2023 Inspection
Grant Thornton LLP

(Headquartered in Chicago, Illinois)

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

PCAOB RELEASE NO. 104-2024-084

PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

EXECUTIVE SUMMARY

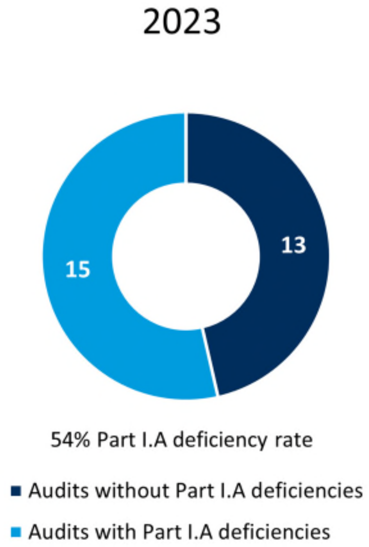
Our 2023 inspection report on Grant Thornton LLP provides information on our inspection to assess the firm's compliance with Public Company Accounting Oversight Board (PCAOB) standards and rules and other applicable regulatory and professional requirements. This executive summary offers a high-level overview of what is included in this report:

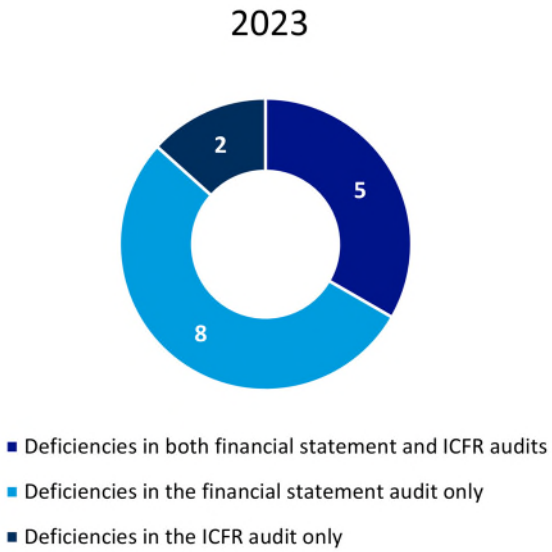
- Part I.A of the report discusses deficiencies ("Part I.A deficiencies") in certain issuer audits that were of such significance that we believe the firm, at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion(s) on the issuer's financial 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 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 2023 Deficiencies Included in Part I

Fifteen of the 28 audits we reviewed in 2023 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/or substantive testing of revenue and related accounts and inventory.





The most common Part I.A deficiencies in 2023 related to performing substantive testing to address a risk of material misstatement, testing the design or operating effectiveness of controls selected for testing, testing data or reports used in substantive testing, identifying controls related to a significant account or relevant assertion, and evaluating the appropriateness of the issuer's accounting method or disclosure.

The Part I.B deficiencies in 2023 related to consideration of fraud, retention of audit documentation, audit committee communications, risk assessment, management communications, management representation letters, the firm's audit report, and critical audit matters.

The most common Part I.C deficiencies in 2023 related to audit committee pre-approval, tax services for persons in a financial reporting oversight role, and partner rotation.

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2023 INSPECTION

In the 2023 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 28 audits of issuers with fiscal years generally ending in 2022. 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 2023 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.

2023 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 2023, our target team focused primarily on the firm's initial audits of issuers and on the planning and execution of a multi-location audit.

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 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.

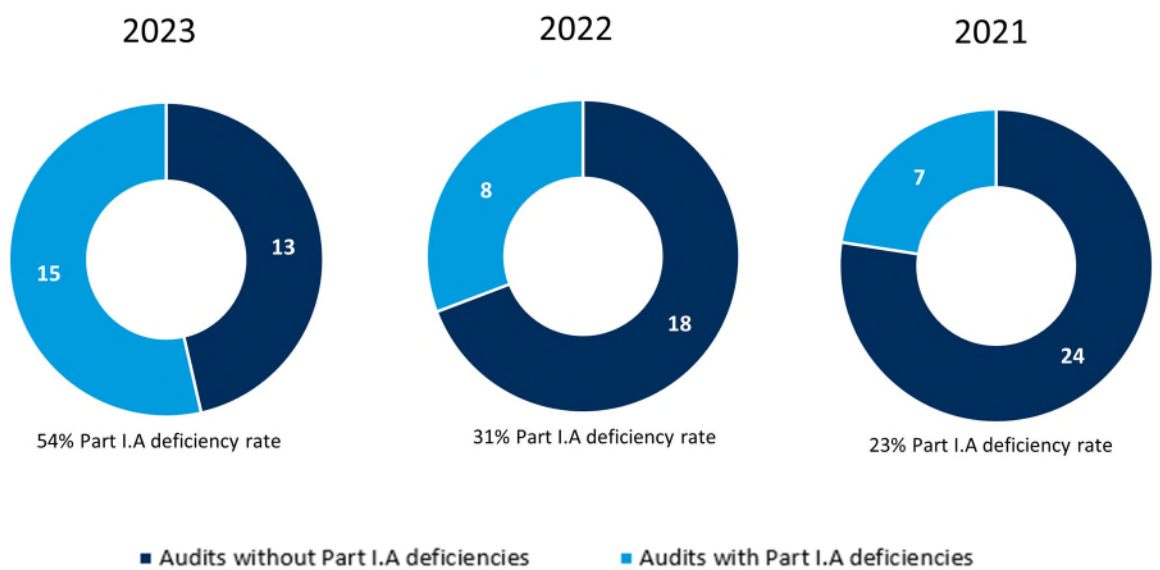
Audits Selected for Review

	2023	2022	2021
Total audits reviewed			
Total audits reviewed	28	26	31
Selection method			
Risk-based selections	20	18	13
Random selections	5	6	13
Target team selections[1]	3	2	5
Total audits reviewed	**28**	**26**	**31**
Principal auditor			
Audits in which the firm was the principal auditor	28	26	31
Audits in which the firm was not the principal auditor	0	0	0
Total audits reviewed	**28**	**26**	**31**
Audit type			
Integrated audits of financial statements and ICFR	20	14	22
Financial statement audits only	8	12	9
Total audits reviewed	**28**	**26**	**31**

[1] For further information on the target team's activities in 2022 and 2021, refer to those inspection reports.

