2021 Inspection WithumSmith+Brown, PC

(Headquartered in Princeton, New Jersey)

November 21, 2022

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PCAOB

PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

EXECUTIVE SUMMARY

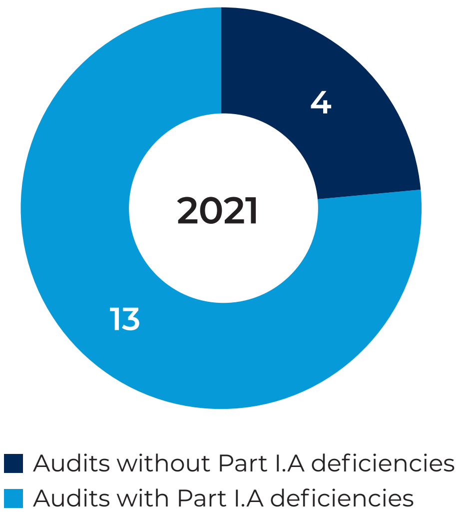
Our 2021 inspection report on WithumSmith+Brown, PC provides information on our inspection to assess the firm's compliance with Public Company Accounting Oversight Board (PCAOB) standards and rules and other applicable regulatory and professional requirements. This executive summary offers a high-level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

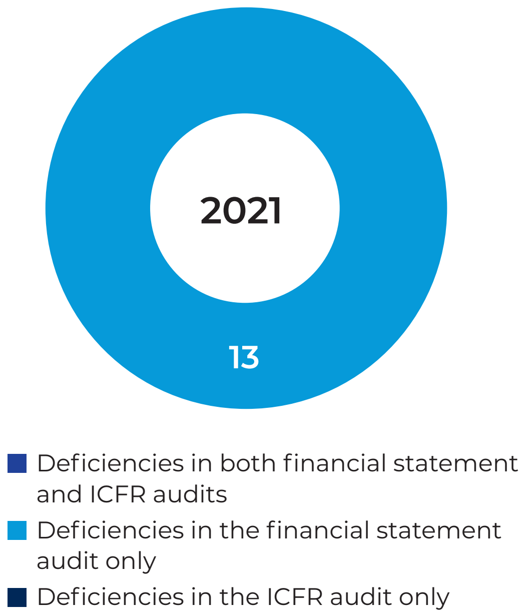
- Part I.A of the report, which discusses deficiencies ("Part I.A deficiencies") in certain issuer audits that were of such significance that we believe the firm, at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion(s) on the issuer's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

Thirteen 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 substantive testing of equity and equity-related transactions, revenue and related accounts, and business combinations. The firm significantly increased its number of issuer audits in the past two years by accepting a large number of special purpose acquisition companies (SPACs). During the year under inspection, the firm audited 388 SPACs or issuers that were formed by mergers between non-public operating companies and SPACs ("de-SPACs"), and many of these issuers restated their financial statements to correct misstatements related to warrants and/or certain redeemable shares. Twelve of the 17 audits we reviewed in 2021 were SPACs or de-SPACs, and nine of these audits are included in Part I.A.





The most common Part I.A deficiencies in 2021 related to evaluating the appropriateness of the issuer's accounting method or disclosure and evaluating significant assumptions that the issuer used in developing an estimate.

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 the firm's audit report, critical audit matters, and reviews of interim financial information.

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2021 INSPECTION

In the 2021 inspection of WithumSmith+Brown, PC, 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 generally ending in 2020. Of these issuer audits, we selected eight audits of SPACs and four audits of de-SPACs to gain a timely understanding of emerging financial reporting and auditing risks related to these types of issuers. 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") of SPACs or de-SPACs. We identified an instance of non-compliance with PCAOB standards, which appears in Part I.B.

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 de-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

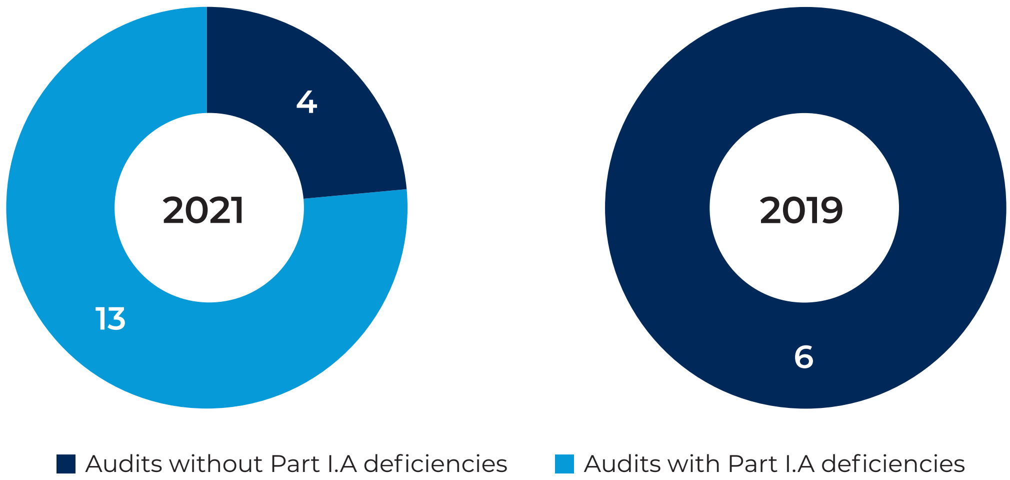
The following information provides an overview of our 2021 inspection as well as data from the previous inspection. We use a combination of risk-based and random methods to select audits for review and to identify areas on which we focus our review. Because our inspection process evolves over time, it 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	2019
Total audits reviewed		
Total audits reviewed	17	6
Selection method		
Risk-based selections	11	6
Random selections	4	0
Target team selections	2	0
Total audits reviewed	**17**	**6**
Principal auditor		
Audits in which the firm was the principal auditor	17	6
Audits in which the firm was not the principal auditor	0	0
Total audits reviewed	**17**	**6**
Audit type		
Integrated audits of financial statements and ICFR	0	1
Financial statement audits only	17	5
Total audits reviewed	**17**	**6**

