2021 Inspection RSM US LLP

(Headquartered in Chicago, Illinois)

November 16, 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. 104-2023-005

PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

EXECUTIVE SUMMARY

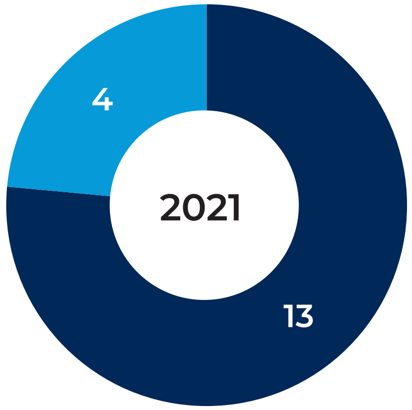
Our 2021 inspection report on RSM US LLP provides information on our inspection to assess the firm's compliance with Public Company Accounting Oversight Board (PCAOB) standards and rules and other applicable regulatory and professional requirements. This executive summary offers a high-level overview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

Four of the 17 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 substantive testing of revenue and related accounts and the allowance for credit losses/ 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 2021 related to testing the design or operating effectiveness of controls selected for testing, testing controls over the accuracy and completeness of data or reports used in the operation of controls, testing the accuracy and completeness of information used to make selections for testing controls, and in some cases the resulting overreliance on controls when performing substantive testing.

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, critical audit matters, and auditor tenure.

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2021 INSPECTION

In the 2021 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 17 audits of issuers with fiscal years 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.

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.[1]

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

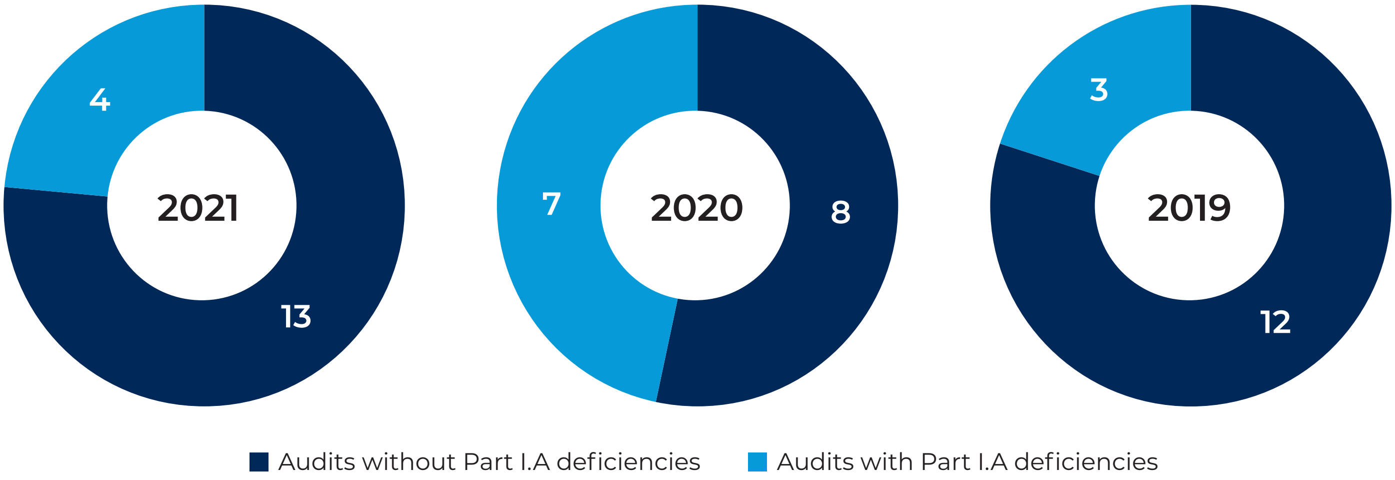
The following information provides an overview of our 2021 inspection as well as data from the previous two inspections. We use a combination of risk-based and random methods to select audits for review and to identify areas on which we focus our review. Because our inspection process evolves over time, 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	17	15	15
Selection method			
Risk-based selections	11	13	13
Random selections	4	2	2
Target team selections	2	0	0
Total audits reviewed	**17**	**15**	**15**
Principal auditor			
Audits in which the firm was the principal auditor	17	15	15
Audits in which the firm was not the principal auditor	0	0	0
Total audits reviewed	**17**	**15**	**15**
Audit type			
Integrated audits of financial statements and ICFR	7	8	10
Financial statement audits only	10	7	5
Total audits reviewed	**17**	**15**	**15**

Part I.A Deficiencies in Audits Reviewed

In 2021, two of the four audits appearing in Part I.A were selected for review using risk-based criteria. 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.

