2022 Inspection Grant Thornton LLP

(Headquartered in Chicago, Illinois)

December 8, 2023

THIS IS A PUBLIC VERSION OF A PCAOB INSPECTION REPORT

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

PCAOB RELEASE NO. 104-2024-034

PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

EXECUTIVE SUMMARY

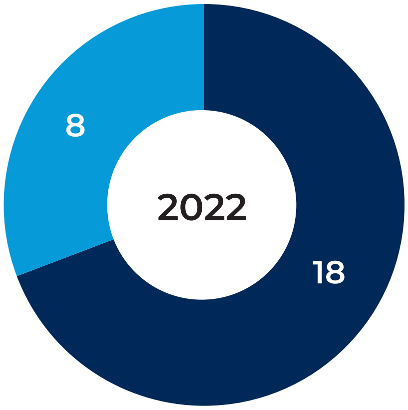
Our 2022 inspection report on Grant Thornton LLP provides information on our inspection to assess the firm's compliance with Public Company Accounting Oversight Board (PCAOB) standards and rules and other applicable regulatory and professional requirements. This executive summary offers a high-level overview of what is included in this report:

- Part I.A of the report 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).
- Part I.B of the report discusses certain deficiencies ("Part I.B 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.
- Part I.C of the report, which is new commencing with our 2022 inspection reports, discusses instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence ("Part I.C deficiencies").

If we include a Part I.A or Part I.B 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 Part I.C deficiency in this report, it does not necessarily mean that the Board has concluded the firm was not objective and impartial throughout the audit and professional engagement period. If we include a deficiency in Part I.A, Part I.B, or Part I.C of this report, it does not necessarily mean that the firm has not addressed the deficiency.

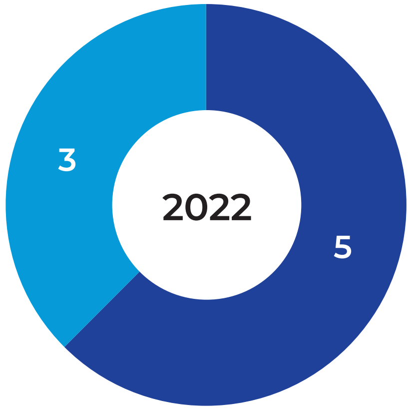
Overview of the 2022 Deficiencies Included in Part I

Eight of the 26 audits we reviewed in 2022 are included in Part I.A of this report due to the significance of the deficiencies identified. The identified deficiencies primarily related to the firm's testing of controls over and substantive testing of revenue and related accounts.



31% Part I.A deficiency rate

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



- Deficiencies in both financial statement and ICFR audits
- Deficiencies in the financial statement audit only
- Deficiencies in the ICFR audit only

The most common Part I.A deficiencies in 2022 related to testing related to a significant account or disclosure or to address an identified risk, testing of data or reports used in the firm's substantive testing, and testing of the design and/or operating effectiveness of controls selected for testing.

The Part I.B deficiencies in 2022 related to retention of audit documentation, audit committee communications, risk assessment, communication of audit findings to management, critical audit matters, auditor tenure, and the firm's audit report.

The Part I.C deficiencies in 2022 related to business relationships, audit committee pre-approval, and non-audit services.

TABLE OF CONTENTS

2022 INSPECTION

In the 2022 inspection of Grant Thornton LLP, the PCAOB assessed the firm's compliance with laws, rules, and professional standards applicable to the audits of public companies.

We selected for review 26 audits of issuers with fiscal years generally 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.

What's Included in this Inspection Report

This report includes the following sections:

- **Overview of the 2022 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:** 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.

    - **Part I.C:** Instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules 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.

- **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 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.

2022 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 2022, our target team focused primarily on audits of issuers that had recently completed initial public offerings and issuers that were recently formed by mergers between non-public operating companies and special purpose acquisition companies.

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 two inspections. We use a combination of risk-based and random methods to select audits for review and to identify areas on which we focus our review. Because our inspection process evolves over time, it can, and often does, focus on a different mix of audits and audit areas from year to year and firm to firm. As a result of this variation, we caution that our inspection results are not necessarily comparable over time or among firms.

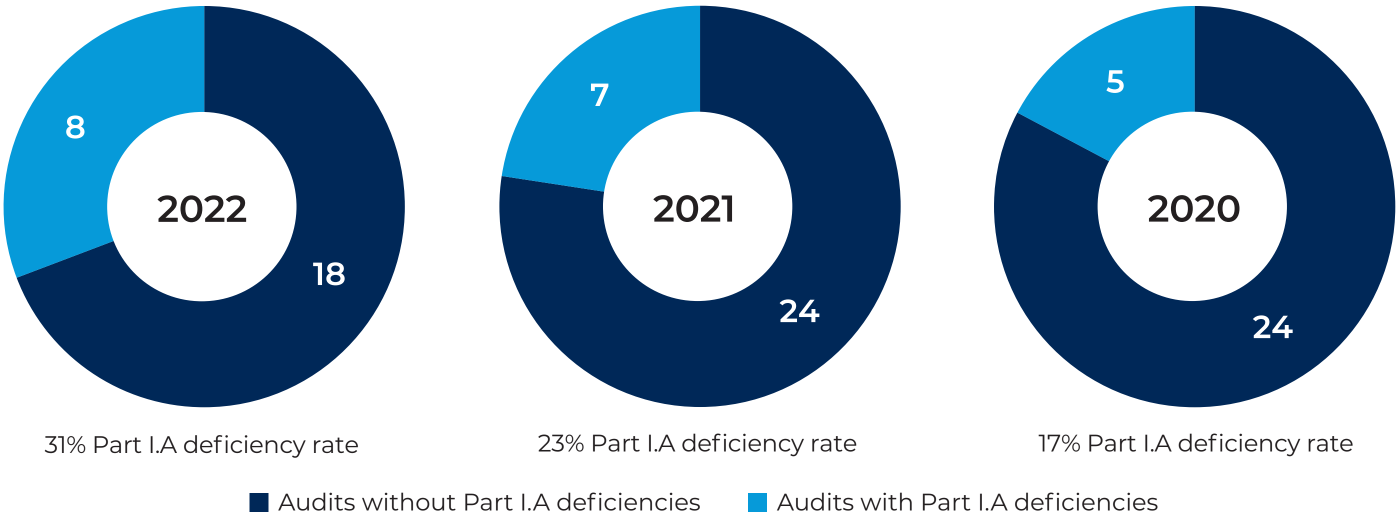
Audits Selected for Review

	2022	2021	2020
Total audits reviewed			
Total audits reviewed	26	31	29
Selection method			
Risk-based selections	18	13	21
Random selections	6	13	7
Target team selections[1]	2	5	1
Total audits reviewed	**26**	**31**	**29**
Principal auditor			
Audits in which the firm was the principal auditor	26	31	29
Audits in which the firm was not the principal auditor	0	0	0
Total audits reviewed	**26**	**31**	**29**
Audit type			
Integrated audits of financial statements and ICFR	14	22	27
Financial statement audits only	12	9	2
Total audits reviewed	**26**	**31**	**29**

[1] For further information on the target team's activities in 2021 and 2020, refer to those inspection reports.

