2023 Inspection Centurion ZD CPA & Co.

(Headquartered in Hong Kong Special Administrative Region of the People's Republic of China)

March 29, 2024

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. 104-2024-062

PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

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2023 INSPECTION

In the 2023 inspection of Centurion ZD CPA & Co. (formerly Dominic K. F. Chan & Co.), 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. Our inspection was conducted in cooperation with the China Securities Regulatory Commission, the Ministry of Finance of the People's Republic of China, and the Accounting and Financial Reporting Council of Hong Kong.

We selected for review three 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.

2023 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 2023 INSPECTION

The following information provides an overview of our 2023 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

	2023
Firm data	
Total issuer audit clients in which the firm was the principal auditor	23
Total issuer audits in which the firm was not the principal auditor	2
Total engagement partners on issuer audit work[1]	5
Audits reviewed	
Total audits reviewed[2]	3
Audits in which the firm was the principal auditor	2
Audits in which the firm was not the principal auditor	1
Audits with Part I.A deficiencies	3
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 internal control over financial reporting (ICFR), or taking steps to prevent reliance on prior audit reports.

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

[2] The population from which audits are selected for review includes both audits for which the firm was the principal auditor and those where the firm was not the principal auditor but played a role in the audit.

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

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

Audit Areas Most Frequently Reviewed

This table reflects the audit areas we have selected most frequently for review in the 2023 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.

2023	
Audit area	Audits reviewed
Revenue and related accounts	3
Cash and cash equivalents	3
Related party transactions	1
Significant accounts	1
Certain 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, (1) 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 or (2) in audit(s) in which it was not the principal auditor, had not obtained sufficient appropriate audit evidence to fulfill the objectives of its role in the audit.

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) or fulfill the objectives of its role in the audit(s), including instances of non-compliance with PCAOB rules related to registration and reporting. 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 instances where a deficiency was identified in connection with our inspection and, as a result, an issuer's financial statements were determined to be materially misstated, and the issuer restated its financial statements. It also includes instances where a deficiency was identified in connection with our inspection and, as a result, an issuer's ICFR was determined to be ineffective, or there were additional material weaknesses that the firm did not identify, and the firm withdrew its opinion, or revised its report, on ICFR.

This classification does not include instances where, unrelated to our review, an issuer restated its financial statements and/or an issuer's ICFR was determined to be ineffective. We include any deficiencies identified in connection with our reviews of these audits in the audits with multiple deficiencies or audits with a single deficiency classification below.

Audits with Multiple Deficiencies

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

Audits with a Single Deficiency

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

PART I.A: AUDITS WITH UNSUPPORTED OPINIONS

This section of our report discusses the deficiencies identified, by specific issuer audit reviewed, in the audit work (1) supporting the firm's opinion(s) on the issuer's financial statements and/or ICFR and (2) in audit(s) in which it was not the principal auditor, to fulfill the objectives of its role in the audit.

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 **Revenue**, **Related Party Transactions**, a **Significant Account**, the **Financial Reporting Process and Journal Entries**, and **Information Technology General Controls (ITGCs)**. The firm's internal inspection program inspected this audit and reviewed 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 firm did not identify and test any controls that address whether the relevant revenue recognition criteria were met prior to recognizing revenue. (AS 2201.39) In addition, the firm did not (1) perform substantive procedures to evaluate whether the relevant revenue recognition criteria had been met prior to recognizing revenue and (2) perform any substantive procedures to address certain fraud risks. (AS 2301.08 and .13)

With respect to **Related Party Transactions**, for which the firm identified a significant risk:

The firm did not identify and test any controls over the issuer's (1) identification of related parties and relationships and (2) accounting for, and disclosure of, related party transactions. (AS 2201.39) In addition, the firm did not perform any substantive procedures to evaluate whether the issuer had properly identified its related parties and relationships and transactions with related parties. Further, the firm did not perform any substantive procedures to evaluate whether related party transactions were properly accounted for and disclosed in the issuer's financial statements. (AS 2410.14 and .17)

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

The issuer engaged an external specialist to develop an estimate related to this significant account. The firm did not identify and test any controls over the assumptions used by the company's specialist. (AS 2201.39) The firm's approach for substantively testing this estimate was to test the issuer's process, and the firm engaged another external specialist to perform a review of the company's specialist's report. The following deficiencies were identified:

- The firm did not identify and evaluate a departure from GAAP related to an aspect of the issuer's methodology that was used to develop the estimate. (AS 2501.10)

- The firm did not perform any procedures to evaluate the reasonableness of the assumptions developed by the issuer and by the company's specialist, including evaluating a significant difference between one of the assumptions and a significant assumption used by the issuer in another estimate tested. (AS 1105.A8b; AS 2501.16)

- The firm did not perform sufficient procedures to evaluate whether the auditor-engaged specialist's work provided sufficient appropriate audit evidence, because it did not perform additional procedures, or request the auditor-engaged specialist perform additional procedures, to address the disclaimer in the auditor-engaged specialist's report. (AS 1210.09 and .12)