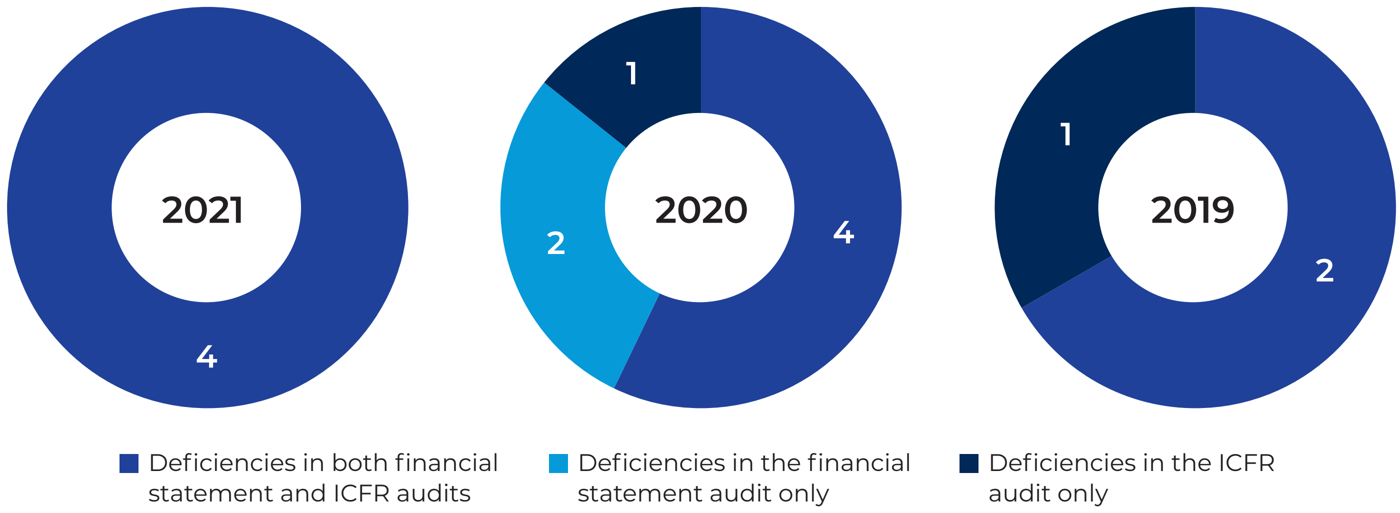


If we include a deficiency in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In many cases, the firm has performed remedial actions after the deficiency was identified. Depending on the circumstances, remedial actions may include performing additional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



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 obtain sufficient evidence as a result of overreliance on controls (due to deficiencies in testing controls)	3	1	1
Did not sufficiently evaluate significant assumptions that the issuer used in developing an estimate	2	2	1

Deficiencies in ICFR audits	Audits with Part I.A deficiencies		
	2021	2020	2019
Did not perform sufficient testing of the design and/or operating effectiveness of controls selected for testing	4	3	2
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	4	3	1
Did not test the accuracy and completeness of information that the firm used to make selections for testing the operating effectiveness of a control	3	0	0

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

Audit Areas with Frequent Part I.A Deficiencies

This table reflects the audit areas with the most frequently identified Part I.A deficiencies in each inspection year with the corresponding results for the other two years presented.

Audit area	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	2	9	4	11	1	8
Allowance for credit losses/ Allowance for loan losses	2	3	2	3	2	4
Inventory	1	1	0	1	1	4

Revenue and related accounts: The deficiencies in 2021 related to testing controls over revenue and related accounts and the resulting overreliance on controls when performing substantive testing. The deficiencies in 2020 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 credit losses/Allowance for loan losses: The deficiencies in 2021 and 2020 primarily related to substantive testing of, and testing controls over, the valuation of the allowance for credit losses/allowance for loan losses. The deficiencies in 2019 primarily related to testing controls over the valuation of the allowance for loan losses and the resulting overreliance on controls when performing substantive testing.

Inventory: The deficiencies in 2021 related to testing controls over inventory and the resulting overreliance on controls when performing substantive testing. The deficiencies in 2019 related to testing controls over inventory.