Part I.A Deficiencies in Audits Reviewed

In 2022, six of the eight audits appearing in Part I.A were selected for review using risk-based criteria. In 2021, four of the seven audits appearing in Part I.A were selected for review using risk-based criteria. In 2020, three of the five audits appearing in Part I.A were selected for review using risk-based criteria.

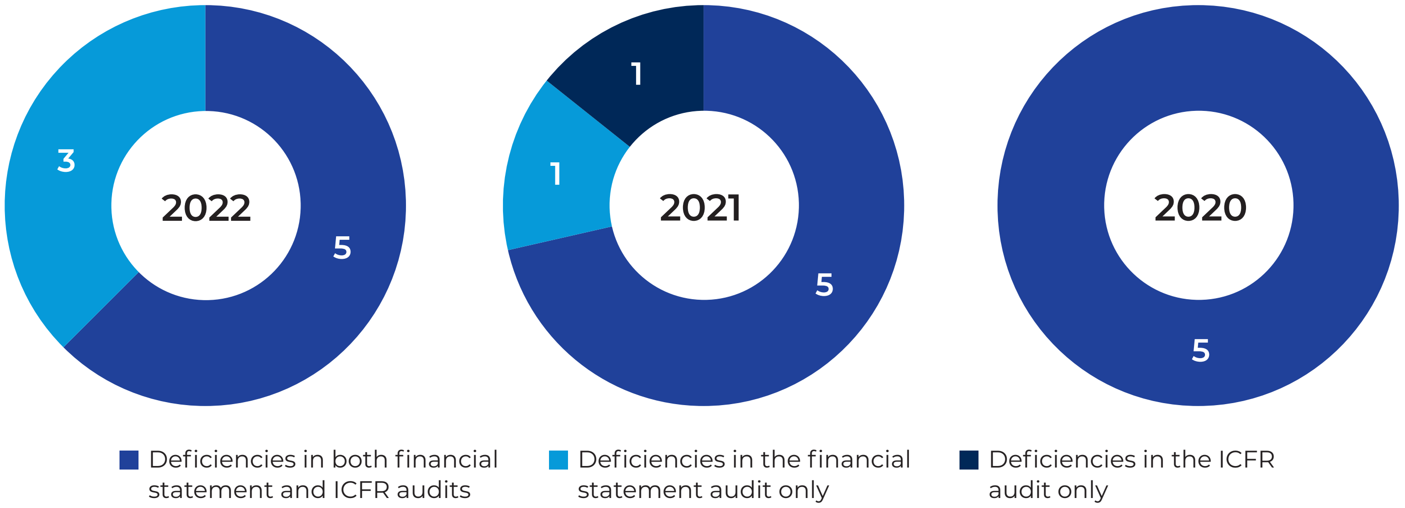


If we include a deficiency in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In many cases, the firm has performed remedial actions after the deficiency was identified. Depending on the circumstances, remedial actions may include performing additional 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 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 Part I.A or Part I.B 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 one audit of an issuer that was formed by a merger between a non-public operating company and a SPAC for which the issuer, unrelated to our review, restated its financial statements to correct a misstatement and the firm revised and reissued its report on the financial statements. The issuer also revised its report on ICFR, and the firm revised its opinion on the effectiveness of the issuer's ICFR to express an adverse opinion and reissued its report.

The following tables and graphs summarize inspection-related information, by inspection year, for 2022 and the previous two inspections. We caution against making any comparison of the data provided without reading the descriptions of the underlying deficiencies in each respective inspection report.

Most Frequently Identified Part I.A Deficiencies

Deficiencies in audits of financial statements	Audits with Part I.A deficiencies		
	2022	2021	2020
Did not perform sufficient testing related to a significant account or disclosure or to address an identified risk	6	3	1
Did not perform sufficient testing of data or reports used in the firm's substantive testing	4	2	1
Did not sufficiently evaluate the appropriateness of the issuer's accounting method or disclosure for one or more transactions or accounts	3	3	0
Did not sufficiently test an estimate	3	1	5

Deficiencies in ICFR audits	Audits with Part I.A deficiencies		
	2022	2021	2020
Did not perform sufficient testing of the design and/or operating effectiveness of controls selected for testing	4	2	3
Did not identify and test any controls that addressed the risks related to a significant account or relevant assertion	3	5	1
Did not identify and/or sufficiently test controls over the accuracy and completeness of data or reports that the issuer used in the operation of controls	2	3	4
Did not appropriately evaluate control deficiencies	2	1	2

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.

2022			2021			2020		
Audit area	Audits reviewed	Audits with Part I.A deficiencies	Audit area	Audits reviewed	Audits with Part I.A deficiencies	Audit area	Audits reviewed	Audits with Part I.A deficiencies
Revenue and related accounts	21	7	Revenue and related accounts	19	5	Revenue and related accounts	25	3
Business combinations	8	1	Long-lived assets	10	1	Business combinations	8	1
Inventory	6	1	Cash and cash equivalents	8	0	Inventory	7	0
Goodwill and intangible assets	5	1	Debt	8	0	Cash and cash equivalents	5	1
Long-lived assets	3	0	Inventory	7	2	Goodwill and intangible assets	4	0

Audit Areas with Frequent Part I.A Deficiencies

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

Audit area	2022		2021		2020	
	Audits with Part I.A deficiencies	Audits reviewed	Audits with Part I.A deficiencies	Audits reviewed	Audits with Part I.A deficiencies	Audits reviewed
Revenue and related accounts	7	21	5	19	3	25
Inventory	1	6	2	7	0	7
Business combinations	1	8	1	3	1	8
Equity and equity-related transactions	1	3	1	2	0	1
Leases	1	2	1	2	0	3

Revenue and related accounts: The deficiencies in 2022, 2021, and 2020 primarily related to substantive testing of, and testing controls over, revenue.

Inventory: The deficiencies in 2022 primarily related to substantive testing of, and testing controls over, inventory. The deficiencies in 2021 related to substantive testing of, and testing controls over, the valuation of inventory.

Business combinations: The deficiencies in 2022 primarily related to substantive testing of the reasonableness of forecasted cash flows used to determine the fair values of acquired intangible assets and assumed liabilities. The deficiencies in 2021 and 2020 primarily related to substantive testing of, and testing controls over, the reasonableness of assumptions used by the issuer to determine the fair values of acquired intangible assets.

Equity and equity-related transactions: The deficiency in 2022 related to substantive testing of the issuer's stock-based compensation disclosures. The deficiency in 2021 related to evaluating the appropriateness of the issuer's accounting for warrants as equity.

Leases: The deficiencies in 2022 primarily related to substantive testing of, and testing controls over, the valuation of right-of-use assets. The deficiencies in 2021 related to testing controls over leases.

