# 2022 Inspection
# Wei, Wei & Co., LLP

(Headquartered in Flushing, New York)

December 21, 2023




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PCAOB PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

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# 2022 INSPECTION

In the 2022 inspection of Wei, Wei & Co., 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 two audits of issuers with fiscal years ending in 2021. 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 AND HISTORICAL DATA BY INSPECTION YEAR

The following information provides an overview of our 2022 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

| | 2022 | 2020 |
|---|---|---|
| **Firm data** | | |
| **Total issuer audit clients in which the firm was the principal auditor** | 12 | 9 |
| **Total engagement partners on issuer audit work**[1] | 3 | 3 |
| **Audits reviewed** | | |
| **Total audits reviewed** | 2 | 2 |
| **Audits in which the firm was the principal auditor** | 2 | 2 |
| **Audits with Part I.A deficiencies** | 2 | 1 |
| **Percentage of audits with Part I.A deficiencies** | 100% | 50% |

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 internal control over financial reporting (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 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.

| 2022 | | 2020 | |
|---|---|---|---|
| **Audit area** | **Audits reviewed** | **Audit area** | **Audits reviewed** |
| **Revenue and related accounts** | 2 | **Revenue and related accounts** | 2 |
| **Cash and cash equivalents** | 2 | **Cash and cash equivalents** | 2 |
| **Long-lived assets** | 1 | **A significant account** | 1 |
| **Other investments** | 1 | **Other assets** | 1 |
| | | **Goodwill and intangible assets** | 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 audit related to **Revenue**, **Long-Lived Assets**, and a **Significant Disclosure**.

## Description of the deficiencies identified

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

The firm did not perform sufficient procedures to test certain revenue because it did not evaluate whether (i) the agreement was a modification to an existing contract or whether it was appropriate to account for it as a separate contract and (ii) certain payments received from an external party represented consideration payable to a customer. Further, the firm did not sufficiently evaluate whether the timing of revenue recognition was appropriate, because it did not evaluate certain information that indicated the issuer (i) may not be entitled to any consideration and (ii) had not satisfied the performance obligation. (AS 2301.08 and .13; AS 2810.03)

The firm selected a sample of transactions to test certain other revenue. The firm did not perform any substantive procedures to test the transfer of control for these transactions. (AS 2301.08 and .13)

The firm did not evaluate the business purpose (or lack thereof) of certain revenue and revenue-related transactions, including whether they may have been entered into to engage in fraudulent financial reporting or conceal misappropriation of assets given certain facts regarding the transactions. (AS 2401.67)

With respect to a **Long-Lived Assets**, for which the firm identified a significant risk:

The firm did not identify and evaluate a departure from GAAP related to the issuer's incorrect presentation of an asset as a long-lived asset on the balance sheet. (AS 2810.30 and .31)

For certain long-lived assets, the firm did not perform any procedures to evaluate whether the assets were impaired. (AS 2301.08 and .11) For certain other long-lived assets, the firm did not perform sufficient procedures to evaluate whether there were impairment indicators because it limited its procedures to inquiry of management and using market data without evaluating the relevance and reliability of this data. Further, the firm did not perform any procedures to address contrary evidence of which it was aware. (AS 2301.08 and .11; AS 1105.04 and .06; AS 2810.03)

The issuer engaged an external specialist to assist in the valuation of certain other long-lived assets. The following deficiencies were identified:

- The firm did not evaluate the reasonableness of certain significant assumptions developed by the company's specialist. (AS 1105.A8b)

- The firm did not sufficiently evaluate the reasonableness of another significant assumption because it limited its procedures to comparing the assumption to various external information. Further, the firm did not evaluate the relevance and reliability of the information. (AS 1105.04, .06, and .A8b)

- The firm did not test the accuracy and completeness of the data provided by the issuer to the specialist, beyond comparing the data to other issuer provided information. (AS 1105.A8a)

- The firm did not perform procedures to evaluate the relevance and reliability of the company's specialist valuation report and whether the specialist's findings support or contradict the valuation of certain long-lived assets, because it did not identify and evaluate that the valuation report was prepared to assess valuation at a date other than year end. (AS 1105.A9)

In addition, the firm did not identify and evaluate a departure from GAAP related to the issuer's inaccurate disclosure related to the accounting for, and presentation and disclosure of, impairment. (AS 2810.30 and .31)

The issuer capitalized interest related to certain projects. The firm did not identify and evaluate departures from GAAP related to the issuer's capitalization of interest for one project that was substantially complete and ready for its intended use and for another project for which activities necessary to get the asset ready for its intended use were not in progress, in accordance with FASB ASC Topic 835, *Interest*. (AS 2810.30)

With respect to a **Significant Disclosure**:

The firm did not perform any procedures to test a significant disclosure. (AS 2301.08)

## Issuer B – Technology

### Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement audit related to **Revenue** and an **Investment**.