Part I.A Deficiencies in Audits Reviewed

In 2021, 10 of the 13 audits appearing in Part I.A were selected for review using risk-based criteria.

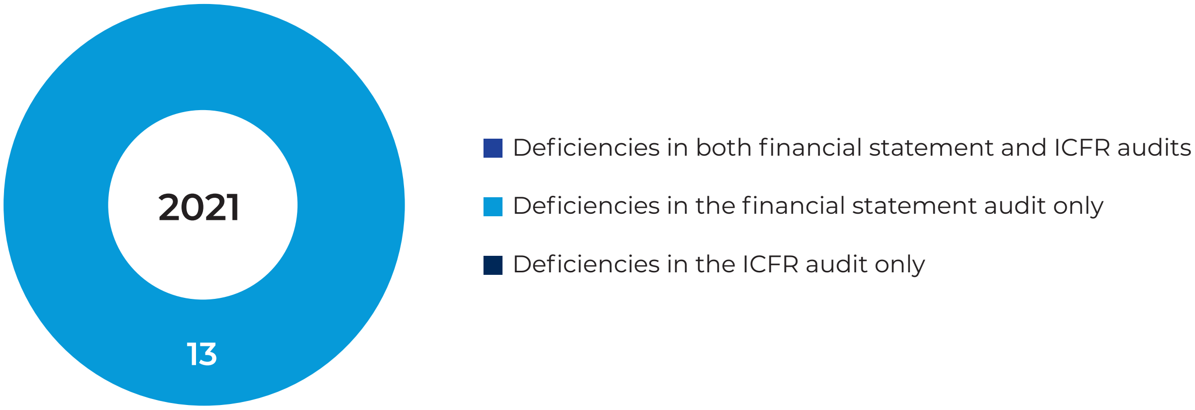


If we include a deficiency in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In many cases, the firm has performed remedial actions after the deficiency was identified. Depending on the circumstances, remedial actions may include performing additional 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 eight audits, all of which were audits of SPACs or de-SPACs, for which the issuer, unrelated to our review, restated its financial statements to correct one or more misstatements and the firm revised and reissued its report on the financial statements.

The following tables and graphs summarize inspection-related information, by inspection year, for 2021 and the previous inspection. 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	2019
Did not sufficiently evaluate the appropriateness of the issuer's accounting method or disclosure for one or more transactions or accounts	11	0
Did not sufficiently evaluate significant assumptions that the issuer used in developing an estimate	9	0
Did not perform sufficient testing related to an account or significant portion of an account or to address an identified risk	2	0
Did not perform sufficient testing of data or reports used in the firm's substantive testing	2	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			2019		
Audit area	Audits reviewed	Audits with Part I.A deficiencies	Audit area	Audits reviewed	Audits with Part I.A deficiencies
Equity and equity-related transactions	12	9	**Investment securities**	3	0
Investment securities	5	0	**Equity and equity-related transactions**	3	0
Revenue and related accounts	5	4	**Cash and cash equivalents**	2	0
Business combinations	4	2	**Participant and employer contributions**	1	0
Goodwill and intangible assets	3	1	**Revenue and related accounts**	1	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 year presented.

Audit area	2021		2019	
	Audits with Part I.A deficiencies	Audits reviewed	Audits with Part I.A deficiencies	Audits reviewed
Equity and equity-related transactions	9	12	0	3
Revenue and related accounts	4	5	0	1
Business combinations	2	4	0	0

Equity and equity-related transactions: The deficiencies in 2021 related to evaluating the appropriateness of the issuer's accounting method for certain warrants and certain redeemable shares and, in some cases, substantive testing of the significant assumptions used by the issuer to determine the fair value of the warrants that were subsequently recorded as liabilities.

Revenue and related accounts: The deficiencies in 2021 primarily related to substantive testing of revenue.

Business combinations: The deficiencies in 2021 primarily related to evaluating the issuer's accounting for a business combination.