Auditing Standards Associated with Identified Part I.A Deficiencies

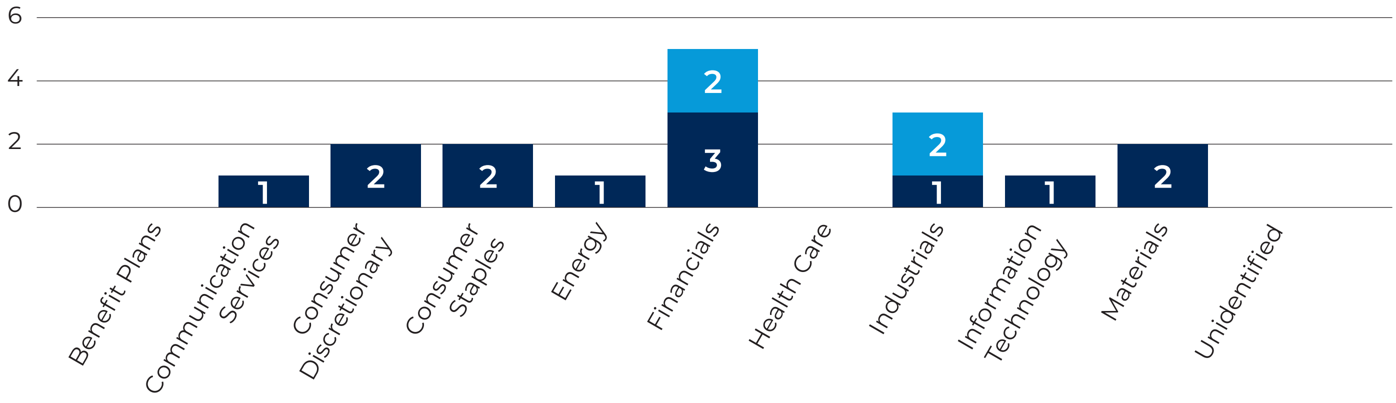
The following lists the auditing standards referenced in Part I.A of the 2021 and the previous two inspection reports, and the number of times that the standard is cited in Part I.A.

PCAOB Auditing Standards	2021	2020	2019
AS 1105, *Audit Evidence*	4	2	0
AS 1201, *Supervision of the Audit Engagement*	1	0	0
AS 2201, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*	21	12	8
AS 2301, *The Auditor's Responses to the Risks of Material Misstatement*	4	3	1
AS 2305, *Substantive Analytical Procedures*	0	1	0
AS 2310, *The Confirmation Process*	0	1	0
AS 2315, *Audit Sampling*	4	1	1
AS 2501, *Auditing Accounting Estimates* (effective for fiscal years ending before December 15, 2020)	0	2	1
AS 2501, *Auditing Accounting Estimates, Including Fair Value Measurements* (effective for fiscal years ending on or after December 15, 2020)	1	0	0
AS 2503, *Auditing Derivative Instruments, Hedging Activities, and Investments in Securities* (effective for fiscal years ending before December 15, 2020)	1	0	0
AS 2605, *Consideration of the Internal Audit Function*	2	0	0
AS 2810, *Evaluating Audit Results*	0	3	0

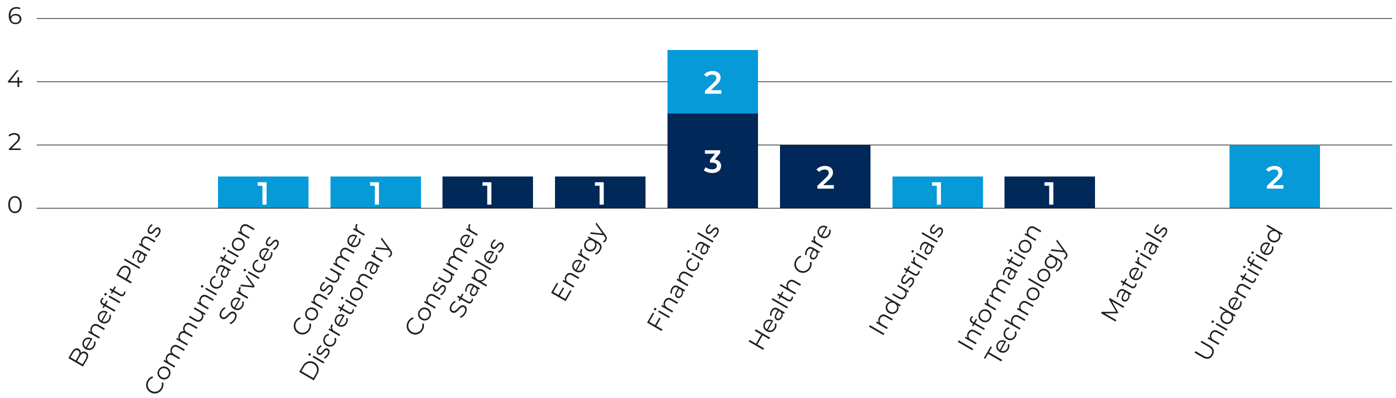
Inspection Results by Issuer Industry Sector