### Description of the deficiencies identified

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

The firm did not perform sufficient procedures to test certain revenue because the firm did not evaluate (i) whether the sales contracts included multiple performance obligations and (ii) whether revenue was recognized after the point in time at which control was transferred to the customer. (AS 2301.08 and .13)

In addition, the firm did not perform any procedures to evaluate whether the issuer's sales contracts met the criteria for application of the practical expedient relating to the remaining performance obligations disclosure. (AS 2301.08 and .13)

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

The issuer held a majority ownership in a limited partnership and reported the valuation of this investment based on investee financial results, including audited financial statements that were prepared using different accounting principles. The following deficiencies were identified:

- The firm did not evaluate whether the issuer's accounting for this investment was appropriate. (AS 2301.08 and .11)

- The firm did not obtain sufficient appropriate audit evidence for the investee's financial statements prepared using different accounting principles, because it did not perform procedures to obtain evidence related to significant differences in accounting principles. (AS 1105.B1 and .B2)

- The firm did not identify and evaluate departures from GAAP related to this investment. (AS 2810.30 and .31)

## 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 one audit reviewed, the firm, when testing journal entries for evidence of possible material misstatement due to fraud, did not perform sufficient procedures to determine whether the journal entry population from which it made its selections was complete. In this instance, the firm was non-compliant with AS 1105, *Audit Evidence.*

- In the two audits reviewed, the firm did not make a required communication to the audit committee related to corrected misstatements. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.

- In one of two audits reviewed, the firm did not communicate to the audit committee all of the significant risks identified through its risk assessment procedures. In this instance, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.

- In one of two audits reviewed, the firm did not make a required communication to the audit committee related to the firm's evaluation of the issuer's ability to continue as a going concern. In addition, the firm made an inaccurate communication to the audit committee related to a significant accounting policy. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.

- In one of two audits reviewed, the firm did not inquire of the audit committee about whether it was aware of matters relevant to the audit, including, but not limited to, violations or possible violations of laws or regulations. In this instance, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.

- In one audit, the firm did not communicate, in writing, to management and the audit committee all material weaknesses identified during the audit. In this instance, the firm was non-compliant with AS 2201, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements.*

- In one audit reviewed, the firm, when testing journal entries for evidence of possible material misstatement due to fraud, did not consider the characteristics of potentially fraudulent journal entries when identifying and selecting entries for testing. In this instance, the firm was non-compliant with AS 2401, *Consideration of Fraud in a Financial Statement Audit.*

- In one audit reviewed, the firm did not inquire of the audit committee regarding the audit committee's understanding of the issuer's relationships and transactions with related parties that are significant to the issuer and whether any member of the audit committee had concerns regarding relationships or transactions with related parties and, if so, the substance of those concerns. In this instance, the firm was non-compliant with AS 2410, *Related Parties*.

- In the two audits reviewed, the engagement team performed procedures to determine whether or not matters were critical audit matters but, in performing those procedures, did not include certain matters that were communicated, or required to be communicated, to the 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 the two audits reviewed, the firm's communication of one or more critical audit matters in the audit report included language that was inconsistent with information in the firm's audit documentation. 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.*

- In 10 audits, the firm did not file its report on Form AP by the relevant deadline. In addition, in one of these audits, the firm's report on Form AP included inaccurate information regarding the issuer CIK number. In another one of these audits, the firm's report on Form AP included inaccurate information regarding the audit report date. In these instances, the firm was non-compliant with PCAOB Rule 3211, *Auditor Reporting of Certain Audit Participants.*

# PART I.C: INDEPENDENCE

In the 2022 inspection, we did not identify, and 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. Although this section does not include any instances of potential non-compliance that we identified or the firm brought to our attention, there may be 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.

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 Board provided the firm an opportunity to review and comment on a draft of this report. The firm did not provide a written response.