Auditing Standards Associated with Identified Part I.A Deficiencies

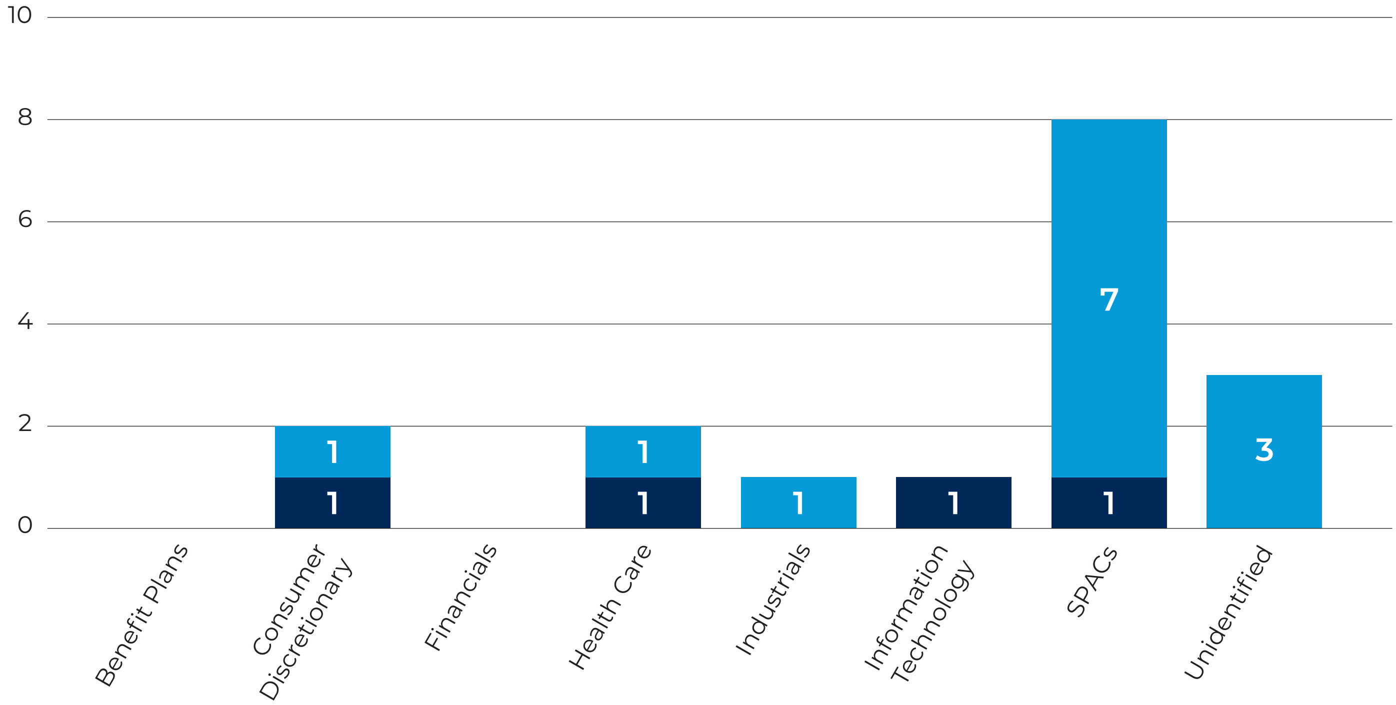
The following lists the auditing standards referenced in Part I.A of the 2021 and the previous inspection report, and the number of times that the standard is cited in Part I.A.

PCAOB Auditing Standards	2021	2019
AS 1105, *Audit Evidence*	9	0
AS 1201, *Supervision of the Audit Engagement*	6	0
AS 2301, *The Auditor's Responses to the Risks of Material Misstatement*	4	0
AS 2501, *Auditing Accounting Estimates, Including Fair Value Measurements* (effective for fiscal years ending on or after December 15, 2020)	7	-
AS 2501, *Auditing Accounting Estimates* (effective for fiscal years ending before December 15, 2020)	2	0
AS 2502, *Auditing Fair Value Measurements and Disclosures* (effective for fiscal years ending before December 15, 2020)	1	0
AS 2810, *Evaluating Audit Results*	19	0