Auditing Standards Associated with Identified Part I.A Deficiencies

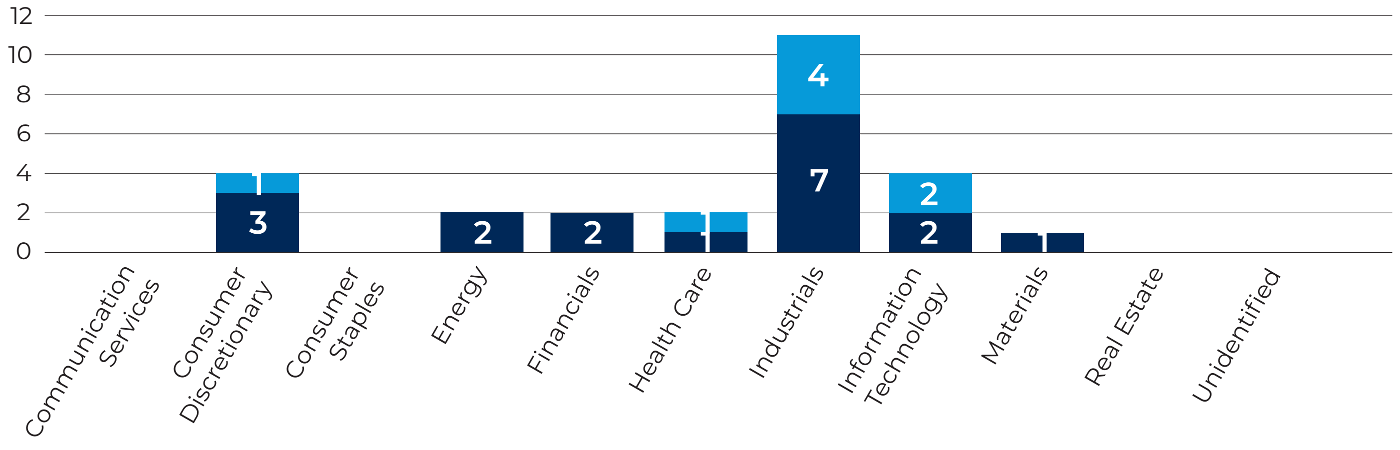
The following lists the auditing standards referenced in Part I.A of the 2022 and the previous two inspection reports, and the number of times that the standard is cited in Part I.A.

PCAOB Auditing Standards	2022	2021	2020
AS 1105, *Audit Evidence*	6	4	3
AS 2101, *Audit Planning*	2	0	0
AS 2201, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*	16	14	14
AS 2301, *The Auditor's Responses to the Risks of Material Misstatement*	9	4	2
AS 2315, *Audit Sampling*	2	1	1
AS 2501, *Auditing Accounting Estimates, Including Fair Value Measurements* (effective for fiscal years ending on or after December 15, 2020)	4	2	-
AS 2501, *Auditing Accounting Estimates* (effective for fiscal years ending before December 15, 2020)	-	1	5
AS 2502, *Auditing Fair Value Measurements and Disclosures* (effective for fiscal years ending before December 15, 2020)	-	0	2
AS 2810, *Evaluating Audit Results*	7	4	0

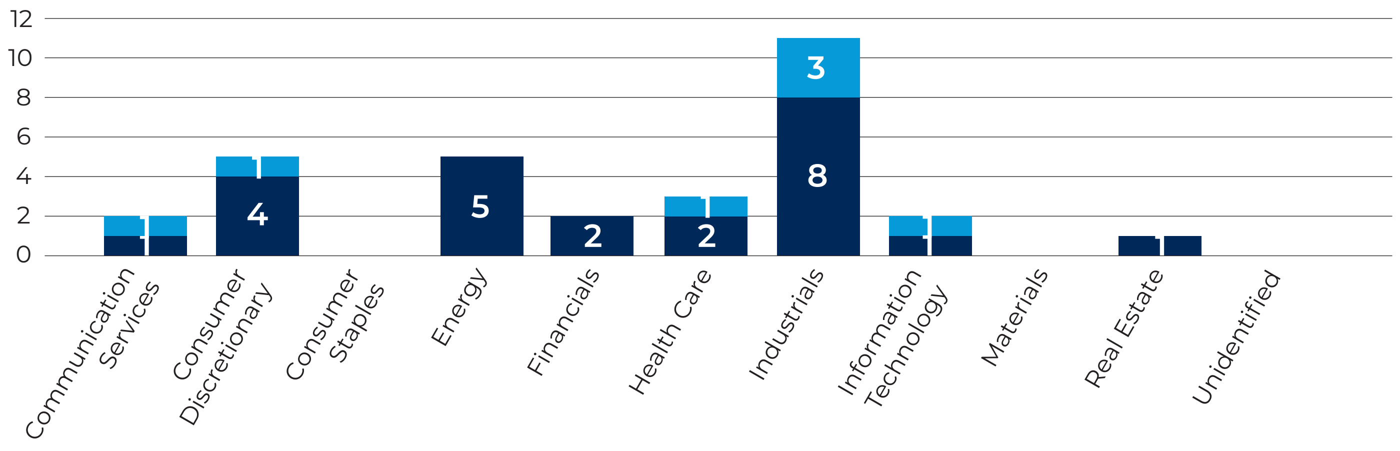
Inspection Results by Issuer Industry Sector

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."

