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# 2023 Inspection BD & Company, Inc.

(Headquartered in Owings Mills, Maryland)

May 23, 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



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## 2023 INSPECTION

In the 2023 inspection of BD & Company, Inc., the Public Company Accounting Oversight Board (PCAOB) assessed the firm's compliance with laws, rules, and professional standards applicable to the audits of public companies.

We selected for review one audit of an issuer with a fiscal year ending in 2022. For the 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 AND HISTORICAL DATA BY INSPECTION YEAR

The following information provides an overview of our 2023 inspection as well as data from the previous inspection. We use a risk-based method to select audits for review and to identify areas on which we focus our review. Because our inspection process evolves over time, it can, and often does, focus on a different mix of audits and audit areas from inspection to inspection and firm to firm. Further, a firm's business, the applicable auditing standards, or other factors can change from the time of one inspection to the next. As a result of these variations, we caution that our inspection results are not necessarily comparable over time or among firms.

### Firm Data and Audits Selected for Review

	2023	2020
<b>Firm data</b>		
<b>Total issuer audit clients in which the firm was the principal auditor</b>	1	1
<b>Total engagement partners on issuer audit work<sup>1</sup></b>	1	1
<b>Audits reviewed</b>		
<b>Total audits reviewed</b>	1	1
<b>Audits in which the firm was the principal auditor</b>	1	1
<b>Integrated audits of financial statements and internal control over financial reporting (ICFR)</b>	0	0
<b>Audits with Part I.A deficiencies</b>	0	0
<b>Percentage of audits with Part I.A deficiencies</b>	0%	0%

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

## Audit Areas Most Frequently Reviewed

This table reflects the audit areas we have selected most frequently for review in the 2023 inspection and the previous inspection. For the issuer audits selected for review, we selected these areas because they were generally significant to the issuer’s financial statements, may have included complex issues for auditors, and/or involved complex judgments in (1) estimating and auditing the reported value of related accounts and disclosures and (2) implementing and auditing the related controls.

2023		2020	
Audit area	Audits reviewed	Audit area	Audits reviewed
Cash and cash equivalents	1	Goodwill and intangible assets	1
Expenses	1	Expenses	1

## PART I: INSPECTION OBSERVATIONS

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

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

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

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

### PART I.A: AUDITS WITH UNSUPPORTED OPINIONS

In the 2023 inspection, we did not identify any deficiencies that were of such significance that we believe the firm, at the time it issued its audit report, had not obtained sufficient appropriate audit evidence to support its opinion on the issuer's financial statements.

### 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. 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. In some cases, we assess the firm's compliance with specific PCAOB standards or rules on other audits that were not reviewed and include any instances of non-compliance below.

The deficiencies below are presented in numerical order based on the PCAOB standard or rule with which the firm did not comply. We identified the following deficiencies:

- In the audit reviewed, the firm did not make certain required communications to the audit committee related to (1) an overview of the overall audit strategy; and (2) certain critical

accounting policies and certain critical accounting estimates. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.

- In the audit 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 the audit reviewed, the firm did not provide a copy of the management representation letter to the audit committee. In this instance, the firm was non-compliant with AS 1301, *Communications with Audit Committees*, and AS 2805, *Management Representations*.
- In the audit reviewed, the engagement team performed procedures to determine whether or not matters were critical audit matters but, in performing those procedures, did not include certain matters that were communicated, or required to be communicated, to the audit committee and that related to accounts or disclosures that were material to the financial statements. In 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*. This instance of non-compliance does not necessarily mean that other critical audit matters should have been communicated in the auditor's report.
- In the audit reviewed, the firm's audit report did not include explanatory language about the firm's responsibilities with respect to ICFR in a non-integrated audit. In this instance, the firm was non-compliant with AS 3105, *Departures from Unqualified Opinions and Other Reporting Circumstances*.

## PART I.C: INDEPENDENCE

In the 2023 inspection, we did not identify, and the firm did not bring to our attention, any instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence. Although this section does not include any instances of potential non-compliance that we identified or the firm brought to our attention, there may be instances of non-compliance with SEC or PCAOB rules related to independence that were not identified through our procedures or the firm's monitoring activities.