In addition, the firm did not identify and test any controls over certain attributes related to this significant account. (AS 2201.39)

With respect to the **Financial Reporting Process and Journal Entries**, for which the firm identified a fraud risk:

The firm did not identify and test any controls over journal entries and other adjustments made in the period-end financial reporting process. (AS 2201.39) In addition, the firm did not perform any substantive procedures to examine material adjustments made during the course of preparing the financial statements. (AS 2301.41)

The firm identified fraud criteria to identify and select journal entries and other adjustments for testing and obtained a listing of journal entries that met the criteria. The firm did not perform any procedures to test the completeness of the listing of journal entries it used to identify journal entries that met the criteria. (AS 1105.10) In addition, the firm did not sufficiently test the journal entries that met the identified fraud risk criteria for evidence of possible material misstatement due to fraud, because it limited its procedures to certain entries without having an appropriate rationale for limiting its testing to those journal entries. Further, the firm did not examine the underlying support for those entries it selected for testing. (AS 2401.61)

With respect to **ITGCs**:

The firm identified deficiencies related to ITGCs for several of the issuer's information systems but did not evaluate the severity of these deficiencies to determine whether the deficiencies, individually or in combination, were material weaknesses. (AS 2201.62)

Issuer B

Type of audit and related areas affected

In our review of an audit in which the firm played a role but was not the principal auditor, we identified deficiencies in connection with the firm's role in the financial statement audit related to **Revenue**, **Long-Lived Assets**, **Cash**, **Journal Entries**, **Subsequent Events**, and **Uncorrected Misstatements**. This was the firm's initial audit of this issuer.

Description of the deficiencies identified

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

The issuer recognized several types of revenue. With respect to two types of revenue, the firm did not perform any procedures to evaluate whether the methods the issuer used to recognize this revenue were in conformity with GAAP. (AS 2301.08 and .13) In addition, the firm did not perform sufficient procedures to evaluate whether the issuer had satisfied its performance obligations prior to recognizing these two types of revenue because it limited its procedures to reviewing certain external information and/or testing that the issuer had received cash. (AS 2301.08 and .13) With respect to these two types of revenue and another type of revenue, the firm did not perform procedures to evaluate whether the issuer met certain other revenue recognition criteria prior to recognizing revenue. (AS 2301.08 and .13)

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

The issuer engaged an external specialist to determine the fair values of certain long-lived assets. The firm used an auditor-engaged specialist to perform reviews of the company's specialist's valuation reports. The following deficiencies were identified:

- The firm did not perform any procedures to evaluate the relevance and reliability of data the company's specialist obtained from external sources and used to develop the fair values. (AS 1105.A8a)

- The firm did not perform any procedures to evaluate the reasonableness of the significant assumptions developed by the issuer and the company's specialist. (AS 1105.A8b; AS 2501.16)

- The firm did not perform any procedures to evaluate whether the methods used by the company's specialist to develop the fair values were appropriate under the circumstances, taking into account the requirements of GAAP. (AS 1105.A8c)

- The firm did not perform any additional procedures or request the auditor-engaged specialist perform additional procedures to address the disclaimers and limitations included in the auditor-engaged specialist's reports that affected the firm's use of the reports. (AS 1210.09 and .12)

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

The firm used an external digital confirmation platform to confirm certain cash but did not perform any procedures to support its reliance on this digital platform's ability to maintain control over the confirmation requests and responses. (AS 2310.28)

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

The firm identified characteristics of potentially fraudulent entries or adjustments for testing but did not determine whether any journal entries met those characteristics and instead limited its testing to haphazardly selected journal entries. (AS 2401.61) In addition, the firm did not perform sufficient procedures to test the completeness of the population of journal entries it used to select journal entries for testing, because it did not identify unexplained differences between the general ledger balances it used to test the completeness and the general ledger balances that were included in the financial statements. (AS 1105.10)

With respect to **Subsequent Events**:

The firm did not perform auditing procedures, beyond reviewing disbursements for certain components, with respect to the period after the balance-sheet date for purpose of ascertaining the occurrence of subsequent events that may require adjustment or disclosure. (AS 2801.12)

With respect to **Uncorrected Misstatements**:

The firm identified uncorrected misstatements but did not evaluate whether the uncorrected misstatements were material, individually or in combination with other misstatements, including the effects of the uncorrected misstatements on the specific accounts and disclosures involved and the effects of the misstatements identified related to the prior year on the current year financial statements. (AS 2810.17 and .18)

Issuer C

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement audit related to **Certain Assets**, **Revenue**, and **Journal Entries**.

