2023 Inspection

RSM US LLP

(Headquartered in Chicago, Illinois)

June 12, 2024

PCAOB RELEASE NO. 104-2024-106

PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

EXECUTIVE SUMMARY

Our 2023 inspection report on RSM US 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).

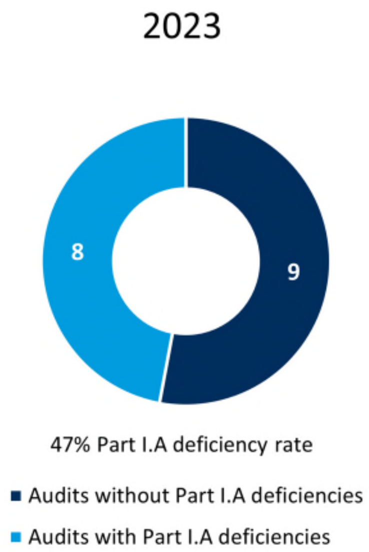
- Part I.B of the report discusses certain deficiencies ("Part I.B deficiencies") that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to support its opinion(s). This section does not discuss instances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

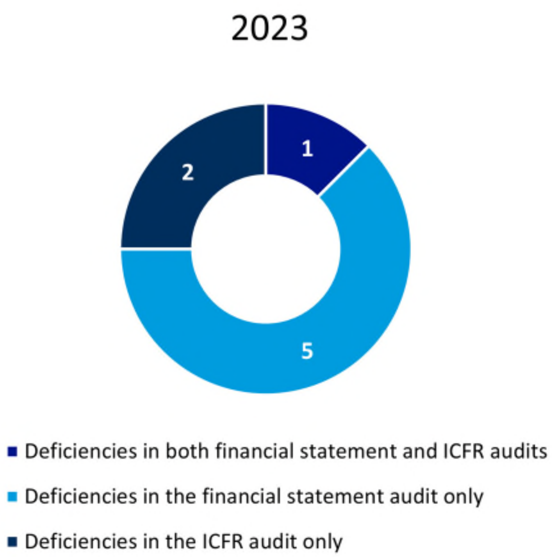
- Part I.C of the report discusses instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence ("Part I.C deficiencies").

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

Eight of the 17 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, inventory, and long-lived assets.





The most common Part I.A deficiencies in 2023 related to testing an estimate, performing substantive testing to address a risk of material misstatement, testing data or reports used in substantive testing, and testing the design or operating effectiveness of controls selected for testing.

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

The Part I.C deficiencies in 2023 related to non-audit services and indemnification clauses.

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2023 INSPECTION

In the 2023 inspection of RSM US 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 17 audits of issuers with fiscal years 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.

We also selected for review one review of interim financial information ("interim review"). Our review was performed to gain a timely understanding of emerging financial reporting and auditing risks associated with issuers in the banking industry. We did not identify any instances of non-compliance with PCAOB standards related to this review.

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 selected for review one interim review of an issuer in the banking industry.

For the interim review, similar to our approach for reviewing audits, our target team did not review every aspect of the interim review.

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.