Part I.A Deficiencies in Audits Reviewed

In 2023, 13 of the 15 audits appearing in Part I.A were selected for review using risk-based criteria. 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.

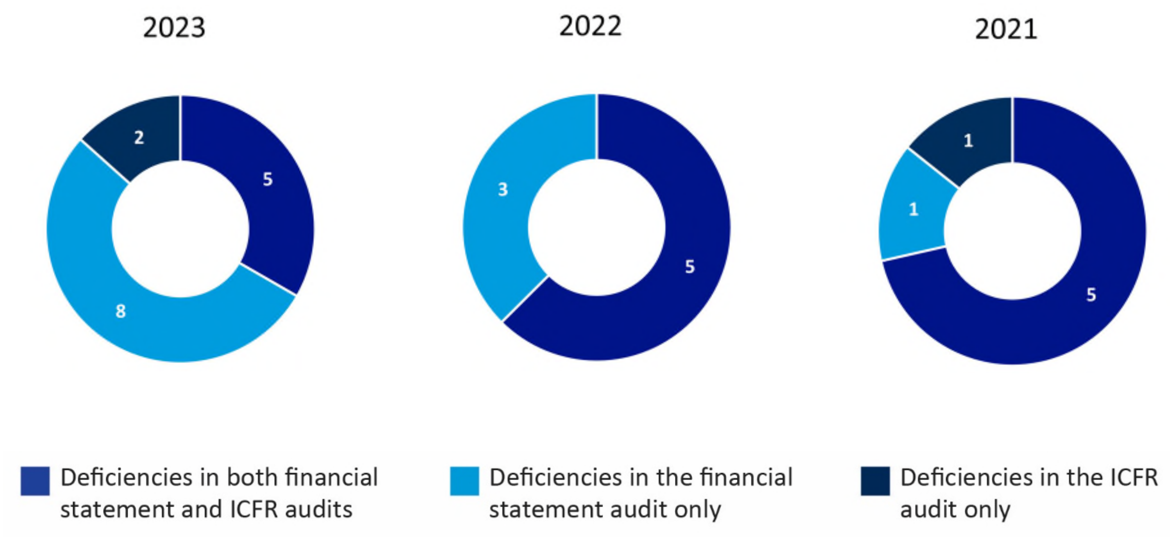


If we include a deficiency in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In many cases, the firm has performed remedial actions after the deficiency was identified. Depending on the circumstances, remedial actions may include performing additional 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 2023 inspection procedures involved one audit for which the issuer, unrelated to our review, corrected a misstatement in a subsequent filing by adjusting the prior-period amounts.

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 2023 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		
	2023	2022	2021
Did not perform sufficient testing related to a significant account or disclosure or to address an identified risk	7	6	3
Did not perform sufficient testing of data or reports used in the firm's substantive testing	3	4	2
Did not sufficiently evaluate the appropriateness of the issuer's accounting method or disclosure for one or more transactions or accounts	3	3	3
Did not obtain sufficient evidence as a result of overreliance on controls (due to deficiencies in testing controls)	3	1	1

Deficiencies in ICFR audits	Audits with Part I.A deficiencies		
	2023	2022	2021
Did not perform sufficient testing of the design and/or operating effectiveness of controls selected for testing	6	4	2
Did not identify and test any controls that addressed the risks related to a significant account or relevant assertion	3	3	5
Did not appropriately evaluate control deficiencies	2	2	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	2	3

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.

2023			2022			2021		
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	8	**Revenue and related accounts**	21	7	**Revenue and related accounts**	19	5
Inventory	15	4	**Business combinations**	8	1	**Long-lived assets**	10	1
Business combinations	10	1	**Inventory**	6	1	**Cash and cash equivalents**	8	0
Goodwill and intangible assets	4	1	**Goodwill and intangible assets**	5	1	**Debt**	8	0
Debt	3	0	**Long-lived assets**	3	0	**Inventory**	7	2

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	2023		2022		2021	
	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	8	21	7	21	5	19
Inventory	4	15	1	6	2	7
Going concern	2	2	1	2	0	4
Leases	2	2	1	2	1	2
Business combinations	1	10	1	8	1	3

Revenue and related accounts: The deficiencies in 2023, 2022, and 2021 primarily related to substantive testing of, and testing controls over, revenue.

Inventory: The deficiencies in 2023 and 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.

Going concern: The deficiencies in 2023 and 2022 primarily related to substantive testing of, and testing controls over, the issuer’s evaluation of its ability to continue as a going concern.

Leases: The deficiencies in 2023 and 2022 related to substantive testing of, and/or testing controls over, the valuation of right-of-use assets. The deficiencies in 2021 related to testing controls over leases.

Business combinations: The deficiencies in 2023 primarily related to substantive testing of the reasonableness of assumptions used by the issuer to determine the fair values of acquired intangible assets. 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 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.

Auditing Standards Associated with Identified Part I.A Deficiencies

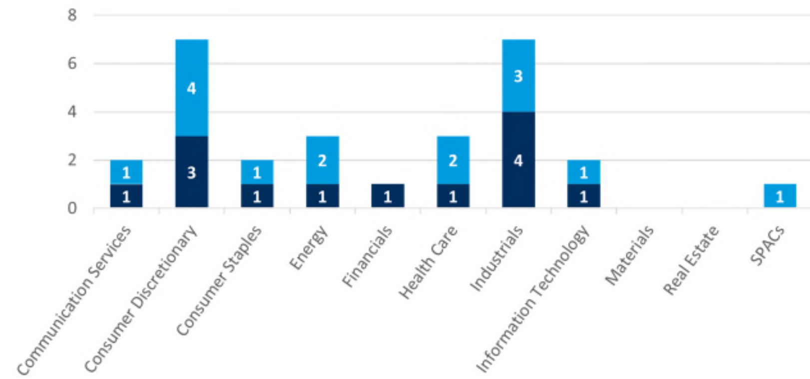
The following lists the auditing standards referenced in Part I.A of the 2023 and the previous two inspection reports, and the number of times that the standard is cited in Part I.A.