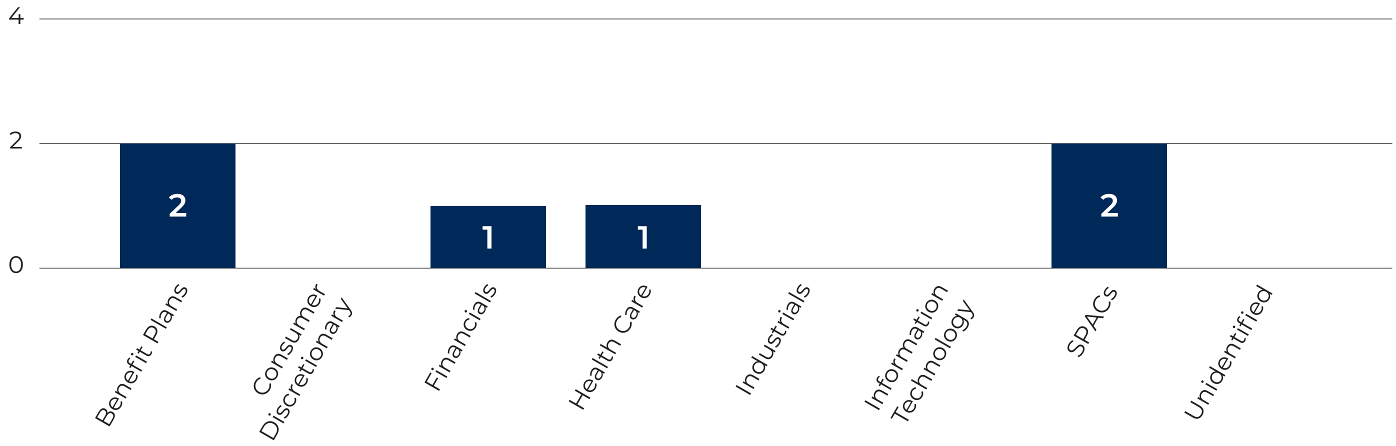
Inspection Results by Issuer Industry Sector