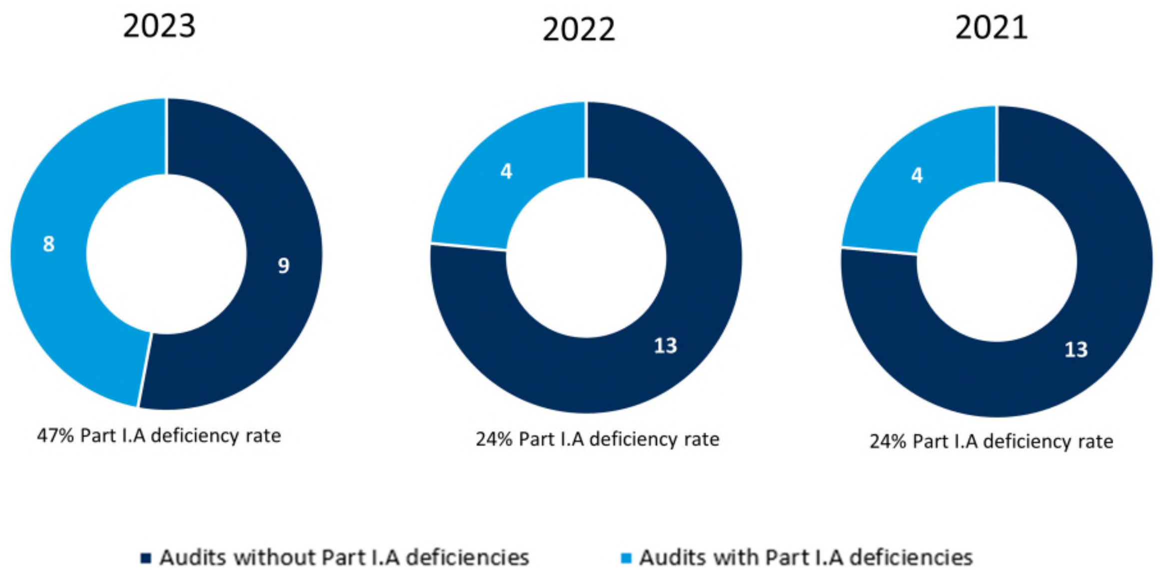
Audits Selected for Review

	2023	2022	2021
Total audits reviewed			
Total audits reviewed	17	17	17
Selection method			
Risk-based selections	15	15	11
Random selections	2	2	4
Target team selections[1]	0	0	2
Total audits reviewed	**17**	**17**	**17**
Principal auditor			
Audits in which the firm was the principal auditor	17	17	17
Audits in which the firm was not the principal auditor	0	0	0
Total audits reviewed	**17**	**17**	**17**
Audit type			
Integrated audits of financial statements and ICFR	8	9	7
Financial statement audits only	9	8	10
Total audits reviewed	**17**	**17**	**17**

[1] For further information on the target team's activities in 2021, refer to that inspection report.

Part I.A Deficiencies in Audits Reviewed

In 2023, seven of the eight audits appearing in Part I.A were selected for review using risk-based criteria. In 2022, all audits appearing in Part I.A were selected for review using risk-based criteria. In 2021, two of the four audits appearing in Part I.A were selected for review using risk-based criteria.

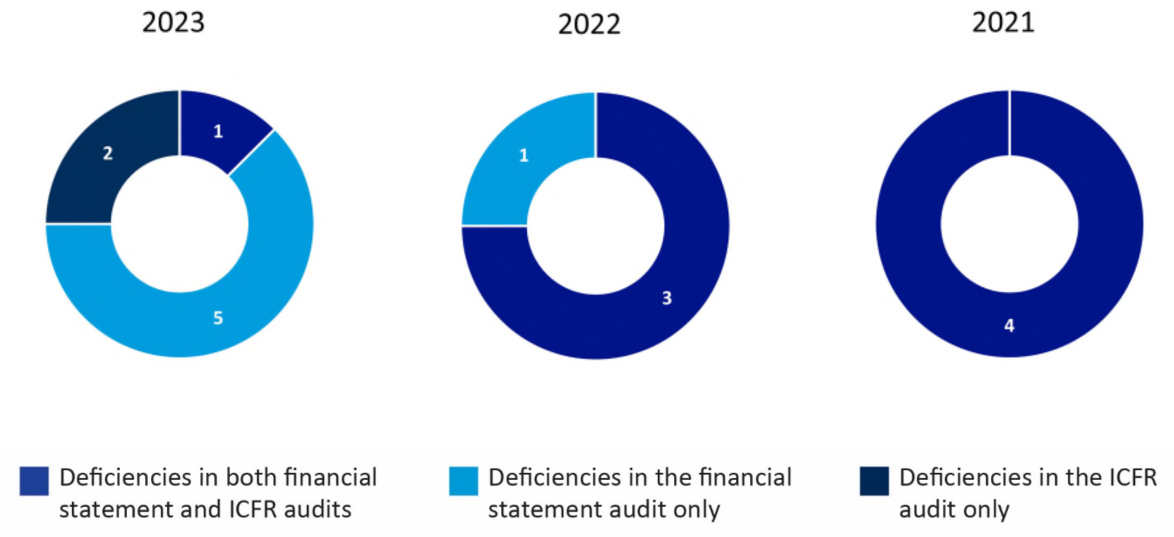


If we include a deficiency in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In many cases, the firm has performed remedial actions after the deficiency was identified. Depending on the circumstances, remedial actions may include performing additional 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 2022 inspection procedures involved one audit for which the issuer, unrelated to our review, restated its financial statements to correct a misstatement and the firm revised and reissued its 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 sufficiently test an estimate	4	2	2
Did not perform sufficient testing related to a significant account or disclosure or to address an identified risk	2	0	0
Did not perform sufficient testing of data or reports used in the firm's substantive testing	2	2	0

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	2	3	4
Did not identify and test any controls that addressed the risks related to a significant account or relevant assertion	1	1	2
Did not perform sufficient procedures related to the scoping of the audit, including multi-location audits	1	0	0

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	12	6	**Revenue and related accounts**	13	1	**Revenue and related accounts**	9	2
Inventory	5	2	**Business combinations**	7	3	**Investment securities**	4	0
Investment securities	4	1	**Inventory**	3	0	**Allowance for credit losses/ Allowance for loan losses**	3	2
Going concern	4	0	**Long-lived assets**	2	0	**Goodwill and intangible assets**	3	0
Long-lived assets	3	2	**Allowance for credit losses/ Allowance for loan losses**	2	0	**Cash and cash equivalents**	3	0

Audit Areas with Frequent Part I.A Deficiencies

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

Audit area	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	6	12	1	13	2	9
Inventory	2	5	0	3	1	1
Long-lived assets	2	3	0	2	0	3
Business combinations	0	3	3	7	0	2
Allowance for credit losses/Allowance for loan losses	0	2	0	2	2	3

Revenue and related accounts: The deficiencies in 2023 primarily related to substantive testing of, and testing controls over, revenue, including deficiencies in testing significant assumptions underlying the estimated costs to complete contracts used in revenue recognition. The deficiencies in 2022 related to substantive testing of, and testing controls over, revenue. The deficiencies in 2021 related to testing controls over revenue and related accounts and the resulting overreliance on controls when performing substantive testing.

