2022 Inspection Yusufali & Associates, LLC

(Headquartered in Short Hills, New Jersey)

September 28, 2023

PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

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2022 INSPECTION

In the 2022 inspection of Yusufali & Associates, LLC, 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 two audits of issuers, one with a fiscal year ending in 2021 and one with a fiscal year 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.

2022 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 or 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 2022 INSPECTION

The following information provides an overview of our 2022 inspection, which was our first inspection of this firm. We use a risk-based method to select audits for review and to identify areas on which we focus our review. Because our inspection process evolves over time, it can, and often does, focus on a different mix of audits and audit areas from inspection to inspection and firm to firm. Further, a firm's business, the applicable auditing standards, or other factors can change from the time of one inspection to the next. As a result of these variations, we caution that our inspection results are not necessarily comparable over time or among firms.

Firm Data and Audits Selected for Review

	2022
Firm data	
Total issuer audit clients in which the firm was the principal auditor	6
Total engagement partners on issuer audit work[1]	1
Audits reviewed	
Total audits reviewed	2
Audits in which the firm was the principal auditor	2
Integrated audits of financial statements and internal control over financial reporting (ICFR)	2
Audits with Part I.A deficiencies	2
Percentage of audits with Part I.A deficiencies	100%

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

Our inspection may include a review, on a sample basis, of the adequacy of a firm's remedial actions, either with respect to previously identified deficiencies or deficiencies identified during the current

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

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 2022 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.

2022	
Audit area	**Audits reviewed**
Revenue and related accounts	2
Certain assets	1
A significant transaction	1
Debt	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(s) on the issuer's financial statements and/or ICFR.

Part I.B discusses certain deficiencies, if any, that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to support its opinion(s). This section does not discuss instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence.

Part I.C discusses instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules, if any, related to maintaining independence.

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 audits 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 audits 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 audits 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 audits 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 audits 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(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 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

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Testing Controls, Revenue, Debt, A Significant Transaction,** and **Fraud Procedures**.

Description of the deficiencies identified

With respect to **Testing Controls**:

The firm did not identify and test any controls to support its opinion on the effectiveness of ICFR. (AS 2201.39) In addition, the firm did not identify and address inconsistencies between the firm's unqualified opinion on ICFR and management's report on ICFR, which identified multiple material weaknesses. (AS 2201.72, .73, and .C2)

With respect to **Revenue**:

The firm did not perform any procedures to test revenue beyond documenting invoices were checked for total revenue. (AS 2301.08)

In addition, the firm did not evaluate (1) whether the issuer was recognizing revenue in conformity with FASB ASC Topic 606, *Revenue from Contracts with Customers,* and (2) whether the revenue disclosures were accurate in light of certain information documented in the firm's work papers. (AS 2301.08)

With respect to **Debt**:

The firm did not perform any procedures to test debt and a related transaction beyond obtaining agreements and performing recalculations of certain amounts. (AS 2301.08)

With respect to **A Significant Transaction**:

The firm did not perform any procedures to test a significant transaction. (AS 2301.08) In addition, the firm did not identify, and evaluate, a departure from GAAP related to the transaction. (AS 2810.30 and .31)

With respect to **Fraud Procedures**:

The firm did not perform any procedures to identify and select journal entries and other adjustments for testing. (AS 2401.58)

The firm identified certain transactions that did not appear to have a clear business purpose or evidence of proper authorization. The firm did not evaluate whether the business purpose (or lack thereof) indicated that these transactions may have been entered into to engage in fraudulent financial reporting or conceal misappropriation of assets. (AS 2401.67)

Issuer B

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Testing Controls, Revenue, Certain Assets,** and **Fraud Procedures**.

Description of the deficiencies identified

With respect to **Testing Controls**:

The firm did not identify and test any controls to support its opinion on the effectiveness of ICFR. (AS 2201. 39) In addition, the firm did not identify and address inconsistencies between the firm's unqualified opinion on ICFR and management's report on ICFR, which identified multiple material weaknesses. (AS 2201.72, .73, and .C2)

With respect to **Revenue**, for which the firm identified a significant risk:

The firm did not perform any procedures to test revenue recognition, beyond documenting invoices were checked for certain revenue transactions. (AS 2301.08 and .11) In addition, the firm did not identify, and evaluate, a departure from GAAP related to the omission of certain disclosures required by FASB ASC Topic 235, *Notes to Financial Statements,* and FASB ASC Topic 606, *Revenue from Contracts with Customers*. (AS 2810.30 and .31)

With respect to **Certain Assets**:

The following deficiencies were identified:

- The firm's substantive procedures to test the existence and valuation of certain assets consisted of testing a sample of items. The firm did not perform sufficient procedures to test these assets because it (1) did not establish a basis to support the number of items selected in its sample as it did not appropriately take into account the relevant factors, including the tolerable misstatement for the population, allowable risk of incorrect acceptance, and the characteristics of the population; (AS 2315.16, .19, .23, and .23A) and (2) did not test the completeness of the issuer-prepared report from which the sampled items were selected. (AS 1105.10)

- The firm did not evaluate the relevance and reliability of information from external sources used to test the valuation of the assets. (AS 1105.04 and.06) In addition, the issuer recognized income related to the valuation of the assets. The firm did not perform any procedures to evaluate whether the recognition of the income was appropriate. (AS 2301.08)

- The firm did not perform any procedures to test whether the issuer's presentation and disclosure of the assets were in conformity with GAAP, including not identifying, and evaluating, a departure from GAAP related to the issuer's omission of a required disclosure related to these assets. (AS 2301.08; AS 2810.30 and .31)

With respect to **Fraud Procedures**, for which the firm identified a fraud risk related to management override of controls:

The firm did not (1) perform any procedures to obtain an understanding of the entity's financial reporting process and the controls over journal entries and other adjustments, and (2) identify and select journal entries and other adjustments for testing. (AS 2401.58)

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 certain deficiencies that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to support its opinion(s). This section does not discuss instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence.

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 the two 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 these instances, the firm was non-compliant with AS 1215, *Audit Documentation*.

- In the two audits reviewed, the firm did not obtain the required engagement quality review for the audit or for the reviews of the issuer's interim financial information for each of the quarters during the year under audit. In these instances, the firm was non-compliant with AS 1220, *Engagement Quality Review*.

- In the two audits reviewed, the firm did not make any of the required communications to the issuer's audit committee. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.

- In one of two audits reviewed, the firm communicated in writing to the audit committee that there were no significant deficiencies identified during the audit. In this instance, the firm was non-compliant with AS 1305, *Communications About Control Deficiencies in an Audit of Financial Statements*.

- In the two audits reviewed, the firm did not inquire of the audit committee and management about the risks of material misstatement, including fraud risks. In these instances, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*.

- In the two audits reviewed, the firm did not identify and assess the risks of material misstatement at the financial statement level and the assertion level. In these instances, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*.

- In one of two audits reviewed, the firm did not identify a fraud risk related to the risk of management override of controls. In this instance, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*.

- In the two audits reviewed, the firm did not presume that there was a fraud risk involving improper revenue recognition without having an appropriate rationale for how this presumption was overcome. In these instances, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*.

- In one of two audits reviewed, the firm did not communicate all accumulated misstatements to management on a timely basis to provide management with an opportunity to correct them. In this instance, the firm was non-compliant with AS 2810, *Evaluating Audit Results*.

- In one of two audits reviewed, the firm's audit report did not state the year the firm began serving consecutively as the company's auditor. 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 the two audits reviewed, the firm did not perform any procedures to comply with the requirements related to critical audit matters. 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 critical audit matters should have been communicated in the auditor's report.

- In the two audits reviewed, and in four other audits, the firm did not file its report on Form AP by the relevant deadline. In these instances, the firm was non-compliant with PCAOB Rule 3211, *Auditor Reporting of Certain Audit Participants*.

- In the two audits reviewed, the firm did not provide the audit committee the required independence communications. In these instances, the firm was non-compliant with PCAOB Rule 3526, *Communication with Audit Committees Concerning Independence*.

PART I.C: INDEPENDENCE

This section of our report discusses instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence. An instance of potential non-compliance with SEC rules or an instance of non-compliance with PCAOB rules does not necessarily mean that the Board has concluded the firm was not objective and impartial throughout the audit and professional engagement period. Although this section includes instances of potential non-compliance that we identified, there may be other instances of non-compliance with SEC or PCAOB rules related to independence that were not identified through our procedures or the firm's monitoring activities.

PCAOB-Identified

We identified the following instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence:

Under Rule 2-01(c)(7) of Regulation S-X, an accountant is not independent if it does not obtain audit committee pre-approval for audit and non-audit services. We identified two instances across two issuers in two audits reviewed in which this circumstance appears to have occurred related to audit services, including quarterly reviews.

Firm-Identified

The firm did not bring to our attention any instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence.

While the firm did not bring to our attention any instances of potential non-compliance, the number, large or small, of firm-identified instances of potential non-compliance may be reflective of the size of the firm, including the number of associated firms; the design and effectiveness of the firm's independence monitoring activities; and the size and/or complexity of the issuers it audits, including the number of affiliates of those issuers. Therefore, we caution against making any comparison of firm-identified instances of potential non-compliance across firms.

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.