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

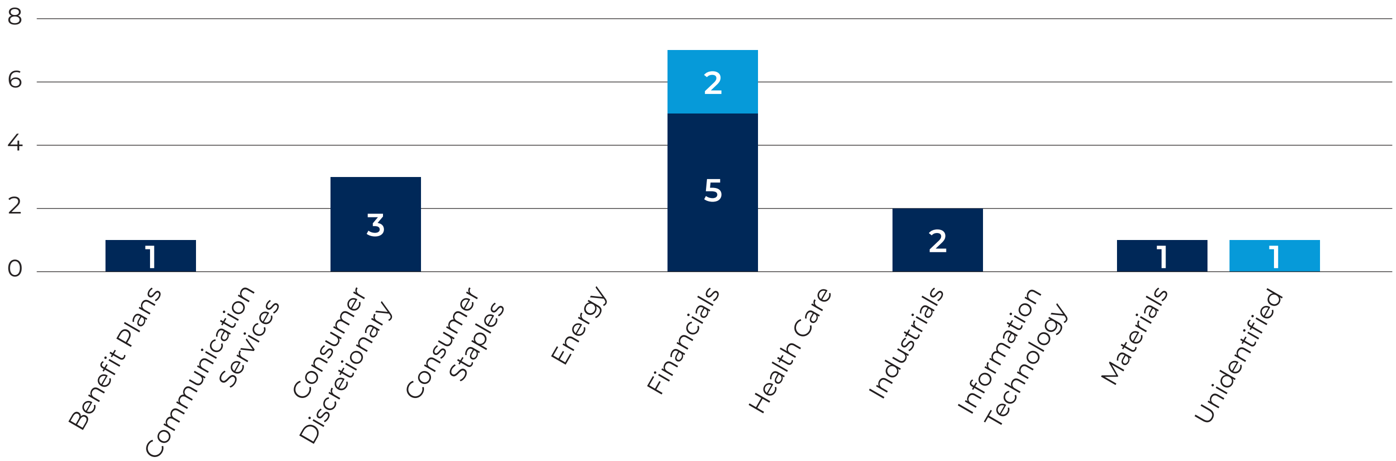
2021



2020



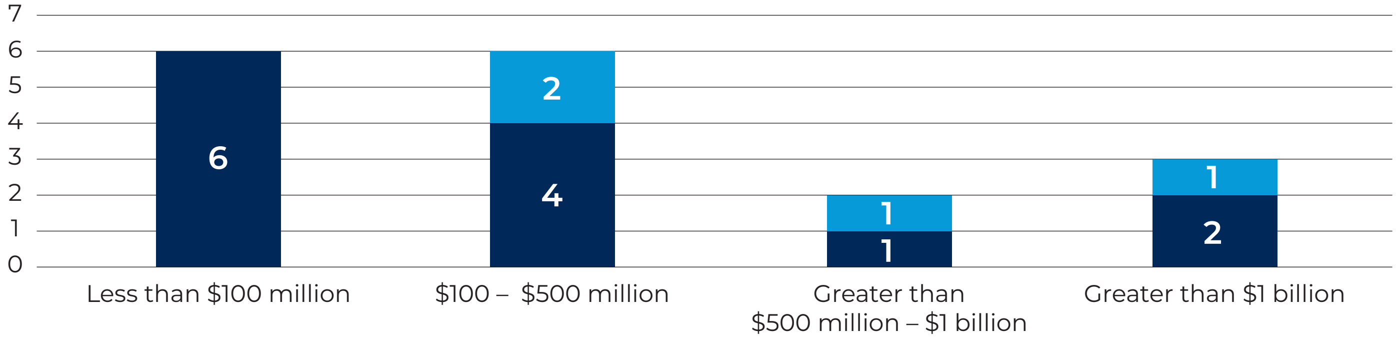
2019



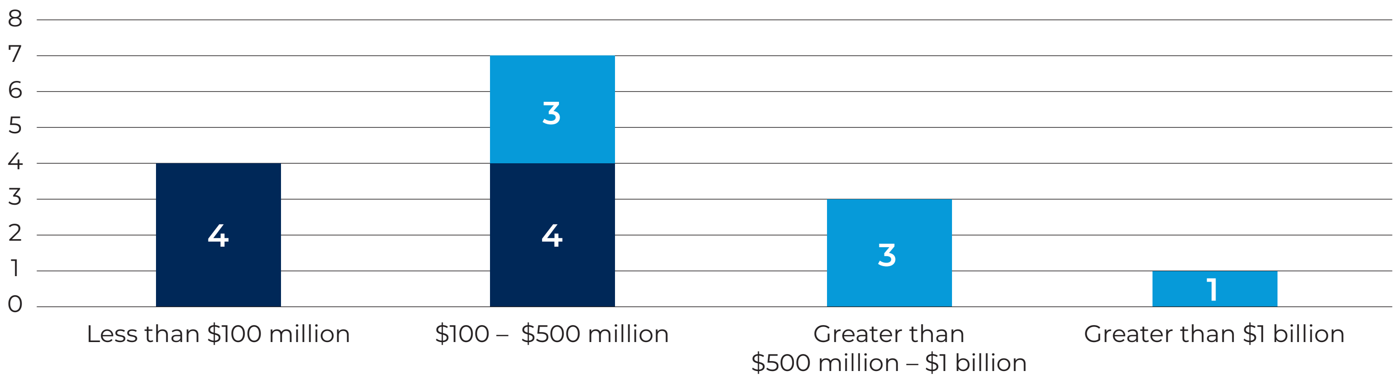