PCAOB Auditing Standards	2023	2022	2021
AS 1105, *Audit Evidence*	6	6	4
AS 2101, *Audit Planning*	1	2	0
AS 2201, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*	23	16	14
AS 2301, *The Auditor's Responses to the Risks of Material Misstatement*	13	9	4
AS 2310, *The Confirmation Process*	2	0	0
AS 2315, *Audit Sampling*	4	2	1
AS 2415, *Consideration of an Entity's Ability to Continue as a Going Concern*	2	0	0
AS 2501, *Auditing Accounting Estimates, Including Fair Value Measurements* (effective for fiscal years ending on or after December 15, 2020)	2	4	2
AS 2501, *Auditing Accounting Estimates* (effective for fiscal years ending before December 15, 2020)	-	-	1
AS 2510, *Auditing Inventories*	1	0	0
AS 2810, *Evaluating Audit Results*	5	7	4

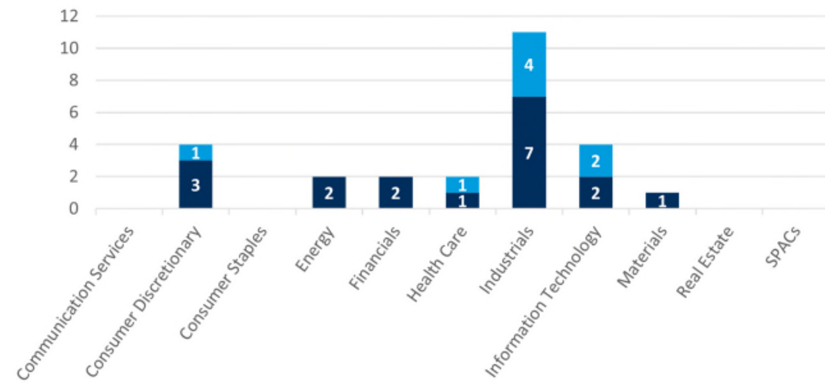
Inspection Results by Issuer Industry Sector

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.