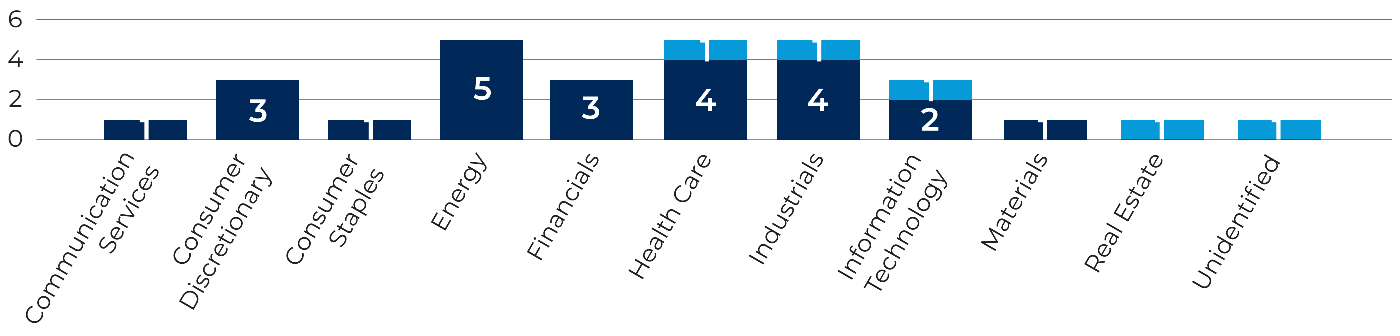
2022



2021



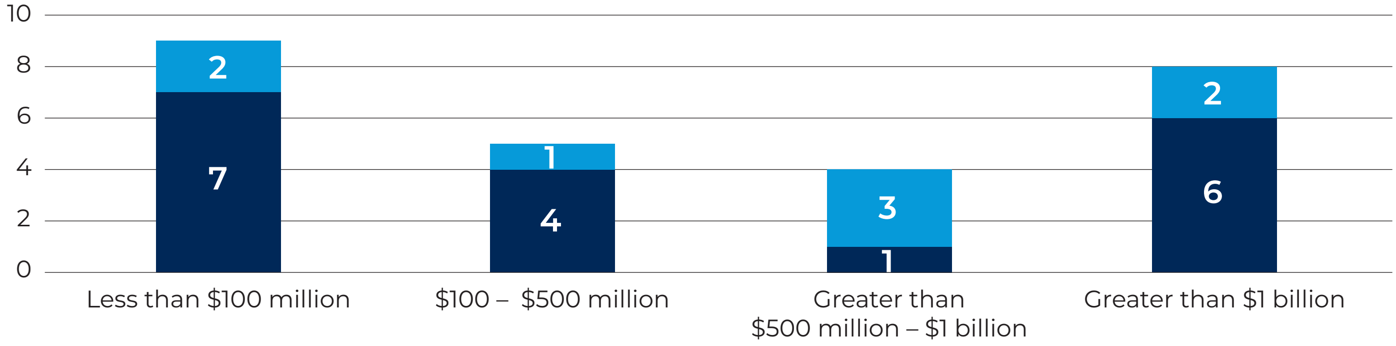
2020



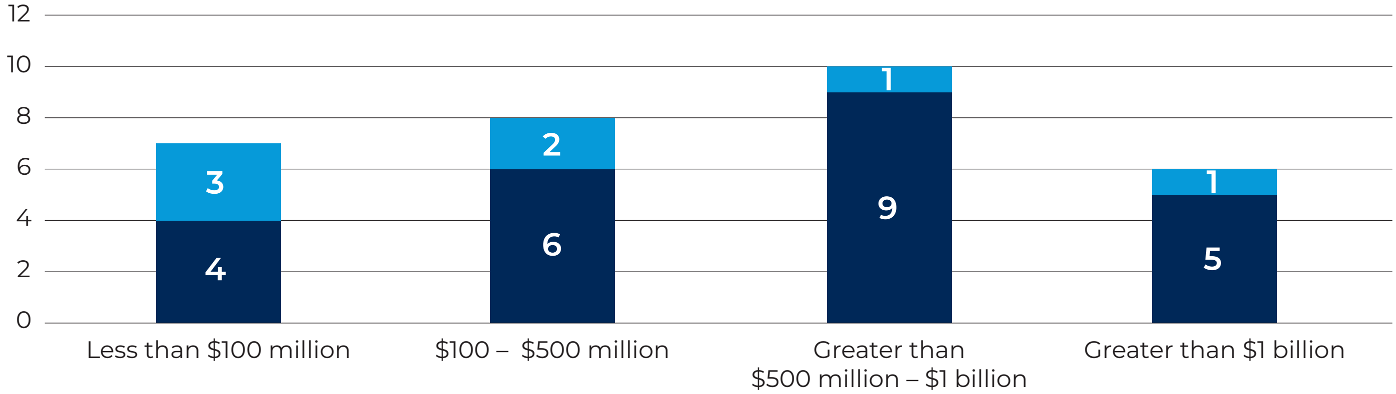
Audits without Part I.A deficiencies   Audits with Part I.A deficiencies

Inspection Results by Issuer Revenue Range

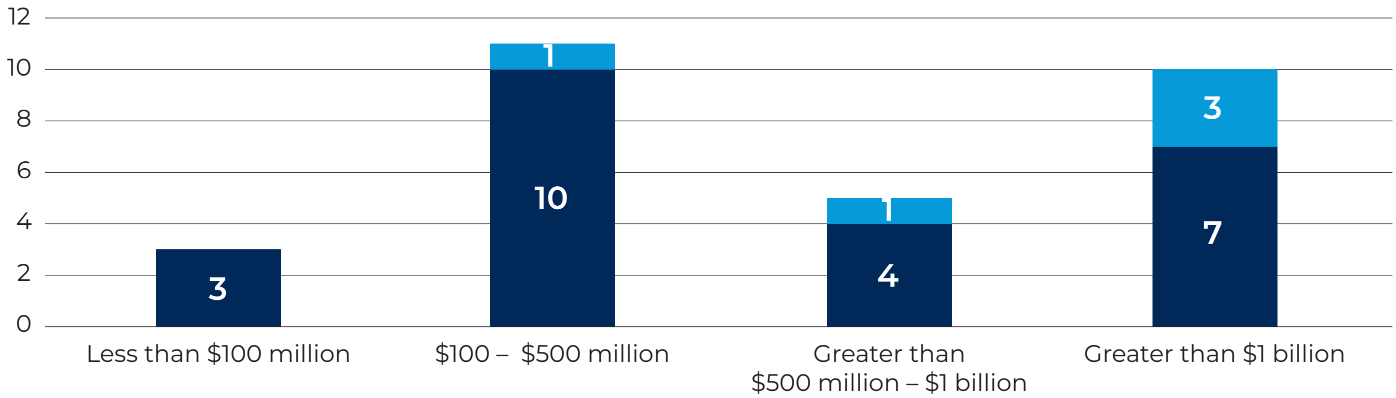
2022



2021



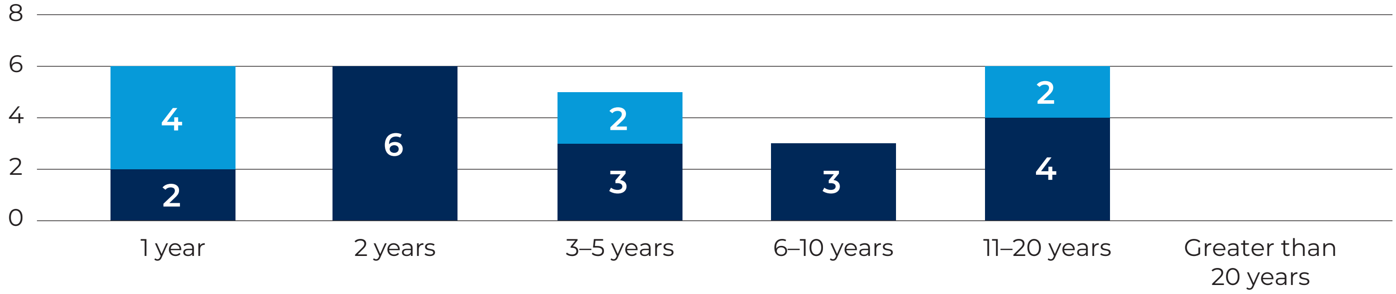
2020



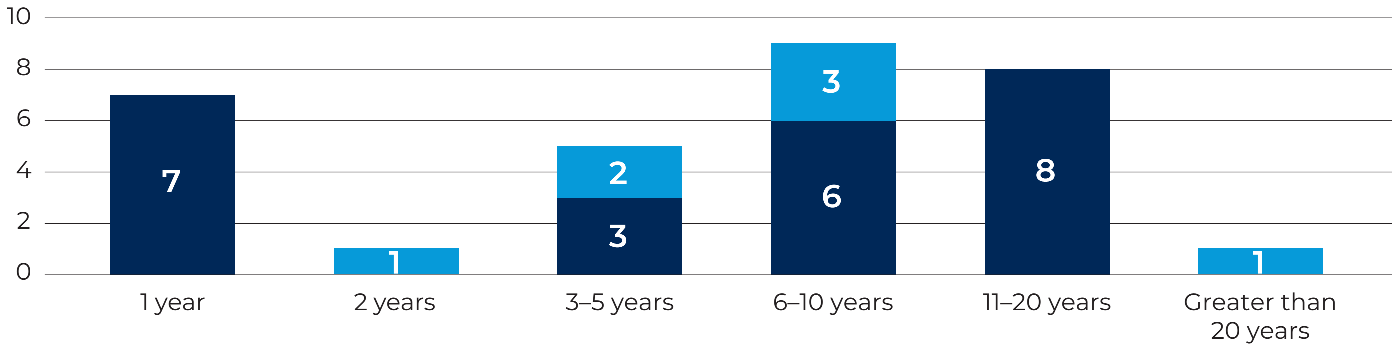
■ Audits without Part I.A deficiencies ■ Audits with Part I.A deficiencies