■ Audits without Part I.A deficiencies ■ Audits with Part I.A deficiencies

Inspection Results by Issuer Revenue Range

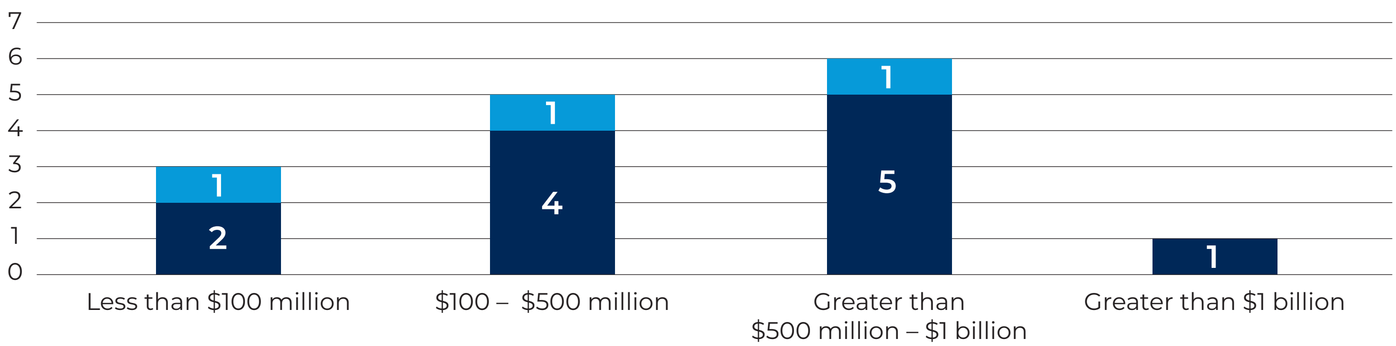
2021



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.