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



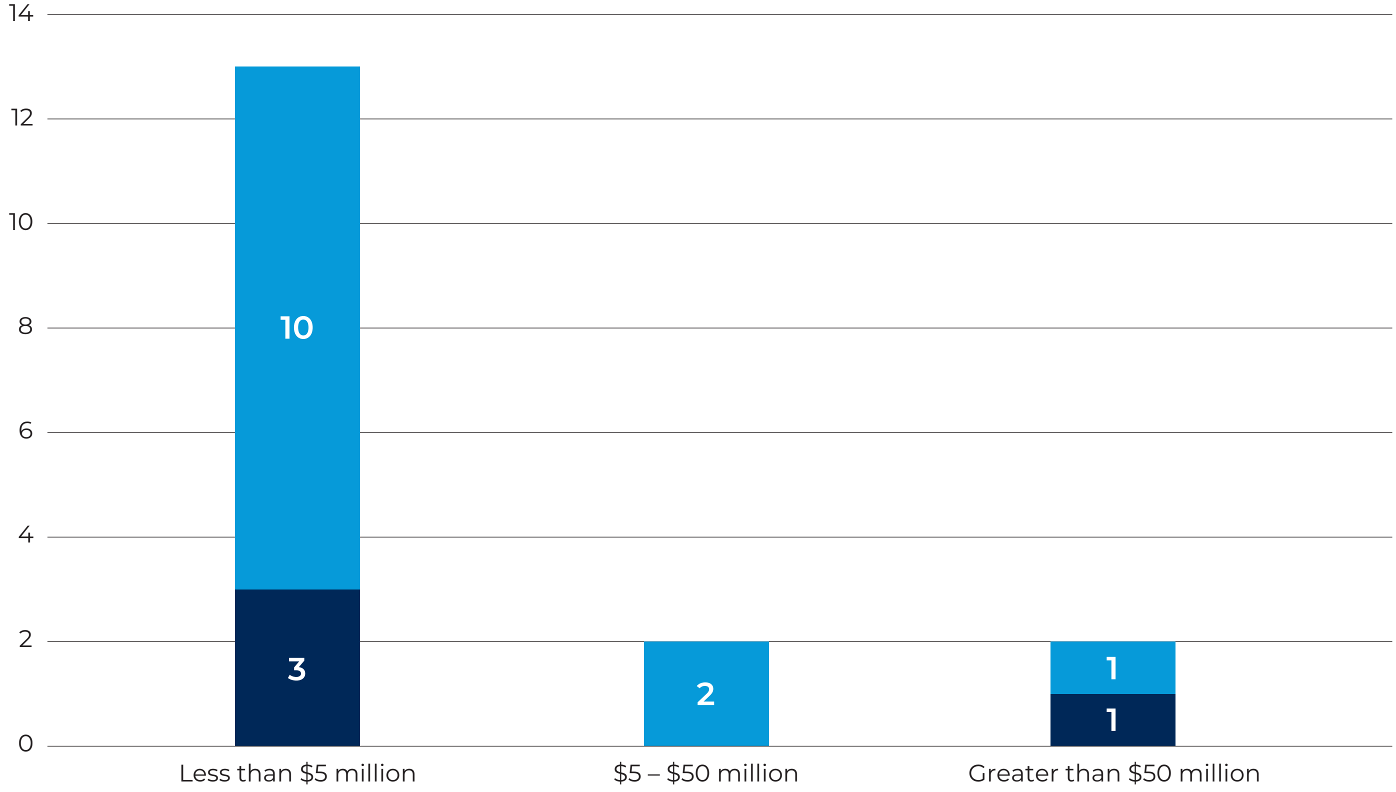
2019



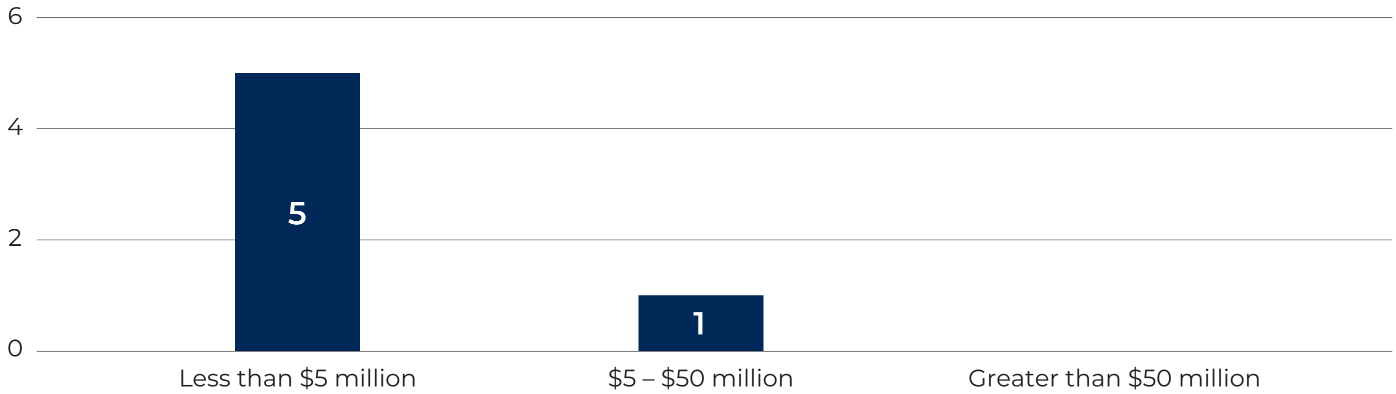
■ Audits without Part I.A deficiencies ■ Audits with Part I.A deficiencies

Inspection Results by Issuer Revenue Range

2021



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.

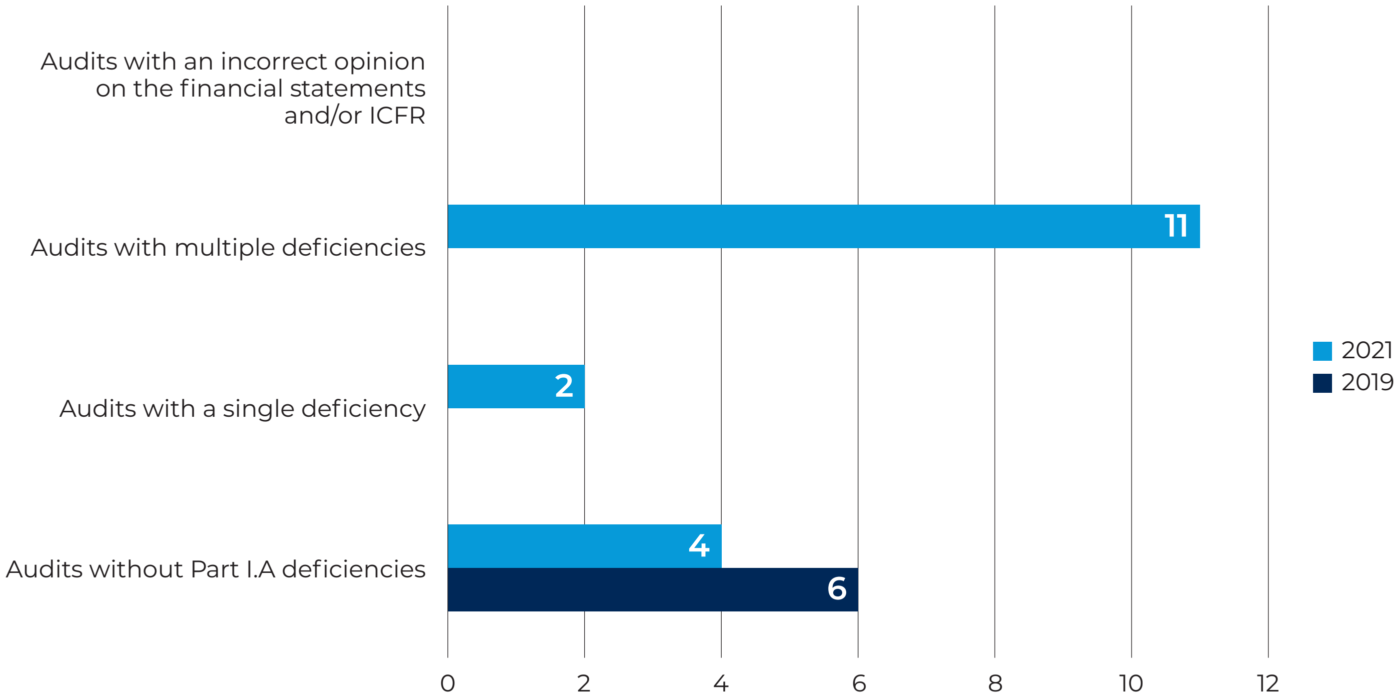
Audits with Multiple Deficiencies

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). 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 Discretionary

Type of audit and related areas affected

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

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.