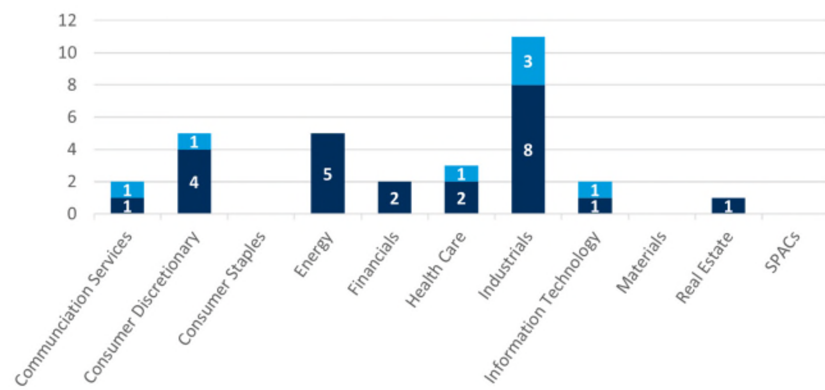
2023



2022

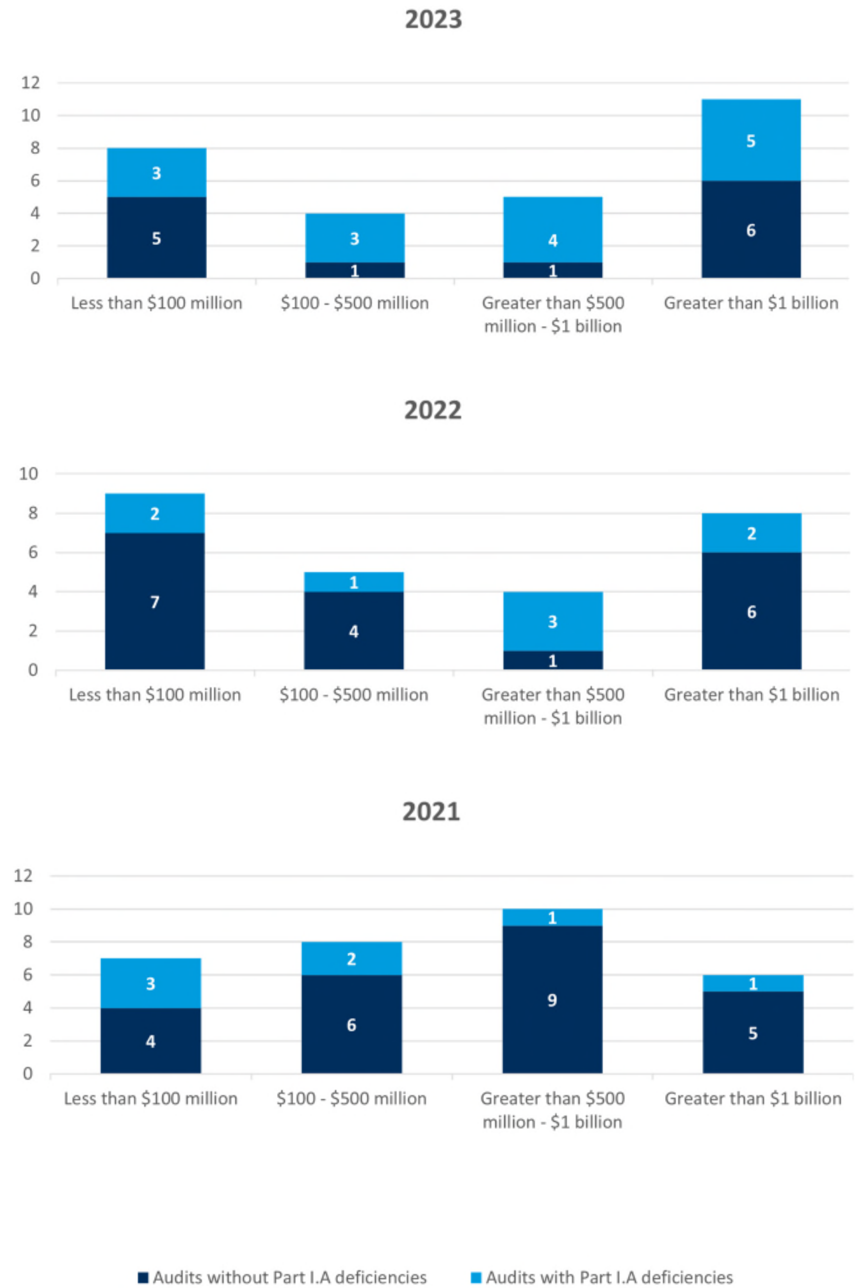


2021

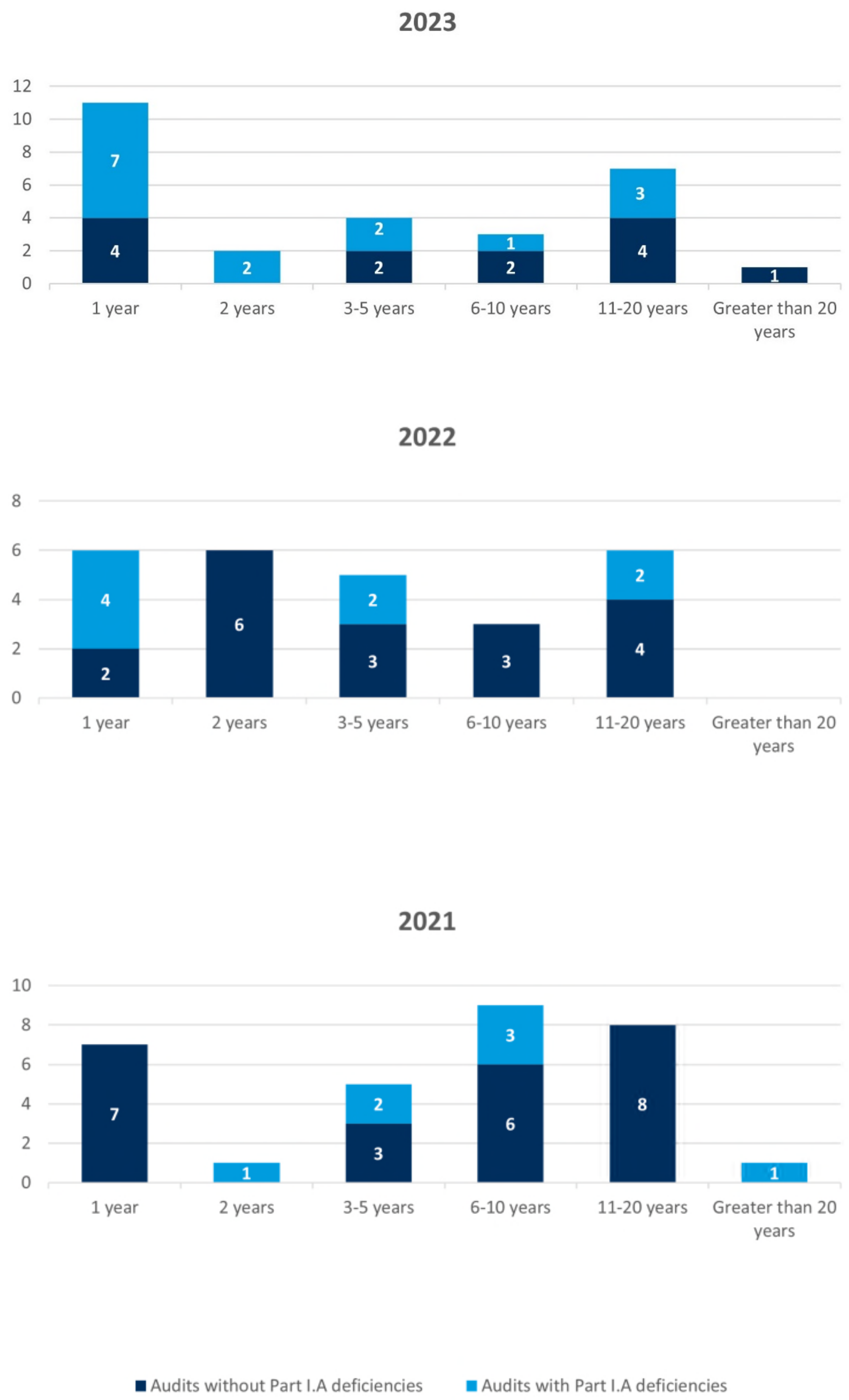


■ Audits without Part I.A deficiencies ■ Audits with Part I.A deficiencies

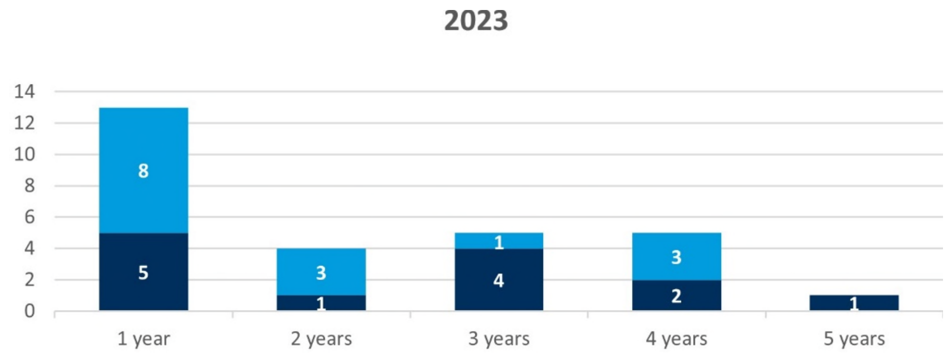
Inspection Results by Issuer Revenue Range