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

## PART II: OBSERVATIONS RELATED TO QUALITY CONTROL

Part II of our report discusses criticisms of, and potential defects in, the firm's system of quality control.

We include deficiencies in Part II if an analysis of the inspection results, including the results of the reviews of individual audits, indicates that the firm's system of quality control does not provide reasonable assurance that firm personnel will comply with applicable professional standards and requirements. Generally, the report's description of quality control criticisms is based on observations from our inspection procedures.

This report does not reflect changes or improvements to the firm's system of quality control that the firm may have made subsequent to the period covered by our inspection. The Board does consider such changes or improvements in assessing whether the firm has satisfactorily addressed the quality control criticisms or defects no later than 12 months after the issuance of this report.

When we issue our reports, we do not make public criticisms of, and potential defects in, the firm's system of quality control, to the extent any are identified. If a firm does not address to the Board's satisfaction any criticism of, or potential defect in, the firm's system of quality control within 12 months after the issuance of our report, we will make public any such deficiency.



## APPENDIX A: FIRM'S RESPONSE TO THE DRAFT INSPECTION REPORT

Pursuant to Section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(a), the 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.



March 1, 2024

Ms. Christine Gunia  
PCAOB Division of Registration and Inspections  
1666 K Street NW  
Washington, DC 20006

Dear Ms. Gunia:

Pursuant to PCAOB Rule 4007(a), this letter is in response to the matters noted in Part I.B: *Other Instances of Non-Compliance with PCAOB Standards or Rules* of the draft PCAOB inspection report of BD & Company, Inc. for the fiscal year ending in 2022.

Our response has taken into careful consideration the nature of the inspection findings and the deficiencies identified over certain non-compliance matters with specific PCAOB standards. We are currently implementing the necessary corrective measures and remediation activities that are necessary to address these non-compliance matters over the procedures we performed.

Therefore, please consider our responses to the matters noted in the draft report as follows:

**Matters #1 & 2** – In regard to the matter of noncompliance with AS 1301, *Communication with Audit Committees*, and the required communications to the audit committee concerning the overall audit strategy, significant risk of management override, and certain critical accounting policies and accounting estimates, these items were communicated to the audit committee verbally but were not clearly documented in our required communications procedures within the audit file. As a result of this inspection finding, our remediation efforts ensure that such required communications are documented in the audit file at a sufficient level to comply with AS 1301.09 and AS 1301.12.

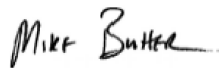
**Matter #3** – In regard to the matter of noncompliance with AS 1301, *Communication with Audit Committees*, and AS 2805, *Management Representations*, and the required communications to the audit committee of providing a copy of the management representation letter, a copy of the management representation letter was delivered to the audit committee, pursuant to the requirements in AS 2805.05, but our documentation did not clearly reflect this procedure. As a result of this inspection finding, our remediation efforts ensure that our documentation appropriately reflects the delivery of a management representation letter to the audit committee.

**Matter #4** – In regard to the matter of noncompliance with AS 3101, *The Auditor's Report on the Audit of the Financial Statements When the Auditor Expresses an Unqualified Opinion*, and the required communications to the audit committee concerning accounts or disclosures material to the financial statements and whether these matters were critical audit matters, these items were communicated to the audit committee verbally but were not clearly documented in our required communications procedures within the audit file. As a result of this inspection finding, our remediation efforts ensure that such required communications are documented in the audit file at a sufficient level to comply with AS 3101.11

**Matter #5** – In regard to the matter of noncompliance with AS 3105, *Departures from Unqualified Opinions and Other Reporting Circumstances*, prior to the release of the opinion we did consult AS 3105 and incorrectly concluded that the opinion we were issuing was correct. This was due to a misunderstanding of the guidance established in AS 3105.59, which is the primary driver for the required statements in AS 3105.60. As a result of this inspection finding, our remediation efforts now include a full understanding of the reporting requirements, and we will be diligent in proper application of the standard on a go-forward basis.

We appreciate the opportunity to provide this formal response to the inspection findings.

Sincerely,

A handwritten signature in black ink that reads "Mike Buher". The signature is written in a cursive, slightly slanted style.

Michael Buher  
Director, Assurance & Advisory Services