In its restated financial statements, the issuer recorded these warrants as liabilities and engaged a specialist to determine the fair value for certain of these warrants. The firm's approach for substantively testing the fair values of these certain warrants was to test the issuer's process, and the firm used an auditor-employed specialist to evaluate the significant assumptions the company's specialist used. The firm did not sufficiently evaluate the reasonableness of these significant assumptions because it did not identify that the auditor-employed specialist did not evaluate whether the significant assumptions were consistent with relevant information and whether external data that the company's specialist used to develop certain of these assumptions were relevant and reliable. (AS 1105.A8a and .A8b; AS 1201.C6 and .C7)

With respect to **Revenue**:

The firm did not perform sufficient substantive procedures to test certain of the issuer's revenue because its procedures were limited to comparing this revenue to system-generated reports and confirmations obtained from related parties. (AS 2301.08)

With respect to **Business Combinations**:

During the year, the issuer entered into a transaction with multiple parties. The firm did not evaluate whether the issuer's accounting for this transaction as a business combination was in conformity with FASB ASC Topic 805, *Business Combinations*. (AS 2810.30)

Issuer B

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement audit related to **Revenue**, **Deferred Revenue**, **Goodwill**, **Intangible Assets**, and **Payroll Expense**.

Description of the deficiencies identified

With respect to **Revenue** and **Deferred Revenue**:

The issuer recorded certain revenue at the time services were provided to its customers. The firm did not perform any substantive procedures to test whether the performance obligations for these services had been satisfied when revenue was recognized. (AS 2301.08)

The issuer used various data and assumptions to estimate certain deferred revenue. The firm's approach for substantively testing this deferred revenue was to develop an independent expectation. The firm did not perform any procedures to evaluate whether the assumptions it used to develop its independent expectation were appropriate. (AS 2501.09, .10, and .12)[2] In addition, the firm did not test or, in the alternative, identify and test any controls over, the accuracy of the issuer-prepared data it used to develop its independent expectation. (AS 1105.10)

With respect to **Goodwill** and **Intangible Assets**:

The issuer performed a qualitative assessment of goodwill impairment and used information from various internal and external sources in concluding not to perform a quantitative goodwill impairment test. The firm did not perform any procedures, beyond reading an issuer-prepared memorandum, to evaluate the reasonableness of the assumptions the issuer used in this qualitative assessment. (AS 2501.09, .10, and .11) In addition, the firm did not (1) test or, in the alternative, identify and test any controls

[2] 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 ending on or after December 15, 2020.

over, the issuer-prepared data and (2) evaluate whether external information the issuer used in its qualitative assessment was relevant and reliable. (AS 1105.04, .06, and .10)

The issuer used a cash flow forecast to evaluate an intangible asset for possible impairment. The firm did not evaluate the period of the expected future cash flows the issuer used in its forecast, which was significantly longer than the remaining useful life of the asset. (AS 2502.26 and .28; AS 2810.03)

With respect to **Payroll Expense**:

The firm did not perform sufficient substantive procedures to test payroll and benefits expense because its procedures were limited to comparing the expense recorded in the general ledger to issuer-prepared tax forms and inspecting certain journal entries. (AS 2301.08)

Issuer C

Type of audit and related area affected

In our review, we identified deficiencies in the financial statement audit related to **Business Combinations**.

Description of the deficiencies identified

During the year, the issuer acquired a business. The following deficiencies were identified:

- The firm did not perform any procedures to evaluate whether all identifiable assets acquired and liabilities assumed were recognized in conformity with FASB ASC Topic 805, *Business Combinations*. Further, the firm did not perform any procedures to evaluate whether the issuer's disclosures related to the acquired intangible assets were in conformity with FASB ASC Topic 350, *Intangibles – Goodwill and Other*. (AS 2810.30 and .31)
- The firm did not perform any procedures to test the fair value the issuer assigned to the acquired intangible assets. (AS 2501.07) In addition, the firm did not sufficiently evaluate the reasonableness of the useful life the issuer assigned to these intangible assets because its procedures were limited to comparing this useful life to the useful life the issuer had assigned in a prior year to another type of intangible assets, without evaluating the reasonableness of the difference between these two useful lives. (AS 2501.16)
- The firm's approach for substantively testing the fair value of certain consideration the issuer transferred to the sellers was to test the issuer's process. The firm did not perform any procedures to evaluate the reasonableness of a significant assumption that the issuer used to determine the fair value of this consideration. (AS 2501.16)

Issuer D – SPACs

Type of audit and related areas affected

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

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.