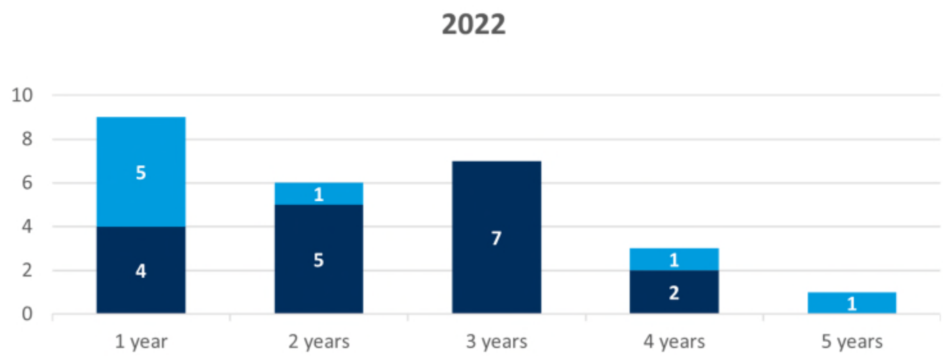


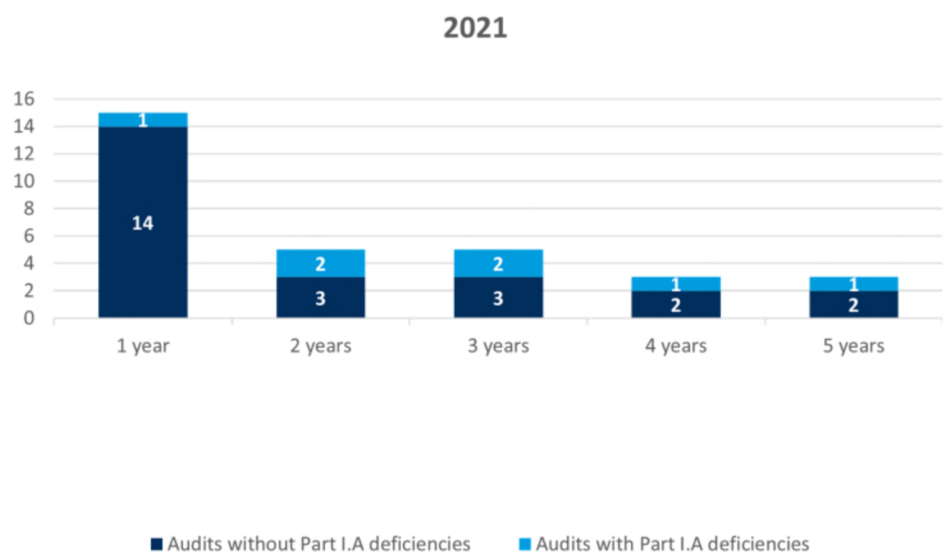
Inspection Results by the Firm’s Tenure on the Issuer



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







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.

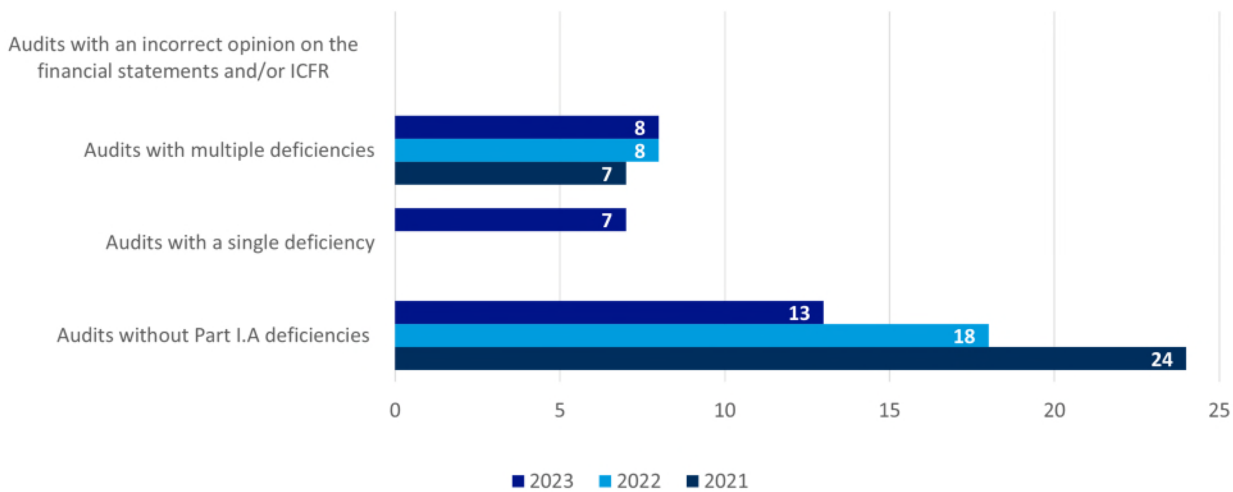
Audits with Multiple Deficiencies

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 – Information Technology

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**.

Description of the deficiencies identified

The issuer recorded transactions related to revenue and inventory at numerous business units. To address the risks of material misstatement related to revenue for the issuer's business units, the firm selected for testing entity-level controls that consisted of the issuer's (1) review and approval of its business unit and consolidated budgets and (2) comparisons of the business unit budgets and prior-period results to actual results. The firm did not evaluate the specific review procedures that the control owners performed to assess items identified for follow up and the procedures to determine whether those items were appropriately resolved. (AS 2201.42 and .44)

With respect to revenue and inventory for certain business units that were subject 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 in the current year and (2) whether the risks of material misstatement, including the fraud risk related to this 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; AS 2201.B10)
- The firm did not perform any substantive procedures to test revenue and inventory for these business units. (AS 2301.08 and .13)

With respect to **Revenue** and **Inventory** at one of the issuer's business units:

The firm identified a significant deficiency related to an information-technology (IT) system that the issuer used to record this revenue and inventory. The firm identified the entity-level controls discussed above as compensating controls that it believed would mitigate this significant deficiency but (as discussed above) did not sufficiently test those controls. (AS 2201.68)

The firm selected for testing a control that included the issuer's annual physical inventory count of this inventory. The following deficiencies were identified:

- The firm did not test the aspects of this control that addressed whether an accurate and complete count had occurred. (AS 2201.42 and .44)
- The firm did not evaluate whether the issuer had appropriately investigated and resolved differences between the physical counts and the quantities recorded in the issuer's inventory system. (AS 2201.42 and .44)
- The firm did not evaluate whether the IT-dependent aspects of this control would be effective given the significant deficiency related to this IT system discussed above. (AS 2201.46)

The firm did not perform sufficient substantive procedures to test the existence of this inventory because the firm did not assess the effectiveness of the methods the issuer used to conduct its inventory counts. (AS 2510.09)

With respect to **Inventory** at another of the issuer's business units:

The issuer performed cycle counts of this inventory, and the issuer's cycle-count policy required this inventory to be counted at specific frequencies during the year. The firm selected for testing a control that consisted of the issuer's cycle-count procedures, including the issuer's reviews of cycle-count results. The firm did not test the aspects of this control that addressed whether inventory counts were performed in accordance with the issuer's designated count frequency in its cycle-count policy. (AS 2201.42 and .44) In addition, the firm did not evaluate the specific review procedures that the control owners performed to assess whether the cycle-count results for this inventory were accurate. (AS 2201.42 and .44)

Issuer B – Consumer Discretionary

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Revenue**, **Contract Assets**, and **Segment Reporting**.

Description of the deficiencies identified

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

The issuer recognized certain revenue (1) at a point in time from contracts based on the date when the delivery of products occurred and (2) over time from contracts in which it had an enforceable right to payment for inventory that did not have an alternative use based on the receipt of products into inventory.

With respect to product revenue recognized over time for three of the issuer's business units:

- The firm selected for testing controls that consisted of the issuer's review of adjustments to revenue for inventory on hand with no alternative use, including the review of the accuracy and completeness of the information used in the inventory adjustment analysis. The firm did not evaluate the review procedures that the control owners 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, or (as discussed above) sufficiently test controls over, the accuracy and completeness of certain information that the firm used in its testing of these revenue adjustments. (AS 1105.10)

- The sample sizes the firm used in its substantive procedures to test these revenue adjustments were too small to provide sufficient appropriate audit evidence because (1) these procedures were designed based on a level of control reliance that was not supported due to the deficiency in the firm's control testing discussed above and (2) in determining the samples sizes, the firm used a level of inherent risk that was lower than what it had assessed. (AS 2301.16, .18, .37, and .42; AS 2315.19, .23, and .23A)

With respect to product revenue for two of these business units:

- The firm selected for testing a control that consisted of the issuer's review of the accuracy and completeness of revenue data but did not test the aspect of this control that addressed the accuracy of these data. (AS 2201.42 and .44)

- The firm's testing of an automated control over the generation of customer invoices was not sufficient because the firm did not test the configuration or programming of this control or perform other procedures to test this control that would have provided sufficient appropriate audit evidence that this control was designed and operating effectively. (AS 2201.42 and .44)

With respect to product revenue for the third business unit:

- The firm did not identify and test any controls over the accuracy of the prices and quantities that the issuer used to record revenue. (AS 2201.39)

- The sample sizes the firm used in its substantive procedures to test this revenue 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 deficiency in the firm's control testing discussed above. (AS 2301.16, .18, and .37; AS 2315.19, .23, and .23A)

With respect to **Segment Reporting**:

The firm selected for testing a control that consisted of the issuer's review of financial information by segment. The firm did not evaluate the specific review procedures that the control owners performed to assess whether the allocation of the financial information for one of the issuer's business units among certain reportable segments was accurate. (AS 2201.42 and .44)

The firm used the issuer's financial information by reportable segment in its substantive testing of the issuer's segment disclosure but did not perform any procedures to test, or (as discussed above) sufficiently test controls over, the accuracy of the issuer's allocation of the financial information for one of its business units among certain reportable segments. (AS 1105.10)

Issuer C – Health Care

Type of audit and related areas affected

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

Description of the deficiencies identified

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

The issuer recognized revenue from certain contracts over time using an input method based on labor hours incurred. The following deficiencies were identified:

- The firm did not perform any substantive procedures to evaluate the reasonableness of the estimated labor hours to complete contracts that the firm selected for testing, beyond inquiring of project managers. (AS 2501.16)

- For certain of this revenue, the firm did not perform any substantive procedures to test whether the issuer satisfied its performance obligations before recognizing revenue. (AS 2301.08 and .13)

- The firm identified a misstatement in its testing of this revenue, and the issuer concluded that this misstatement represented a control deficiency. The firm did not evaluate the severity of the deficiency and the effect on its control risk assessment. (AS 2301.34)
- The sample sizes the firm used in its substantive procedures to test this revenue 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 deficiency in the firm's evaluation of the control deficiency discussed above. (AS 2301.16, .18, and .37; AS 2315.19, .23, and .23A)

The firm used an issuer-prepared schedule in its substantive testing of one of the issuer's revenue disclosures but did not perform any procedures to test, or test any controls over, the accuracy of this schedule. (AS 1105.10)

With respect to a **Business Combination**:

During the year, the issuer acquired a business and determined the fair value of certain acquired intangible assets using various assumptions. The firm's approach for substantively testing the fair value of these acquired intangible assets was to develop an independent expectation of the estimate. The following deficiencies were identified:

- The firm did not sufficiently evaluate the reasonableness of certain significant assumptions developed by the issuer that the firm also used to develop its independent expectation because its procedures were limited to inquiring of management. (AS 2501.16)
- The firm did not evaluate the relevance of certain external data that it used to develop its independent expectation. (AS 1105.04 and .06)

Issuer D – Consumer Discretionary

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Going Concern** and **Leases**.

