
2021 Inspection FORVIS, LLP

(Headquartered in Springfield, Missouri)

December 8, 2022

THIS IS A PUBLIC VERSION OF A PCAOB INSPECTION REPORT

PORTIONS OF THE COMPLETE REPORT ARE OMITTED FROM THIS DOCUMENT IN ORDER TO COMPLY WITH SECTIONS 104(g)(2) AND 105(b)(5)(A) OF THE SARBANES-OXLEY ACT OF 2002



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2021 INSPECTION

In the 2021 inspection of FORVIS, LLP (formerly BKD, LLP), the Public Company Accounting Oversight Board (PCAOB) assessed the firm's compliance with laws, rules, and professional standards applicable to the audits of public companies.

We selected for review eight 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.

2021 Inspection Approach

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

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

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

View the details on the [scope of our inspections and our inspections procedures](#).

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

Firm Data and Audits Selected for Review

	2021	2019
Firm data		
Total issuer audit clients for which the firm was the principal auditor at the outset of the inspection procedures	79	69
Total engagement partners on issuer audit work¹	26	30
Audits reviewed		
Total audits reviewed²	8	7
Audits in which the firm was the principal auditor	8	7
Integrated audits of financial statements and internal control over financial reporting (ICFR)	4	6
Audits with Part I.A deficiencies	5	4

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.

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

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

Our inspection may include a review, on a sample basis, of the adequacy of a firm’s remedial actions, either with respect to previously identified deficiencies or deficiencies identified during the current inspection. If a firm does not take appropriate actions to address deficiencies, we may criticize its system of quality control or pursue a disciplinary action.

If we include a deficiency in our report — other than those deficiencies for audits with incorrect opinions on the financial statements and/or ICFR — it does not necessarily mean that the issuer’s financial statements are materially misstated or that undisclosed material weaknesses in ICFR exist. It is often not possible for us to reach a conclusion on those points based on our inspection procedures and related findings because, for example, we have only the information that the auditor retained and the issuer’s public disclosures. We do not have direct access to the issuer’s management, underlying books and records, and other information.

Audit Areas Most Frequently Reviewed

This table reflects the audit areas we have selected most frequently for review in the 2021 inspection and the previous inspection. 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	Audit area	Audits reviewed
Allowance for loan losses	5	Allowance for loan losses	4
Investment securities	2	Investment securities	3
Participant distributions	2	Loans and related accounts	1
Revenue and related accounts	1	Revenue and related accounts	1
Deposit liabilities	1	Deposit liabilities	1

PART I: INSPECTION OBSERVATIONS

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

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

Consistent with the Sarbanes-Oxley Act ("Act"), it is the Board's assessment that nothing in Part I of this report deals with a criticism of, or potential defect in, the firm's quality control system. We discuss any such criticisms or potential defects in Part II. Further, you should not infer from any Part I deficiency, or combination of deficiencies, that we identified a quality control finding in Part II. Section 104(g)(2) of the Act restricts us from publicly disclosing Part II deficiencies unless the firm does not address the criticisms or potential defects to the Board's satisfaction no later than 12 months after the issuance of this report.

Classification of Audits with Part I.A Deficiencies

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

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

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

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

Audits with Multiple Deficiencies

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

Audits with a Single Deficiency

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

PART I.A: AUDITS WITH UNSUPPORTED OPINIONS

This section of our report discusses the deficiencies identified, by specific issuer audit reviewed, in the audit work supporting the firm's opinion on the issuer's financial statements and/or ICFR.

We identify each issuer by a letter (e.g., Issuer A). 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 – Financials

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Deposits**, **Journal Entries**, and **Control Deficiencies**.

Description of the deficiencies identified

With respect to **Deposits**:

The firm identified a deficiency in the design and operating effectiveness of a control over deposits that consisted of the reconciliation of in-process, suspense, and non-post deposit account balances from the deposit subsidiary ledger to the general ledger. The firm identified and tested controls that it believed would mitigate the deficiency. The firm did not identify that (1) the compensating controls tested did not address the in-process, suspense, and non-post reconciling items subject to the control and (2) one of the compensating controls was dependent on the effectiveness of the deficient control. (AS 2201.68)

The firm used negative confirmations to substantively test the existence of deposits. This procedure did not provide sufficient appropriate audit evidence because it was based on a combined assessed level of inherent and control risk of low that was not supported due to the deficiency in the firm's control testing discussed above. (AS 2310.20)

With respect to **Journal Entries**:

The firm identified a fraud risk related to the potential for management override of controls and determined that certain individuals could both initiate and record journal entries without any secondary review or approval. To address this fraud risk, the firm identified journal entries that met certain criteria and haphazardly selected certain of those journal entries for testing, without having a basis for its selection. For certain other journal entries that met these criteria, the firm did not examine the underlying support for these entries and instead limited its procedures to inquiring of management and/or evaluating the journal entry descriptions. (AS 2401.61) In addition, the firm did not identify or test any controls over the recording of journal entries that would address the fraud risk identified. (AS 2201.39)