In its restated financial statements, the issuer recorded these warrants as liabilities and engaged a specialist to determine the fair value for certain of these warrants. The firm's approach for substantively testing the fair values of these certain warrants was to test the issuer's process, and the firm used an auditor-employed specialist to evaluate the significant assumptions the company's specialist used. The firm did not sufficiently evaluate the reasonableness of these significant assumptions because it did not identify that the auditor-employed specialist did not (1) perform any procedures to evaluate certain significant assumptions developed by the issuer and (2) evaluate whether external data that the company's specialist used to develop another significant assumption were relevant and reliable and whether that assumption was consistent with other relevant information. (AS 1105.A8a and .A8b; AS 1201.C6 and .C7; AS 2501.16)

With respect to **Equity**:

During the audit, the firm did not identify, and appropriately address, that the issuer's accounting for certain redeemable shares as permanent equity was not in conformity with FASB ASC Topic 480, *Distinguishing Liabilities from Equity*. (AS 2810.30)

Unrelated to our review, the issuer reevaluated its accounting for these shares 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.

Issuer E – SPACs

Type of audit and related areas affected

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

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.

In its restated financial statements, the issuer recorded these warrants as liabilities and engaged a specialist to determine the fair value for certain of these warrants. The firm's approach for substantively testing the fair values of these certain warrants was to test the issuer's process, and the firm used an auditor-employed specialist to evaluate the significant assumptions the company's specialist used. The firm did not sufficiently evaluate the reasonableness of these significant assumptions because it did not identify that the auditor-employed specialist did not (1) perform any procedures to evaluate a significant assumption developed by the issuer and a significant assumption developed by the company's specialist and (2) evaluate whether external data that the company's specialist used to develop another significant assumption were relevant and reliable and whether that assumption and other significant assumptions developed by the company's specialist were consistent with other relevant information. (AS 1105.A8a and .A8b; AS 1201.C6 and .C7; AS 2501.16)

With respect to **Equity**:

During the audit, the firm did not identify, and appropriately address, that the issuer's accounting for certain redeemable shares as permanent equity was not in conformity with FASB ASC Topic 480, *Distinguishing Liabilities from Equity*. (AS 2810.30)

Unrelated to our review, the issuer reevaluated its accounting for these shares 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.

Issuer F – SPACs

Type of audit and related areas affected

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

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.

In its restated financial statements, the issuer recorded these warrants as liabilities and engaged a specialist to determine the fair value for certain of these warrants. The firm's approach for substantively testing the fair values of these certain warrants was to test the issuer's process, and the firm used an auditor-employed specialist to evaluate the significant assumptions the company's specialist used. The firm did not sufficiently evaluate the reasonableness of these significant assumptions because it did not identify that the auditor-employed specialist did not (1) perform any procedures to evaluate a significant assumption developed by the issuer and (2) evaluate whether certain significant assumptions that the company's specialist developed were consistent with relevant information. (AS 1105.A8b; AS 1201.C6 and .C7; AS 2501.16)

With respect to **Equity**:

During the audit, the firm did not identify, and appropriately address, that the issuer's accounting for certain redeemable shares as permanent equity was not in conformity with FASB ASC Topic 480, *Distinguishing Liabilities from Equity*. (AS 2810.30)

Issuer G – SPACs

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement audit related to **Warrants**, **Derivatives**, and **Equity**.

Description of the deficiencies identified

With respect to **Warrants** and **Derivatives**:

During the audit, the firm did not identify, and appropriately address, that the issuer's accounting for warrants and another derivative instrument 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 the derivative instrument 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.

In its restated financial statements, the issuer recorded these warrants and the derivative instrument as liabilities and engaged a specialist to determine the fair value for certain of these warrants and the derivative instrument. The firm's approach for substantively testing the fair values of these certain warrants and the derivative instrument was to test the issuer's process, and the firm used an auditor-employed specialist to evaluate the significant assumptions the company's specialist used. The firm did not sufficiently evaluate the reasonableness of these significant assumptions because it did not identify that the auditor-employed specialist did not (1) perform any procedures to evaluate certain significant assumptions and (2) evaluate whether external data that the company's specialist used to develop other significant assumptions were relevant and reliable and whether those assumptions were consistent with other relevant information. (AS 1105.A8a and .A8b; AS 1201.C6 and .C7)

With respect to **Equity**:

During the audit, the firm did not identify, and appropriately address, that the issuer's accounting for certain redeemable shares as permanent equity was not in conformity with FASB ASC Topic 480, *Distinguishing Liabilities from Equity*. (AS 2810.30)

Unrelated to our review, the issuer reevaluated its accounting for these shares 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.

Issuer H – SPACs

Type of audit and related areas affected

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

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.

In its restated financial statements, the issuer recorded these warrants as liabilities and engaged a specialist to determine the fair value for certain of these warrants. The firm's approach for substantively testing the fair values of these certain warrants was to test the issuer's process, and the firm used an auditor-employed specialist to evaluate the significant assumptions the company's specialist used. The firm did not sufficiently test the fair value of these warrants because it did not identify that the auditor-employed specialist did not evaluate whether the method the company's specialist used to value the warrants was appropriate and did not perform any procedures to evaluate a significant assumption that the company's specialist developed. (AS 1105.A8b and .A8c; AS 1201.C6 and .C7)

With respect to **Equity**:

During the audit, the firm did not identify, and appropriately address, that the issuer's accounting for certain redeemable shares as permanent equity was not in conformity with FASB ASC Topic 480, *Distinguishing Liabilities from Equity*. (AS 2810.30)

Issuer I – SPACs

Type of audit and related areas affected

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

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.