Description of the deficiencies identified

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

The firm selected for testing a control that consisted of the issuer's review of its evaluation of its ability to continue as a going concern. The firm did not evaluate the specific review procedures that the control owner performed to evaluate the reasonableness of management's plans, including forecasted cash flows. (AS 2201.42 and .44)

The issuer used forecasted financial information in its evaluation of its ability to continue as a going concern and concluded that the substantial doubt was alleviated by its plans. In evaluating management's plans, the firm did not evaluate the relevance and reliability of certain forecasted financial information, beyond inquiring of management and comparing certain of this information to market data. (AS 1105.04 and .06; AS 2415.03, 08 and .09)

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

The firm tested controls that included the issuer's review of forecasts used in its analysis of possible impairment of its operating lease right-of-use assets and determined that they were ineffective because an aspect of these controls was not operating effectively. The firm concluded that this deficiency represented a significant deficiency primarily based on its conclusion that the remaining aspect of these controls was operating effectively. The firm did not sufficiently evaluate whether this deficiency represented a material weakness because, in its testing of this remaining aspect, the firm did not evaluate the specific review procedures that the control owners performed to assess the reasonableness of certain revenue forecasts that the issuer used in its analysis. (AS 2201.62)

Issuer E – Energy

Type of audit and related areas affected

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

Description of the deficiencies identified

The issuer initiated and processed transactions related to revenue, accounts receivable, and inventory at several business units. The firm selected for testing an entity-level control that consisted of the issuer's review of quarterly financial information, including revenue, accounts receivable, and inventory. The firm did not evaluate the specific review procedures that the control owner performed to determine whether items identified for follow up were appropriately resolved. (AS 2201.42 and .44) In addition, the firm did not identify that this entity-level control was not designed to address an identified fraud risk. (AS 2201.42)

With respect to **Revenue** and **Accounts Receivable**:

The sample sizes the firm used in its substantive procedures to test revenue and accounts receivable at certain of the issuer's business units 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**:

The firm used an issuer-prepared schedule in its substantive testing of certain of the issuer's revenue disclosures but did not perform any procedures to test, or test any controls over, the accuracy of this schedule. (AS 1105.10)

With respect to **Inventory**:

The firm did not perform any substantive procedures to test inventory at certain of the issuer's business units. (AS 2301.08)

With respect to **Accounts Receivable**:

To test accounts receivable at one of the issuer's business units, the firm performed confirmation procedures for a sample of customer accounts. The firm did not maintain control over the confirmation requests sent to customers. (AS 2310.28) In addition, the firm did not consider performing procedures to verify the source of responses that were returned by email. (AS 2310.29)

Issuer F – Industrials

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Revenue** and **Inventory**.

Description of the deficiencies identified

The issuer recorded transactions related to revenue and inventory at numerous business units. The firm selected for testing two entity-level controls that consisted of the issuer's review of financial information, including revenue and inventory. For one of these controls, the firm did not evaluate the review procedures that the control owners 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) For the other control, the firm did not evaluate the specific review procedures that the control owners performed to determine whether items identified for follow up were appropriately resolved. (AS 2201.42 and .44)

With respect to certain business units that were subject to less extensive audit procedures, the firm did not perform any substantive procedures to test revenue and inventory for these business units. (AS 2301.08)

With respect to inventory at certain business units that were subject to more extensive audit procedures, the firm did not perform any substantive procedures to test the existence of this inventory. (AS 2301.08)

Issuer G – Industrials

Type of audit and related area affected

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

Description of the deficiencies identified

The issuer used an information-technology (IT) system to process and record transactions related to revenue at one segment. In its testing of controls over this revenue, the firm tested an IT-dependent manual control that used data and reports generated or maintained by this system. As a result of the deficiencies in the firm's testing of IT general controls (ITGCs) discussed below, the firm's testing of this IT-dependent manual control was not sufficient. (AS 2201.46)

The issuer identified segregation of duties conflicts related to individuals who had the ability to both develop and implement changes to this system and implemented controls to monitor these conflicts. The firm identified and tested these controls but did not identify that the individuals that the issuer identified as having the segregation of duties conflicts also had administrative access to the tool that the control owners used to monitor the conflicts. (AS 2201.42 and .44) In addition, the firm did not identify and test any controls over the accuracy and completeness of the reports generated by the tool that the control owners used in the operation of these controls. (AS 2201.39)

Issuer H – Consumer Discretionary

Type of audit and related areas affected

In our review, we identified a deficiency in the financial statement audit related to **Long-Lived Assets** and **Leases**. This was the firm's initial audit of this issuer.

Description of the deficiencies identified

The firm did not perform any substantive procedures to test the issuer's long-lived assets and operating lease right-of-use assets for possible impairment at year end, beyond reading an issuer-prepared checklist and inquiring of management. (AS 2301.08)

Audits with a Single Deficiency

Issuer I – Energy

Type of audit and related area affected

In our review, we identified a deficiency in the financial statement audit related to **Accounts Receivable**, for which the firm identified a significant risk.

Description of the deficiency identified

The firm did not evaluate certain evidence that indicated that the accounts receivable from one of the issuer's customers may not be fully collectible. (AS 2301.08 and. 11; AS 2810.03)

Issuer J – Industrials

Type of audit and related area affected

In our review, we identified a deficiency in the ICFR audit related to **Inventory**.

Description of the deficiency identified

Certain of the issuer's inventory was subject to cycle counts, and the issuer's cycle-count program required this inventory to be counted at specific frequencies during the year. The firm did not identify and test any controls that addressed whether each inventory item was counted with sufficient frequency in accordance with the issuer's cycle-count program. (AS 2201.39)

Issuer K – Communication Services

Type of audit and related area affected

In our review, we identified a deficiency in the financial statement audit related to **Intangible Assets**.

Description of the deficiency identified

During the year, the issuer identified events indicating that the carrying value of its finite-lived intangible assets may not be recoverable and performed impairment analyses as of various interim dates and at year end. Starting in the second quarter, the issuer determined that its impairment analysis should be performed using a single asset group. The firm did not perform any procedures, beyond reading an issuer-prepared memorandum, to evaluate whether the issuer's change to a single asset group was in conformity with FASB ASC Topic 360, *Property, Plant, and Equipment*. (AS 2301.08)

Issuer L – Consumer Discretionary

Type of audit and related area affected

In our review, we identified a deficiency in the financial statement audit related to **Revenue**. This was the firm's initial audit of this issuer.

