to **Inventory**:

The firm selected for testing certain automated application controls related to inventory. The firm's testing of these controls was not sufficient because the procedures performed were substantive in nature and did not directly test the controls. (AS 2201.42, .44, and .B9)

The firm observed, for a sample of locations, physical inventory counts performed as of various interim dates. The firm did not perform sufficient procedures to extend its audit conclusions on the existence of inventory for the periods between its interim testing and year end because the firm limited its procedures to agreeing inventory movements between the interim dates and year end to system-generated reports. (AS 2301.45; AS 2510.12)

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. 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 the audit reviewed, the firm's report on Form AP omitted information related to the participation in the audit by an other accounting firm. In this instance, the firm was non-compliant with PCAOB Rule 3211, *Auditor Reporting of Certain Audit Participants*.

PART II: OBSERVATIONS RELATED TO QUALITY CONTROL

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

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

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

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

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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July 29, 2022

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 Draft Report on the 2021 Inspection of Plante Moran, P.C.

Dear Mr. Botic:

We appreciate this opportunity to provide our response to the Public Company Accounting Oversight Board's ("PCAOB" or the "Board") Draft Report on the 2021 Inspection of Plante Moran, P.C. (the "Draft Report").

Plante Moran, P.C. is committed to maintaining the highest standards of audit quality. We continually monitor our system of quality control and make changes when we identify opportunities to strengthen quality controls and enhance audit quality. We have and will continue to use the PCAOB inspection process as a basis for making changes as we continue our own work to improve the quality of our audits.

We have evaluated the matters described in Part I of the Draft Report, and we have taken appropriate actions to address the matters and fulfill our professional responsibilities in accordance with PCAOB standards and our quality control policies.

We share the Board's desire for high quality audits to protect investors and the public interest, and the PCAOB's inspection process serves to assist in achieving that goal. We look forward to continuing to work with the PCAOB on our shared objective of continual improvement in audit quality.

Respectfully submitted,

Plante Moran, PC

Plante Moran, P.C.

PRAXITY