With respect to **Equity**:

During the audit, the firm did not identify, and appropriately address, that the issuer's accounting for certain redeemable shares as permanent equity was not in conformity with FASB ASC Topic 480, *Distinguishing Liabilities from Equity*. (AS 2810.30)

Unrelated to our review, the issuer reevaluated its accounting for these shares 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.

Issuer J

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement audit related to **Warrants**, **Revenue**, and **Deferred 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 certain warrants as equity was not in conformity with FASB ASC Topic 815, *Derivatives and Hedging*. (AS 2810.30)

With respect to **Revenue** and **Deferred Revenue**:

For certain types of revenue that the issuer recorded at two of its business units and deferred revenue that it recorded at one of these business units, the firm used data or reports provided by the issuer in various substantive procedures it performed to test these accounts. The firm did not test, or in the alternative, test any controls over, the accuracy and completeness of certain of these data and reports. (AS 1105.10)

Issuer K – Health Care

Type of audit and related area affected

In our review, we identified deficiencies in the financial statement audit related to a **Certain Liability**.

Description of the deficiencies identified

The firm's approach for substantively testing the fair value of a certain liability was to test the issuer's process. The firm did not sufficiently evaluate the reasonableness of a significant assumption the issuer used to determine the fair value of this liability because the firm's procedures were limited to inquiring of management and reading an issuer-prepared memorandum and analysis. (AS 2501.16)

The firm did not identify, and evaluate the significance to the financial statements of, omissions from a required disclosure under FASB ASC Topic 820, *Fair Value Measurements*, related to this liability. (AS 2810.30 and .31)

Audits with a Single Deficiency

Issuer L – SPACs

Type of audit and related area affected

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

Description of the deficiency identified

With respect to **Equity**:

During the audit, the firm did not identify, and appropriately address, that the issuer's accounting for certain redeemable shares as permanent equity was not in conformity with FASB ASC Topic 480, *Distinguishing Liabilities from Equity*. (AS 2810.30)

Unrelated to our review, the issuer reevaluated its accounting for these shares 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.

Issuer M – Industrials

Type of audit and related area affected

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

Description of the deficiency identified

The firm's substantive procedures to test revenue consisted of testing a sample of transactions. For certain of the transactions it selected for testing, the firm did not perform any procedures to test whether the performance obligation had been satisfied when revenue was recognized. (AS 2301.08)

PART I.B: OTHER INSTANCES OF NON-COMPLIANCE WITH PCAOB STANDARDS OR RULES

This section of our report discusses any deficiencies we identified that do not relate directly to the sufficiency or appropriateness of evidence the firm obtained to support its opinion(s) but nevertheless relate to instances of non-compliance with PCAOB standards or rules.

When we review an audit, we do not review every aspect of the audit. As a result, the 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 17 audits reviewed, the firm's audit report was not addressed to the board of directors. 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*.
- In two of two audits reviewed, the engagement team performed procedures to determine whether or not matters were critical audit matters but did not include in those procedures certain 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 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 two interim reviews reviewed, the firm did not identify, when performing its inquiries and review procedures, a misstatement in the issuer's interim financial information related to the issuer's accounting for certain redeemable shares. In this instance, the firm was non-compliant with AS 4105, *Reviews of Interim Financial Information*.

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.

withum
ADVISORY TAX AUDIT

November 9, 2022

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

Email: ResponsestoDraftReport@pcaobus.org

Re: Response to Part I of the Draft Report on the 2021 Inspection of WithumSmith+Brown, PC

Dear Mr. Botic:

On behalf of WithumSmith+Brown, PC ("Withum" or the "Firm"), we appreciate the opportunity to provide our response to the Public Company Accounting Oversight Board's ("PCAOB") Draft Report regarding the 2021 inspection of the Firm.

Withum has the utmost respect for the PCAOB's inspection process and believes that the PCAOB inspection process serves a critical role in further enhancing audit quality for the benefit of investors and the public interest. We take very seriously matters identified by the PCAOB in connection with our 2021 inspection and will ensure that the matters have been carefully evaluated and have been properly addressed and resolved in accordance with Firm internal policies and relevant PCAOB standards in a thoughtful, thorough, and appropriate manner.

Withum remains committed to the PCAOB's mission of constant improvement to audit quality to better protect the public interest. We look forward to continuing to engage with the PCAOB in pursuit of this common mission.

Respectfully submitted,

John Mortenson, Head of Accounting and Auditing Services
WithumSmith+Brown, PC

WithumSmith+Brown, PC One Tower Center Boulevard, 14th Floor, East Brunswick, New Jersey 08816-1145 T (732) 828 1614 F (732) 828 5156 withum.com

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