Inspection Results by the Firm's Tenure on the Issuer

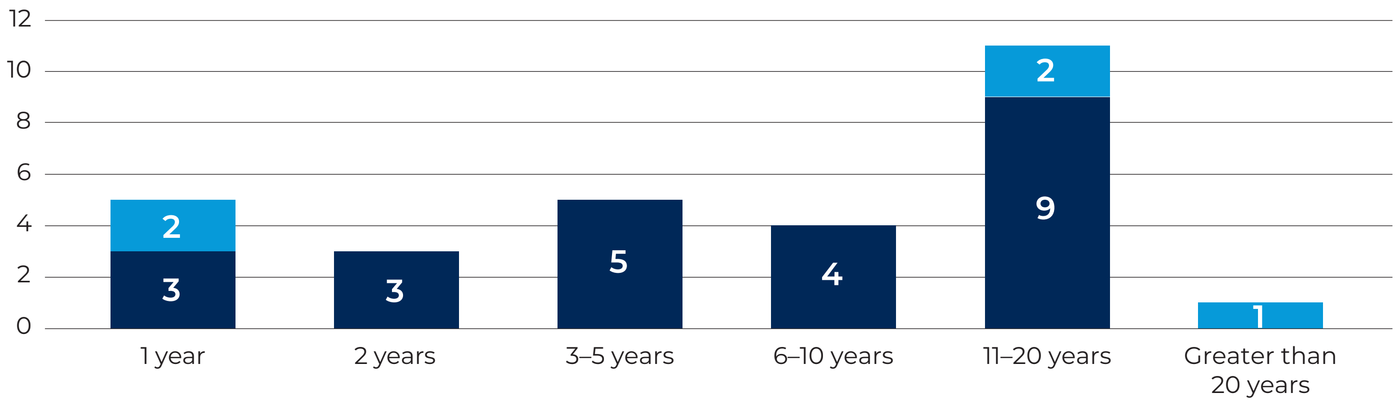
2022



2021



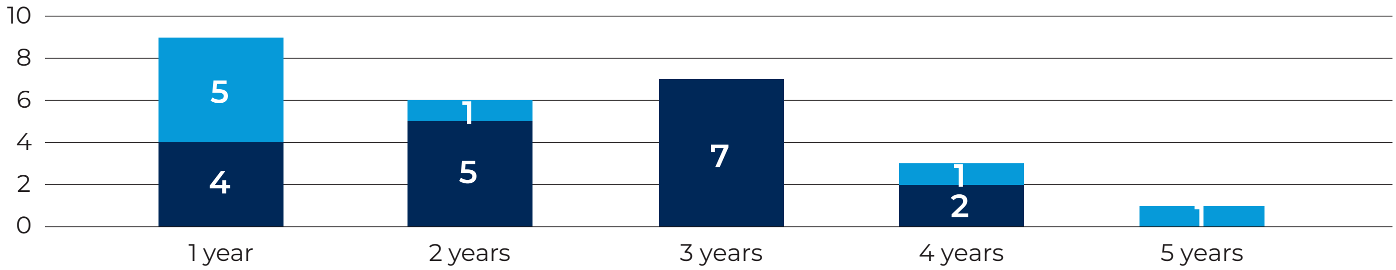
2020



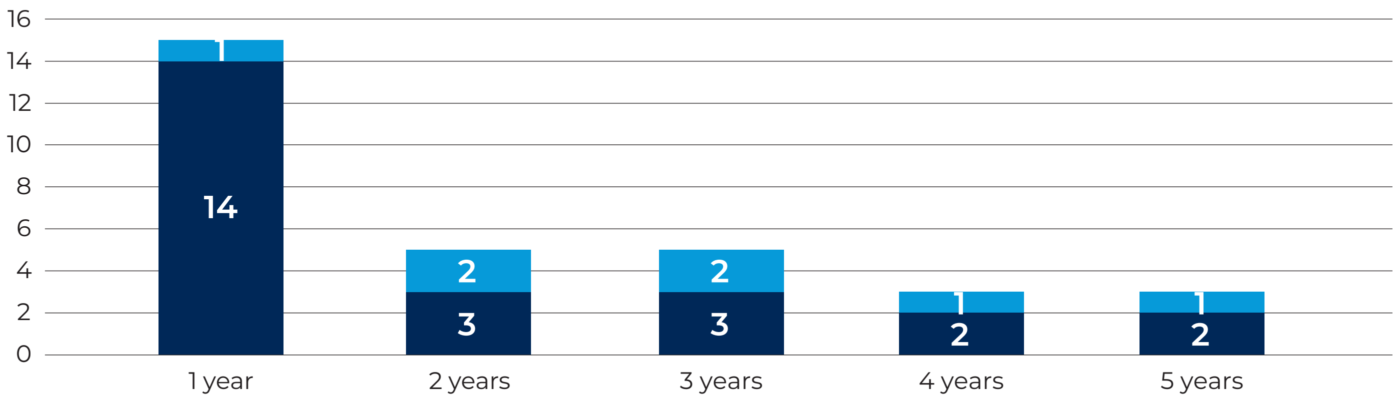
Audits without Part I.A deficiencies Audits with Part I.A deficiencies

Inspection Results by the Engagement Partner's Tenure on the Issuer

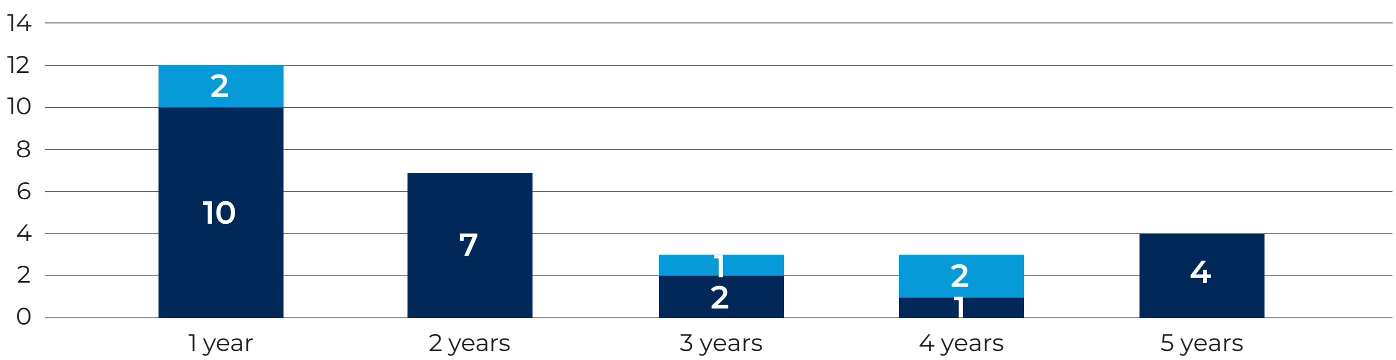
2022



2021



2020



■ 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.