Description of the deficiencies identified

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

The issuer reported certain assets. The following deficiencies were identified:

- The firm did not perform procedures to evaluate the relevance and reliability of certain information it obtained from external sources and used in its substantive procedures, beyond obtaining information about the source's reputation and regulatory compliance. (AS 1105.04 and .06)

- The firm did not perform any procedures to evaluate the relevance and reliability of other information it obtained from external sources and used in its substantive procedures. (AS 1105.04 and .06)

- The firm did not perform any procedures to establish that the issuer had control over these assets. (AS 2301.08 and .13)

- The firm did not perform any procedures to evaluate the appropriateness of the issuer's classification of these assets. (AS 2301.08 and .13)

With respect to **Revenue**:

The firm did not identify and evaluate departures from GAAP related to the issuer's omission of disclosures related to revenue. (AS 2810.30 and .31)

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

The firm did not identify and select journal entries and other adjustments for testing to address the potential for material misstatement due to fraud. (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) or fulfill the objectives of its role in the audit(s), including instances of non-compliance with PCAOB rules related to registration and reporting. 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 three audits reviewed, the firm did not include all relevant work papers in the final set of audit documentation it was required to assemble. In this instance, the firm was non-compliant with AS 1215, *Audit Documentation.*

- In one of three audits reviewed, the firm added audit documentation subsequent to the 45-day period following the report release date and did not indicate the date the information was added, the name of the person who prepared the additional documentation, and the reason for adding it. In this instance, the firm was non-compliant with AS 1215, *Audit Documentation.*

- In two of two audits reviewed, the work papers did not contain sufficient information to enable an experienced auditor, having no previous connection with the engagement, to understand all of the procedures performed by the engagement quality reviewer, including evidence that the engagement quality reviewer evaluated the engagement team's responses to the significant risks identified. In these instances, the documentation of the engagement quality review was non-compliant with AS 1220, *Engagement Quality Review*.

- In two of two audits reviewed, the firm did not make a required communication to the audit committee related to the name, location, and planned responsibilities of other accounting firm(s) that performed audit procedures in the audit. In one of these audits, the firm did not make a required communication to the audit committee related to the critical accounting policies and practices and critical accounting estimates. In the other audit, the firm did not make a required communication to the audit committee related to significant accounting policies and practices. 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 provide or discuss with the audit committee a draft of the firm's audit report. 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 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 of three audits reviewed, the firm did not evaluate certain factors when assessing the 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 one of three audits reviewed, the firm did not identify and assess the risks of material misstatement at the assertion level for the 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 the three audits reviewed, the firm did not inquire of the audit committee, management, and/or others within the company about fraud risks. In these instances, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*.

- In two of three audits reviewed, the firm did not hold a discussion among the key engagement team members about the potential for material misstatement due to fraud. In these instances, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*.

- In one audit, the firm did not communicate, in writing, to 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, the firm's initial and revised audit reports did not include one or more required elements. In addition, in this audit, the firm's revised audit report did not appropriately identify the nature of the opinion expressed in the ICFR audit report. 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 one audit, the firm's audit report inappropriately included two similar versions of a required statement. In addition, in this audit, the firm's audit report did not include a definition of consolidated 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.*

- In two of 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 one of two audits reviewed, the firm's communication of critical audit matters in the audit report did not describe for a matter the principal considerations that led the firm to determine that the matter was a critical audit matter. 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 one audit, the firm's audit report inappropriately included explanatory language about the firm's responsibilities with respect to ICFR in a non-integrated audit when the issuer was required to have an audit of ICFR, the firm was engaged to perform an audit of ICFR, and the firm expressed an opinion on ICFR. In this instance, the firm was non-compliant with AS 3105, *Departures from Unqualified Opinions and Other Reporting Circumstances*.

- The firm submitted inaccurate information related to Item 3.1, *Changes in Form of Organization or in Relevant Jurisdiction*, and Item 3.2, *Acquisitions of, or Combinations Involving, A Registered Public Accounting Firm*, in its report on Form 4. In addition, the firm made an inaccurate representation in Exhibit 99.4, *Acknowledgement Concerning Registration Status in Certain Transactions* in its report on Form 4. In these instances, the firm was non-compliant with PCAOB Rule 2108, *Succeeding to the Registration Status of a Predecessor*.

- The firm omitted required information related to Item 4.1, *Audit Reports Issued by the Firm for Issuers*, and Item 5.2, *Audit-related Memberships, Affiliations, or Similar Arrangements*, from its reports on Form 2 and Form 2/A. In addition, the firm included inaccurate information related to Item 6.1, *Number of Firm Personnel*, in its reports on Form 2 and Form 2/A. In these instances, the firm was non-compliant with PCAOB Rule 2200, *Annual Report.*

- In three audits, the firm did not file one or more reports 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 two of two audits reviewed and in two other audits, the firm's report on Form AP omitted information related to the participation in the audit by one or more other accounting firms. In these instances, the firm was non-compliant with PCAOB Rule 3211, *Auditor Reporting of Certain Audit Participants*.

- In one audit, the firm's report on Form AP included inaccurate information regarding the audit report date. In this instance, the firm was non-compliant with PCAOB Rule 3211, *Auditor Reporting of Certain Audit Participants*.

- In one of two audits reviewed, the firm did not provide the audit committee the required independence communications. In this instance, 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. In two audits reviewed, we identified two instances across two issuers in which this circumstance appears to have occurred related to certain 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 Board provided the firm an opportunity to review and comment on a draft of this report. The firm did not provide a written response.