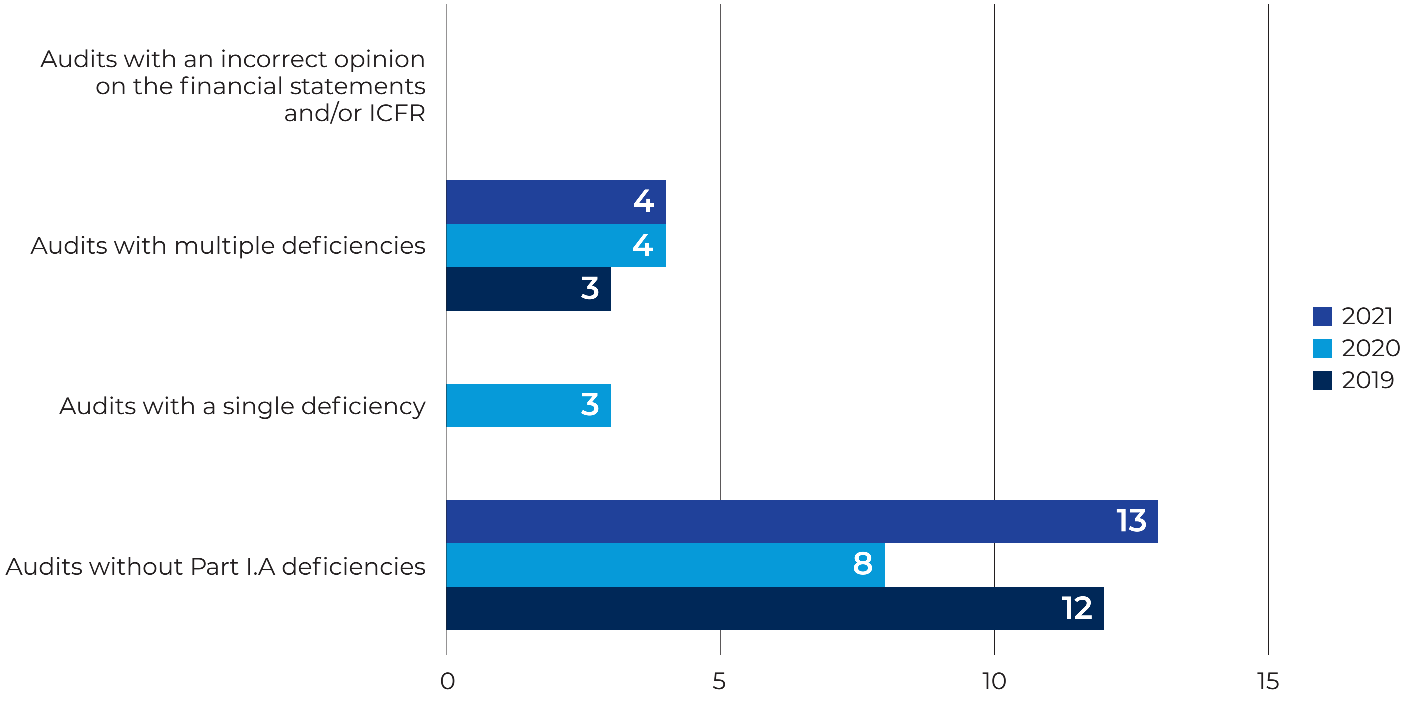
Audits with Multiple Deficiencies

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 – Industrials

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Revenue**, **Accounts Receivable**, **Inventory**, **Pension Assets and Liabilities**, and **Payroll Expenses**.

Description of the deficiencies identified

With respect to **Revenue**, **Accounts Receivable**, and **Inventory** at certain business units:

The issuer used an information technology (IT) system to process and record transactions related to revenue, accounts receivable, and inventory. In its testing of controls over these accounts, the firm tested certain IT-dependent manual controls that used data and reports generated or maintained by this IT system. As a result of the deficiencies in the firm's testing of IT general controls (ITGCs) discussed below, the firm's testing of these IT-dependent manual controls was not sufficient. (AS 2201.46)

The following ITGC deficiencies were identified:

- The firm selected for testing a control over the issuer's review of user access to this IT system but did not evaluate the specific review procedures that the control owner performed to determine whether to approve user access that had been requested or whether user access that had been previously approved continued to be appropriate. (AS 2201.42 and .44)
- The firm selected for testing a control over change management but did not perform any procedures to test, or in the alternative, test any controls over, the completeness of the population of changes from which it made its selections for testing. (AS 1105.10)

For revenue, accounts receivable, and inventory, which were affected by the audit deficiencies discussed above, the following additional deficiencies related to the firm's testing of controls were identified:

- The firm used the work of the issuer's internal audit as evidence of the effectiveness of automated application controls over the accuracy and completeness of reports that the issuer used in the operation of certain other IT-dependent manual controls that the firm tested. Internal audit relied on the testing of these controls that was performed in prior years. The firm did not sufficiently evaluate whether internal audit's strategy to rely on testing that was performed in prior years was appropriate because the firm did not evaluate whether ITGCs were effective in those prior years. (AS 2201.B29; AS 2605.24)
- For certain automated controls, the firm tested a sample of one transaction for each of these controls in the issuer's IT testing environment, rather than in its production environment. The firm's testing was not sufficient because the firm did not perform procedures to determine whether the testing environment was consistent with the production environment. (AS 2201.44)