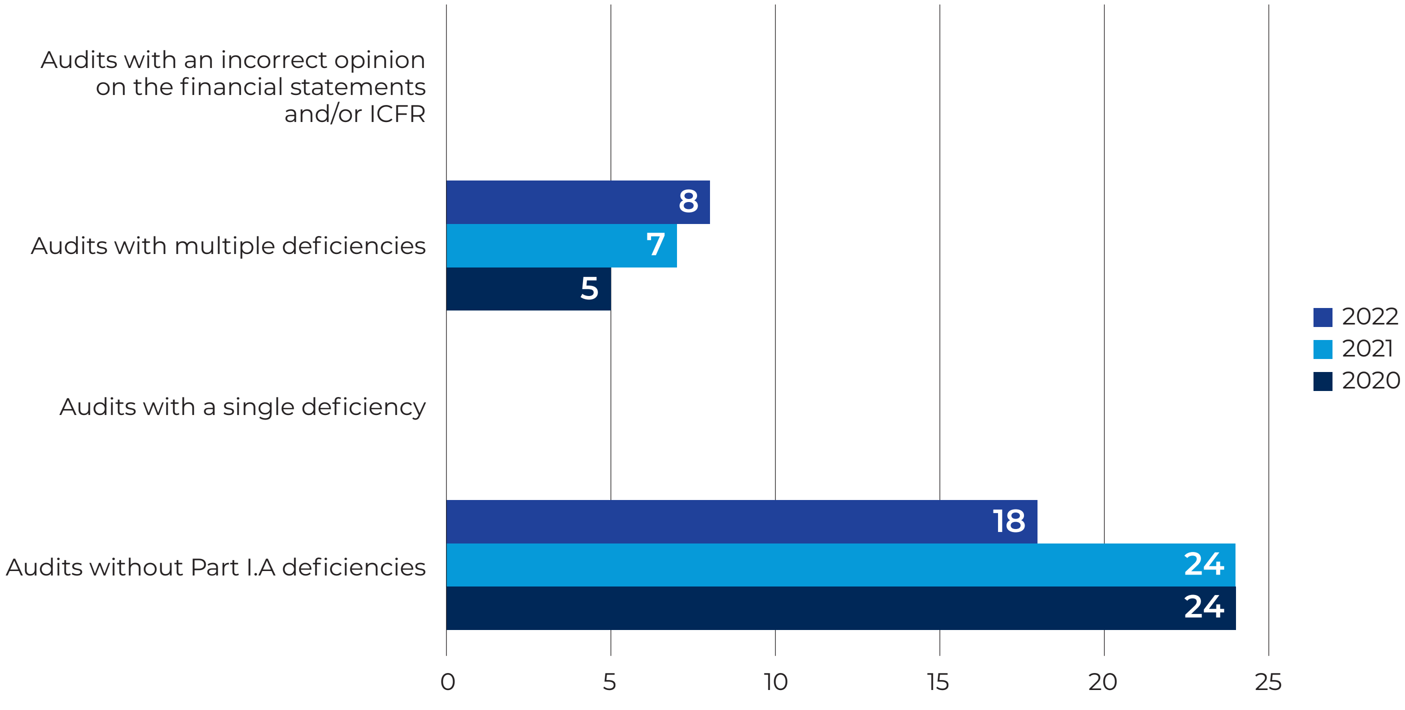
Audits with Multiple Deficiencies

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 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.

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

Consistent with the Act, it is the Board's assessment that nothing in Part I of this report deals with a criticism of, or potential defect in, the firm's quality control system. We discuss any such criticisms or potential defects in Part II. Further, you should not infer from any Part I deficiency, or combination of deficiencies, that we identified a quality control finding in Part II.

PART I.A: AUDITS WITH UNSUPPORTED OPINIONS

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

We identify each issuer by a letter (e.g., Issuer A) and industry sector. Each deficiency could relate to several auditing standards, but we reference the PCAOB standard(s) that most directly relates to the requirement with which the firm did not comply.

We present issuer audits below within their respective deficiency classifications (as discussed previously). Within the classifications, we generally present the audits based on our assessment as to the relative significance of the identified deficiencies, taking into account the significance of the financial statement accounts and/or disclosures affected, and/or the nature or extent of the deficiencies.

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

None

Audits with Multiple Deficiencies

Issuer A – Consumer Discretionary

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Leases**, **Goodwill**, and **Going Concern**. This was the firm's initial audit of this issuer.

Description of the deficiencies identified

With respect to **Leases**:

The firm did not identify and test any controls that addressed the valuation of certain right-of-use assets. (AS 2201.39)

The firm did not perform any substantive procedures to test the valuation of these right-of-use assets. (AS 2301.08)

During the year, the issuer entered into various lease transactions. The firm did not identify and evaluate the issuer's omission of certain disclosures related to these transactions that were required under FASB ASC Topic 842, *Leases*. (AS 2810.30 and .31)

With respect to **Goodwill**:

The firm did not identify and test any controls over the issuer's determination of the reporting units that it used in its annual goodwill impairment analysis. (AS 2201.39)

The firm did not perform any substantive procedures to evaluate the appropriateness of the issuer's determination of the reporting units used in its goodwill impairment analysis. (AS 2301.08)

The firm selected for testing two controls that included the issuer's review of the valuation methods and the underlying assumptions used in its goodwill impairment analysis. The firm did not evaluate the specific review procedures that the control owner performed to evaluate the appropriateness of the valuation methods and the reasonableness of the underlying assumptions. (AS 2201.42 and .44) In addition, the firm did not identify and test any controls over the accuracy and completeness of certain information used in the operation of these controls. (AS 2201.39)

With respect to **Going Concern**:

The firm selected for testing a control that consisted of the issuer's review of its analysis to evaluate its ability to continue as a going concern. The firm did not evaluate the review procedures that the control owner performed, including the procedures to identify items for follow up and the procedures to determine whether those items were appropriately resolved. (AS 2201.42 and .44)

The issuer used forecasted financial information to assess its ability to comply with a contractual debt covenant as part of its evaluation of its ability to continue as a going concern. The firm did not evaluate the reliability of this information. (AS 1105.04 and .06)

Issuer B – Industrials

Type of audit and related areas affected

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

Description of the deficiencies identified

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

The issuer's contracts with customers included standard and nonstandard terms. The firm's substantive procedures included an evaluation of the terms for a sample of the issuer's contracts with customers. The firm did not evaluate the nonstandard contract terms included in these contracts and whether these terms could have had an effect on revenue recognition. (AS 2301.08 and. 13)

The issuer recognized revenue based on inputs that included billing rates and labor hours incurred. The firm used certain labor hour information in its substantive testing of revenue. The firm did not perform any procedures to test, or test any controls over, the accuracy and completeness of this information. (AS 1105.10) For certain revenue, the firm did not perform any procedures to test the billing rates that the issuer used to record revenue. (AS 2301.08 and .13)

The issuer recognized certain of its revenue from contracts based on its estimated progress toward complete satisfaction of its performance obligations. The firm selected for testing a sample of these contracts, but it did not perform any substantive procedures to test the issuer's estimated progress. (AS 2501.07)

The firm did not perform any procedures to test certain of the issuer's revenue disclosures. (AS 2301.08) In addition, the firm did not identify and evaluate the issuer's omission of a disclosure that was required under FASB ASC Topic 606, *Revenue from Contracts with Customers*. (AS 2810.30 and .31)

With respect to **Business Combinations**:

During the year, the issuer acquired multiple businesses. The following deficiencies were identified:

- The issuer developed forecasted cash flows using historical financial data from the acquired businesses to determine the fair values of certain acquired intangible assets and assumed liabilities. The firm did not perform any procedures to evaluate the reliability of the historical financial data beyond tracing this data to unaudited financial information. (AS 1105.04 and .06) In addition, the firm did not perform any procedures to evaluate the reasonableness of certain significant assumptions that the issuer used to develop the forecasted cash flows. (AS 2501.16)
- The firm did not identify and evaluate the issuer's omission of certain disclosures that were required under FASB ASC Topic 805, *Business Combinations*. (AS 2810.30 and .31)

Issuer C – Industrials

Type of audit and related area affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Revenue**, for which the firm identified a fraud risk. This was the firm's initial audit of this issuer.