Description of the deficiency identified

The firm did not identify and evaluate the issuer's omission of a required disclosure under FASB ASC Topic 270, *Interim Reporting*, related to the aggregate effect of a year-end adjustment that the issuer recorded in the fourth quarter. (AS 2810.30 and .31)

Issuer M – SPACs

Type of audit and related area affected

In our review, we identified a deficiency in the financial statement audit related to **Going Concern**.

Description of the deficiency identified

The firm did not evaluate certain evidence related to conditions and events that existed at or had occurred prior to the issuance of the financial statements that indicated that the issuer may not have the ability to continue as a going concern, including the issuer's disclosure that substantial doubt had been raised. (AS 2415.03; AS 2810.03)

Issuer N – Health Care

Type of audit and related area affected

In our review, we identified a deficiency in the financial statement audit related to **Equity**. The firm's internal inspection program had inspected this audit and reviewed this area but did not identify the deficiency below. This was the firm's initial audit of this issuer.

Description of the deficiency identified

The firm did not identify and evaluate the issuer's omission of required disclosures under FASB ASC Topic 718, *Compensation-Stock Compensation*, related to the employee's requisite service period for certain of the issuer's stock-based compensation plans and the issuer's policy for recognizing forfeitures. (AS 2810.30 and .31)

Issuer O – Consumer Staples

Type of audit and related area affected

In our review, we identified a deficiency in the financial statement audit related to the **Statement of Cash Flows**.

Description of the deficiency identified

The firm identified that the issuer's net presentation of proceeds from borrowings and the repayments of certain debt was not in conformity with FASB ASC Topic 230, *Statement of Cash Flows*. The firm did not sufficiently evaluate the effect of this presentation because its assessment was limited to concluding that this presentation would not have a material effect on the financial statements, without performing a quantitative analysis of the gross presentation. (AS 2810.17, .30, and .31)

Unrelated to our review, the issuer reevaluated this presentation and determined that it should be corrected. The issuer did not file an amended Form 10-K or Form 8-K indicating that its previously issued financial statements should not be relied on. Instead, the issuer corrected this presentation in a subsequent filing.

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 two of 21 audits reviewed, the firm, when testing journal entries for evidence of possible material misstatement due to fraud, did not perform sufficient procedures to determine whether the journal entry population from which it made its selections was complete. In these instances, the firm was non-compliant with AS 1105, *Audit Evidence*.

- In nine of 28 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 25 audits reviewed, the firm did not make certain required communications to the issuer's audit committee related to corrected misstatements or critical accounting estimates. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.

- In two of 27 audits reviewed, the firm did not evaluate certain factors when determining that there were no risks of material misstatement related to one or more significant accounts and/or disclosures. In these instances, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*.

- In one of 20 audits reviewed, the firm did not communicate to management, in writing, all control deficiencies 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 of 19 audits reviewed, the firm's audit report on the audit of internal control over financial reporting was not addressed to the shareholders and the board of directors. 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 of 27 audits reviewed, the firm did not perform a retrospective review of certain accounting estimates in a significant account and disclosure to determine whether management's judgments and assumptions related to these estimates indicated possible bias on the part of management. In this instance, the firm was non-compliant with AS 2401, *Consideration of Fraud in a Financial Statement Audit*.

- In one of 25 audits reviewed, the firm did not provide management with a complete list of uncorrected misstatements included in or attached to the management representation letter. In this instance, the firm was non-compliant with AS 2805, *Management Representations*.

- In one of 25 audits reviewed, the firm did not make a required communication to management related to an identified misstatement. In this instance, the firm was non-compliant with AS 2810, *Evaluating Audit Results*.

- In one of 27 audits reviewed, the firm's audit report incorrectly identified one of the issuer's 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.*

- In four of 20 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 audit committee and that related to accounts or disclosures that were material to the financial statements. In addition, in one of these audits, the engagement team did not take into account certain required factors in determining whether or not a matter was a critical audit matter. 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 one of 20 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 three of 19 audits reviewed, the firm did not discuss with the audit committee the potential effects of permissible tax services on the independence of the firm in connection with seeking audit committee pre-approval of the services. In these instances, the firm was non-compliant with PCAOB Rule 3524, *Audit Committee Pre-Approval of Certain Tax Services.*

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 and 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 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 19 audits reviewed, we identified five instances across five issuers in which this circumstance appears to have occurred related to certain audit or non-audit services.

Firm-Identified

During the inspection, the firm brought to our attention that it had identified, through its independence monitoring activities, for a 12-month period, 16 instances across eight issuers,[2] representing approximately 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 or PCAOB Rule 3523 related to maintaining independence. Approximately 75% 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 most common instances of potential non-compliance related to tax services for persons in a financial reporting oversight role, audit committee pre-approval requirements, and partner rotation:

- The firm reported 10 instances of non-compliance with PCAOB Rule 3523, eight of which related to a prohibited tax service provided by a non-U.S. associated firm for a person in a financial reporting oversight role at an affiliate of an issuer.

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

- The firm reported three instances of potential non-compliance with Rule 2-01(c)(7) of Regulation S-X regarding audit committee pre-approval. All of these instances related to 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)(6) of Regulation S-X regarding partner rotation. One of these instances related to a lead partner, and the other related to an engagement quality reviewer.

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. The firm also reported to us that it communicated these instances to the issuers' audit committees as required by PCAOB Rule 3526.

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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April 17, 2024

Ms. Christine Gunia, 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 2023 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 2023 Inspection of Grant Thornton LLP, principally related to our 2022 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 as 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*. In the performance of our responsibilities under AS 2901 for the issuer audits included in Part I.A, we determined that omitted disclosures for two issuer audits and a deficiency related to the presentation of the financial statements for one issuer audit were immaterial as evaluated against the SEC's materiality framework. In addition, in the performance of our responsibilities under AS 2901 for one additional issuer audit included in Part I.A, we determined that there were no omitted procedures as the deficiency was remediated by correcting an error included in the original audit documentation.

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
Chief Executive Officer

Janet Malzone
National Managing Partner of Audit and
Assurance Services