With respect to **Control Deficiencies**:

The issuer's internal audit group identified certain deficiencies in the issuer's controls related to mortgage loans that it had selected for testing. The firm did not evaluate the severity of each control deficiency identified by internal audit to determine whether the deficiency, individually or in combination with other deficiencies, constituted a material weakness. (AS 2201.62)

Issuer B

Type of audit and related area affected

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

Description of the deficiencies identified

The firm's approach for substantively testing revenue and related accounts was to review and test management's process. The following deficiencies were identified:

- The firm did not perform sufficient procedures to evaluate the reasonableness of the assumptions used by the issuer to estimate revenue and related accounts because its procedures were limited to reading the memorandum prepared by the issuer and comparing certain assumptions to those used by the issuer in the previous year. (AS 2501.16)
- The firm did not perform any procedures to test, or in the alternative, test any controls over, the accuracy and completeness of certain disaggregated information generated from the issuer's system and used to estimate revenue and related accounts. (AS 1105.10)

Issuer C – Financials

Type of audit and related area affected

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

Description of the deficiencies identified

The issuer's ALL included a general reserve, which consisted primarily of a qualitative component. The firm's approach for substantively testing the ALL was to review and test management's process. The following deficiencies were identified:

- The firm did not perform sufficient procedures to evaluate the reasonableness of certain assumptions used by the issuer to develop the qualitative component of the general reserve ("qualitative reserve") because the firm did not evaluate whether the issuer had a reasonable basis for the assumptions. (AS 2501.16)
- The firm did not perform any procedures to test, or in the alternative, test any controls over, the accuracy and completeness of certain historical loss information generated from the issuer's system and used to develop a portion of the qualitative reserve. (AS 1105.10)

Audits with a Single Deficiency

Issuer D – Financials

Type of audit and related area affected

In our review, we identified a deficiency in the ICFR audit related to the **ALL**.

Description of the deficiency identified

The issuer's ALL included a general reserve, which consisted of quantitative and qualitative components. The firm selected for testing a control that consisted of the issuer's review of the underlying data and primary calculations supporting an ALL analysis designed to assess the appropriateness of the quantitative and qualitative adjustments. The firm did not evaluate the specific review procedures that the control owner performed to (1) assess the appropriateness of the adjustments and (2) verify the accuracy and completeness of the data used in determining certain of the adjustments. (AS 2201.42 and .44)

Issuer E – Benefit Plans

Type of audit and related area affected

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

Description of the deficiency identified

The issuer used a service organization to process and record participant distributions. The firm's approach to substantively test participant distributions included reliance on controls, including controls over the accuracy and completeness of certain information obtained from the service organization related to participant distributions. The firm did not perform any procedures to identify and test the operating effectiveness of complimentary user controls in place at the issuer related to participant distributions. (AS 2601.14)

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

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

When we review an audit, we do not review every aspect of the audit. As a result, the area below was not necessarily reviewed on every audit. In some cases, we assess the firm's compliance with specific PCAOB standards or rules on other audits that were not reviewed and include any instances of non-compliance below.

We identified the following deficiency:

In one of five audits reviewed, the firm's communication of a critical audit matter in the audit report included language that was inconsistent with information in the firm's audit documentation. In 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.

FORVIS

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October 27, 2022

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

Re: Response to Part I of the Draft Report on the 2021 Inspection of FORVIS, LLP

Dear Mr. Botic:

We are pleased to provide our response to Part I of the Public Company Accounting Oversight Board's (the "PCAOB") Draft Report on the 2021 Inspection of FORVIS, LLP.

Our firm is committed to the highest standards of audit quality. We continually monitor our audit processes, and adjust our methodologies, policies, procedures, and guidance when we identify improvements that could enhance audit quality. We value the benefits of the PCAOB inspection process, as it serves to assist us in identifying areas where we can continue to improve our audit performance and strengthen our system of quality control.

We have evaluated the matters described in Part I of the Draft Report, and have taken actions, as appropriate, to comply with AS 2901, *Consideration of Omitted Procedures After the Report Date*, and where applicable, AS 2905, *Subsequent Discovery of Facts Existing at the Date of the Auditor's Report*.

We continue to support the PCAOB and its mission and remain committed to improving our audit performance. We look forward to continuing to work with the PCAOB to achieve our shared objective of continual improvement in audit quality.

Respectfully submitted,

FORVIS, LLP

FORVIS is a trademark of FORVIS, LLP, registration of which is pending with the U.S. Patent and Trademark Office