Description of the deficiencies identified

For two business units, the firm selected for testing two controls that included the issuer's review of the accuracy of pricing information used to record revenue. The firm did not identify and test any controls over the accuracy and completeness of certain pricing information that the control owners used in the operation of these controls. (AS 2201.39)

For a third business unit, the firm identified a control deficiency related to the issuer's review of the accuracy of pricing information used to record revenue. For a fourth business unit, the firm identified a significant deficiency related to change management over an information-technology (IT) system that the issuer used to manage customer pricing and process revenue transactions. The firm identified and tested a compensating control that it believed mitigated these deficiencies but did not identify that this control was not designed to address the risks of material misstatement related to inaccurate pricing information and inappropriate changes made to the issuer's IT system. (AS 2201.68)

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

With respect to revenue for certain other business units that the firm subjected to less extensive audit procedures, the following deficiencies were identified:

- In determining the extent to which audit procedures should be performed, the firm did not evaluate (1) the materiality of these business units and (2) whether the risks of material misstatement, including a fraud risk related to certain revenue, that the firm identified for the business units subject to more extensive audit procedures also applied to these business units. (AS 2101.11 and .12)

- The firm did not perform any substantive procedures to test revenue for these business units (AS 2301.08)
- The firm did not identify and test any controls over the issuer's revenue for certain of these business units. (AS 2201.39)
- For the remainder of these business units, the firm selected for testing a control that consisted of the issuer's reconciliation of revenue recorded to cash receipts. The firm did not evaluate the specific review procedures that the control owners performed to evaluate exceptions identified during the operation of the control. (AS 2201.42 and .44) In addition, the firm did not identify that this control was not designed to address revenue for which payment had not been collected by the issuer. (AS 2201.42)

Issuer D – Industrials

Type of audit and related area affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Revenue**, for which the firm identified a fraud risk.

Description of the deficiencies identified

The issuer recognized certain of its revenue from customer contracts based on costs incurred to date relative to total estimated costs to complete these contracts. The issuer used certain significant assumptions to estimate the costs to complete these contracts. The following deficiencies were identified:

- The firm selected for testing certain controls that included reviews of the total estimated costs to complete these contracts. The firm did not evaluate the specific review procedures that the control owners performed to assess the reasonableness of the significant assumptions used to estimate the total costs to complete the contracts. (AS 2201.42 and .44)
- The firm did not perform any substantive procedures to evaluate the reasonableness of these significant assumptions. (AS 2501.16)

With respect to the issuer's disclosures related to revenue, the following deficiencies were identified:

- The firm selected for testing certain controls that included a review of the issuer's revenue disclosures. The firm did not evaluate the specific review procedures that the control owner performed to evaluate whether these disclosures were presented in conformity with GAAP. (AS 2201.42 and .44)
- The firm did not identify and evaluate the issuer's omission of certain revenue disclosures that were required under FASB ASC Topic 606. (AS 2810.30 and .31) In addition, the firm did not evaluate the significance of the issuer's omission of another required revenue disclosure that the firm identified through its substantive procedures. (AS 2810.30 and .31)
- The firm identified a misstatement in a required disclosure under FASB ASC Topic 606 related to the issuer's remaining performance obligations. The firm did not appropriately evaluate whether this uncorrected misstatement was material because the firm understated its projected misstatement. (AS 2810.17)

Issuer E – Industrials

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Revenue**, for which the firm identified a fraud risk, and **Inventory**. This was the firm's initial audit of this issuer.

Description of the deficiencies identified

The firm subjected certain of the issuer's business units to less extensive audit procedures. With respect to revenue and inventory for these business units, the following deficiencies were identified:

- In determining the extent to which audit procedures should be performed, the firm did not evaluate (1) the materiality of these business units and (2) whether the risks of material misstatement, including a fraud risk related to certain revenue, that the firm identified for the business units subject to more extensive audit procedures also applied to these business units. (AS 2101.11 and .12)
- To address the risks of material misstatement related to revenue and inventory for these business units, the firm selected for testing two controls ("budget controls") that consisted of the issuer's (1) review and approval of its business unit and consolidated budgets, and (2) comparison of the business unit budgets to actual results. The firm did not evaluate the review procedures that the control owner performed, including the procedures to identify items for follow up and the procedures to determine whether those items were appropriately resolved. (AS 2201.42 and .44)
- The firm did not perform any substantive procedures to test revenue and inventory for these business units. (AS 2301.08)

The firm identified significant deficiencies related to certain IT systems that the issuer used to record revenue and inventory transactions for two of the issuer's business units that were subject to more extensive audit procedures. The firm identified the budget controls as compensating controls that it believed would mitigate these deficiencies but did not sufficiently test these controls as discussed above. (AS 2201.68)

Issuer F – Health Care

Type of audit and related area affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Revenue**, for which the firm identified a fraud risk. This was the firm's initial audit of this issuer.

Description of the deficiencies identified

The issuer recognized revenue based on contracts with customers that included standard and nonstandard terms. The firm did not identify and test any controls over the issuer's identification and evaluation of contract terms, other than pricing, that could affect revenue recognition. (AS 2201.39)

The firm's substantive procedures included an evaluation of the terms for a sample of the issuer's contracts with customers. The firm did not evaluate the nonstandard contract terms included in these contracts and whether these terms could have had an effect on revenue recognition. (AS 2301.08 and .13)

For certain of the issuer's revenue, the firm did not identify and test any controls that addressed whether the issuer satisfied its performance obligation before recognizing revenue. (AS 2201.39)

Issuer G – Information Technology

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement audit related to **Revenue** and **Stock-Based Compensation**. The firm's internal inspection program inspected this audit and reviewed one of these areas but did not identify the deficiencies below.