The sample sizes the firm used in certain of its substantive procedures to test revenue, accounts receivable, and inventory were too small to provide sufficient appropriate audit evidence because these procedures were designed based on a level of control reliance that was not supported due to the deficiencies in the firm's control testing discussed above. (AS 2301.16, .18, and .37; AS 2315.19, .23, and .23A)

With respect to **Revenue**:

For certain business units, the firm selected for testing an automated control over the timing of revenue recognition. The firm did not test the configuration of this automated control or perform other procedures that would have provided sufficient appropriate audit evidence that the control was designed and operating effectively. (AS 2201.42 and .44)

For another business unit, the firm selected for testing a control that consisted of the issuer's monthly review of revenue and gross margins. The firm did not evaluate the specific review procedures that the control owner performed to assess whether revenue was appropriately recognized. (AS 2201.42 and .44)

With respect to **Pension Assets and Liabilities**:

The issuer used a service organization for custodial and other administrative services related to pension assets. The firm obtained the service auditor's report on the operating effectiveness of the service organization's controls but did not identify that the service auditor's report did not address the valuation of pension assets. (AS 2201.39 and .B21)

The issuer determined the fair value of a portion of its pension assets based on a valuation model that used the financial results of the investees. The firm obtained the audited financial statements of the investees but did not perform any procedures to test the investees' financial results for the six months between the period covered by the audited financial statements and the issuer's year end. Further, for two of these investees, the firm did not sufficiently evaluate whether the audited financial statements provided sufficient appropriate audit evidence about the investees' financial results for the period covered because the financial statements did not contain the necessary information for the firm to assess the inputs that the issuer used in its valuation model. (AS 2503.28)

The issuer engaged an external specialist to estimate its pension liabilities using participant data provided by the issuer and assumptions developed by the specialist. The firm selected for testing a control that consisted of the issuer's review of the assumptions used by the specialist. The firm did not evaluate the review procedures that the control owners performed, including the procedures to identify items for follow up and the procedures to determine whether those items were appropriately resolved. (AS 2201.42 and .44) In addition, the firm did not identify and test any controls that addressed whether the participant data provided to the specialist were accurate and complete. (AS 2201.39)

With respect to **Payroll Expenses**:

The issuer used a service organization to initiate, process, and record transactions related to payroll expenses for certain business units, and this service organization used a sub-service organization for certain functions that were not covered in the service auditor's report. In its testing of controls over this account, the firm tested certain IT-dependent manual controls that used data and reports from the service organization. As a result of the deficiencies in the firm's testing of controls discussed below, the firm's testing of these controls was not sufficient. (AS 2201.46)

The following deficiencies were identified:

- The firm did not identify and test any controls over the issuer's evaluation of the service auditor's report with respect to the effectiveness of the controls at the service organization. (AS 2201.39)
- The firm identified complementary user controls implemented by the issuer that the service auditor's report described as necessary but did not test the operating effectiveness of certain of these controls. (AS 2201.44 and .B22)
- The firm did not obtain an understanding of, and test, any controls at the sub-service organization that were relevant to the issuer. (AS 2201.39 and .B19)

The sample size the firm used in certain of its substantive procedures to test payroll expenses was 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 B – 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 Credit Losses (ACL)**.

Description of the deficiencies identified

The issuer used various internally and externally developed models to estimate the quantitative component of the ACL for loans collectively evaluated for impairment. These models used various data and assumptions. The following deficiencies were identified:

- The firm did not identify and test any controls over the issuer's validation of certain of these models. (AS 2201.39)

- The firm selected for testing controls that consisted of the issuer's reviews of the operation of these models and the underlying inputs and assumptions. The firm did not evaluate the review procedures that the control owners performed, including the procedures to identify items for follow up and the procedures to determine whether those items were appropriately resolved. (AS 2201.42 and .44) In addition, the firm did not identify and test any controls over the accuracy and completeness of the data that the control owners used in the operation of these controls. (AS 2201.39)

- The firm's approach for substantively testing the quantitative component of the ACL for loans collectively evaluated for impairment was to test the issuer's process, and the firm used an auditor-employed specialist to evaluate certain significant assumptions the issuer used, including the underlying models and assumptions. The firm did not sufficiently evaluate the reasonableness of these significant assumptions because it did not identify that the specialist's procedures were limited to inquiring of management and reading issuer-prepared reports and analyses. (AS 1201.C6 and .C7; AS 2501.16)

Issuer C – 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 used two IT systems to process and record transactions related to revenue. In its testing of controls over this account, the firm tested certain IT-dependent manual controls that used data and reports generated or maintained by these IT systems. As a result of the deficiencies in the firm's testing of ITGCs discussed below, the firm's testing of these IT-dependent manual controls was not sufficient. (AS 2201.46)

The following ITGC deficiencies were identified:

- The firm selected for testing controls over the issuer's review of user access to these IT systems but did not evaluate the specific review procedures that the control owners performed to determine whether to approve user access that had been requested or whether user access that had been previously approved continued to be appropriate. (AS 2201.42 and .44)

- The firm selected for testing a control over change management but did not perform any procedures to test, or in the alternative, test any controls over, the completeness of the population of changes from which it made its selections for testing. (AS 1105.10)

The firm used the work of the issuer's internal audit as evidence of the effectiveness of automated application controls over the accuracy and completeness of reports that the issuer used in the operation of certain other IT-dependent manual controls over revenue that the firm tested. Internal audit relied on the testing of these controls that was performed in prior years. The firm did not sufficiently evaluate whether internal audit's strategy to rely on testing that was performed in prior years was appropriate because the firm did not evaluate (1) whether ITGCs were effective in those prior years and (2) the effect of certain changes to IT systems that the issuer implemented in the current year. (AS 2201.B29 and .B31; AS 2605.24)

The sample sizes the firm used in certain of its substantive procedures to test 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 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 **Allowance for Loan Losses (ALL)**.

Description of the deficiencies identified

The issuer used two IT systems to process and record transactions related to the ALL. In its testing of controls over this account, the firm tested certain IT-dependent manual controls that used data and reports generated or maintained by these IT systems. As a result of the deficiencies in the firm's testing of ITGCs discussed below, the firm's testing of these IT-dependent manual controls was not sufficient. (AS 2201.46)

The following ITGC deficiencies were identified:

- The firm selected for testing controls over the issuer's review of user access to these IT systems but did not evaluate the specific review procedures that the control owners performed to determine whether to approve user access that had been requested or whether user access that had been previously approved continued to be appropriate. (AS 2201.42 and .44)
- The firm selected for testing a control over change management but did not perform any procedures to test, or in the alternative, test any controls over, the completeness of the population of changes from which it made its selections for testing. (AS 1105.10)

As a result of the firm's ITGC testing deficiencies discussed above, the firm did not perform sufficient substantive procedures, as follows:

- The firm did not perform any substantive procedures to test, or sufficiently test controls over, the accuracy and completeness of certain system-generated data and reports the firm used in its substantive testing. (AS 1105.10)
- The sample size the firm used in certain of its substantive procedures to test the ALL was too small to provide sufficient appropriate audit evidence because these procedures were designed based on a level of control reliance that was not supported. (AS 2301.16, .18, and .37; AS 2315.19, .23, and .23A)

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 one of 15 audits reviewed, the firm did not assemble a complete and final set of audit documentation for retention within 45 days following the report release date. In this instance, the firm was non-compliant with AS 1215, *Audit Documentation*.
- In one of four audits reviewed, the firm did not make a required communication to the issuer's audit committee related to the name, location, and planned responsibilities of an other accounting firm that performed audit procedures in the audit. In this instance, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.
- In six of 13 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 to the issuer's audit committee and that related to accounts or disclosures that were material to the financial statements. In one additional audit reviewed, the engagement team did not take into account certain required factors in determining whether or not a matter was a critical audit matter. 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 one of six audits reviewed, the year the firm began serving consecutively as the company's auditor included in the firm's audit report was incorrect. In this instance, 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.

RSM

RSM US LLP

30 South Wacker Drive
Suite 3000
Chicago, IL 60606

October 21, 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 Public Company Accounting Oversight Board (PCAOB) Draft Report on 2021 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 2021 Inspection of RSM US LLP dated September 22, 2022 ("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,

Brian Becker
Managing Partner and Chief Executive Officer

Joel Shamon
National Audit Leader

THE POWER OF BEING UNDERSTOOD
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