Description of the deficiencies identified

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

The issuer recognized revenue from contracts that included multiple performance obligations and allocated the total transaction price to the separate performance obligations based on relative standalone selling prices (SSPs). The issuer used various methods to determine the SSPs for each of the performance obligations. The firm did not evaluate certain evidence that suggested that the issuer's methods to determine the SSPs, and the resulting allocation of the transaction price to the separate performance obligations, may not be appropriate. (AS 2501.10; AS 2810.03)

The firm's substantive procedures to test certain of the issuer's revenue disclosures consisted of tracing the amounts disclosed to schedules prepared by the issuer. The firm did not perform any procedures to test, or test any controls over, the accuracy and completeness of these issuer-prepared schedules. (AS 1105.10)

With respect to **Stock-Based Compensation**:

The firm's substantive procedures to test the issuer's stock-based compensation disclosures consisted of tracing the amounts disclosed to a report generated from one of the issuer's IT systems. The firm did not perform any procedures to test, or test any controls over, the accuracy and completeness of this report. (AS 1105.10)

Issuer H – Information Technology

Type of audit and related area affected

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

Description of the deficiencies identified

The firm's sample for testing certain revenue was too small to provide sufficient appropriate audit evidence because, in determining the sample size, the firm did not take into account tolerable misstatement, the allowable risk of incorrect acceptance, and the characteristics of the population, including the expected size and frequency of misstatements. (AS 2315.16, .19, .23, and .23A)

The firm's substantive procedures to test certain of the issuer's revenue disclosures consisted of tracing the amounts disclosed to schedules prepared by the issuer. The firm did not perform any procedures to test, or test any controls over, the accuracy and completeness of these issuer-prepared schedules. (AS 1105.10)

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 of four audits reviewed, the firm's foreign affiliates provided the firm with (1) sufficient information to enable the firm to reconcile the financial statement amounts audited by the foreign affiliates to the information underlying the consolidated financial statements and (2) information related to a significant deficiency for one of the issuer's non-U.S. components, but the firm, as the principal auditor, did not retain this information. In this instance, the firm was non-compliant with AS 1205, *Part of the Audit Performed by Other Independent Auditors*.
- In four of 26 audits reviewed, the firm did not include all relevant work papers in the final set of audit documentation it was required to assemble. In these instances, the firm was non-compliant with AS 1215, *Audit Documentation*.
- In two of 24 audits reviewed, the firm did not make a required communication to the issuer's audit committee related to certain of the issuer's significant accounting policies and practices. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.
- In one of 24 audits reviewed, the firm did not make certain required communications to the issuer's audit committee related to an overview of the overall audit strategy. In this instance, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.
- In one of 24 audits reviewed, the firm did not communicate to the issuer's audit committee a significant change to a significant risk that had initially been identified and communicated to the audit committee and the reasons for this change. In this instance, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.
- In one of 26 audits reviewed, the firm did not identify and assess the risks of material misstatement at the assertion level for certain significant accounts and disclosures it identified. In this instance, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*.
- In one of 26 audits reviewed, the firm did not evaluate certain factors when assessing risks of material misstatement related to certain significant accounts. In this instance, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*.
- In three of 14 audits reviewed, the firm did not communicate to management, in writing, all control deficiencies identified during the audit. In these instances, 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 three of 24 audits reviewed, the firm did not make a required communication to management related to one or more identified misstatements. In these instances, the firm was non-compliant with AS 2810, *Evaluating Audit Results*.

- In 13 of 19 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 one or more matters that were communicated to the issuer's audit committee and that related to accounts or disclosures that were material to the financial statements. In 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 two of 19 audits reviewed, the engagement team determined that a matter that was communicated to the issuer's audit committee and that related to accounts or disclosures that were material to the financial statements was a critical audit matter. The firm subsequently determined, after the issuance of its audit report, that the matter did not meet the definition of a critical audit matter. In addition, in one of these audits, the firm communicated the matter as a critical audit matter in its audit report instead of communicating that there were no critical audit matters in the audit. 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 one of 19 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*.

- In two of six audits reviewed, the year the firm began serving consecutively as the company's auditor that was included in the firm's audit report was incorrect. 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 two of 26 audits reviewed, the firm's audit report did not identify a financial statement or a related schedule that had been audited. 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*.

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 the firm brought to our attention, 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 did not identify any instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence.

Firm-Identified

During the inspection, the firm brought to our attention that it had identified, through its independence monitoring activities, nine instances across five issuers,[2] representing less than 1% of the firm's total reported issuer audits, in which the firm appeared to have impaired its independence because it may not have complied with Rule 2-01(c) of Regulation S-X related to maintaining independence. Approximately 89% of these instances of potential non-compliance involved non-U.S. associated firms.

While we have not evaluated the underlying reasons for the 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 non-U.S. associated firms in the global network; 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 the issuer. Therefore, we caution against making any comparison of these firm-identified instances of potential non-compliance across firms.

The instances of potential non-compliance related to business relationships, audit committee pre-approval requirements, and non-audit services:

- The firm reported four instances of potential non-compliance with Rule 2-01(c)(3) of Regulation S-X regarding business relationships. All of these instances related to business relationships between non-U.S. associated firms and affiliates of an issuer audit client that the firm determined to be prohibited.
- The firm reported three instances of potential non-compliance with Rule 2-01(c)(7) of Regulation S-X regarding audit committee pre-approval. These instances related to tax services provided by non-U.S. associated firms without the firm obtaining audit committee pre-approval.
- The firm reported two instances of potential non-compliance with Rule 2-01(c)(4) of Regulation S-X regarding non-audit services. Both of these instances related to services provided by the firm or by a non-U.S. associated firm that the firm determined to be prohibited, such as performing management functions for a company that was an affiliate of an issuer.

The firm has reported to us that it has evaluated these instances of potential non-compliance and determined in all instances that its objectivity and impartiality were not impaired.

[2] The firm-identified instances of potential non-compliance do not necessarily relate to the issuer audits that we selected for review.

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.

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October 30, 2023

Ms. Christine Gunia, Acting Director
Division of Registration and Inspections
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington D.C. 20006

Re: Response to Part I of the Draft Report on the 2022 Inspection of Grant Thornton LLP

Dear Ms. Gunia:

On behalf of Grant Thornton LLP, we are pleased to provide our response to the Public Company Accounting Oversight Board's (the "PCAOB") Draft Report on the 2022 Inspection of Grant Thornton LLP, principally related to our 2021 audits (the "Draft Report").

Quality is our highest priority at Grant Thornton and we are committed to its continual advancement. We have service delivery systems, quality controls, and risk management tools that provide the necessary framework to meet the high-quality standards of the firm and the profession described in our Audit Quality & Transparency Report 2022 (https://www.grantthornton.com/insights/articles/audit/2023/a-foundation-built-on-quality). In addition, we challenge our existing processes and perform continuous monitoring of our audit engagements to identify opportunities for enhancements, evaluate underlying causal factors, and implement solutions to drive improvements in audit quality. We are acutely focused on technology, training, innovations in our processes and standards, and investing in our people, all with a goal of continuous improvement and our commitment to high quality audits in protecting the capital markets.

We carefully considered each of the matters identified in Part I of the Draft Report. Accordingly, we took all steps necessary to fulfil our responsibilities under AS 2901, *Consideration of Omitted Procedures after the Report Date* and AS 2905, *Subsequent Discovery of Facts Existing at the Date of the Auditor's Report*.

Integrity and quality is the foundation for our strategy, and we fully support the PCAOB's mission to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports. The PCAOB inspection report and dialogue with the inspections staff continues to be an integral component to our commitment to achieving the highest levels of audit quality. We look forward to continuing our discussions with you and the inspections staff on improving audit quality at our firm and across the profession.

Respectfully submitted,

By:

Seth Siegel	Janet Malzone
Chief Executive Officer	National Managing Partner of Audit Services

Grant Thornton LLP
U.S. member firm of Grant Thornton International Ltd.