Inventory: The deficiencies in 2023 related to substantive testing of the existence and valuation of inventory and evaluating the reliability of information used in substantive testing. The deficiencies in 2021 related to testing controls over inventory and the resulting overreliance on controls when performing substantive testing.

Long-lived assets: The deficiencies in 2023 related to evaluating long-lived assets for impairment and testing controls over long-lived assets.

Business combinations: The deficiencies in 2022 related to substantive testing of, and testing controls over, significant assumptions used to value the acquired assets and evaluating the appropriateness of the issuer’s accounting for a business combination.

Allowance for credit losses/Allowance for loan losses: The deficiencies in 2021 primarily related to related to substantive testing of, and testing controls over, the valuation of the allowance for credit losses/allowance for loan losses.

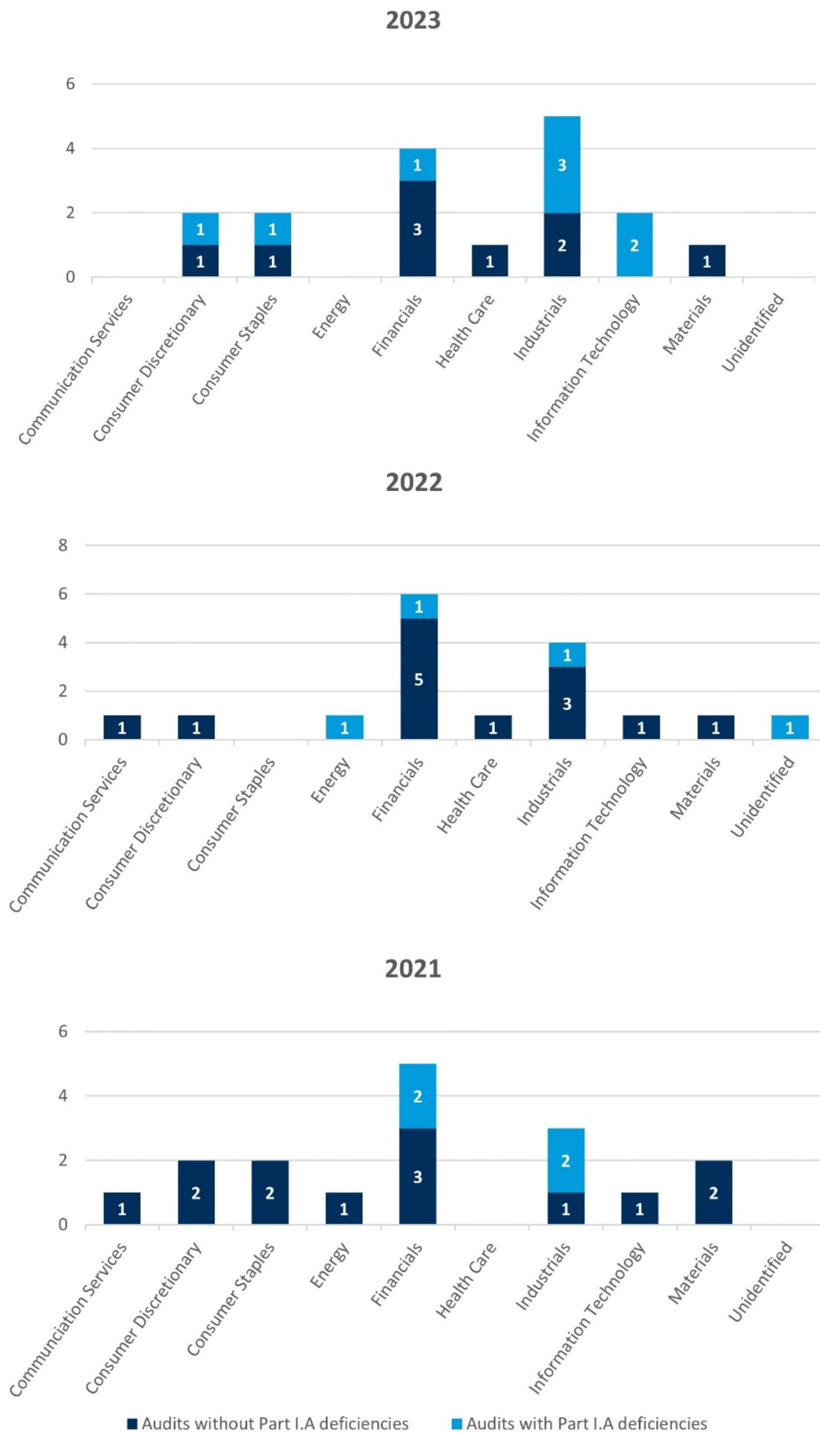
Auditing Standards Associated with Identified Part I.A Deficiencies

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.

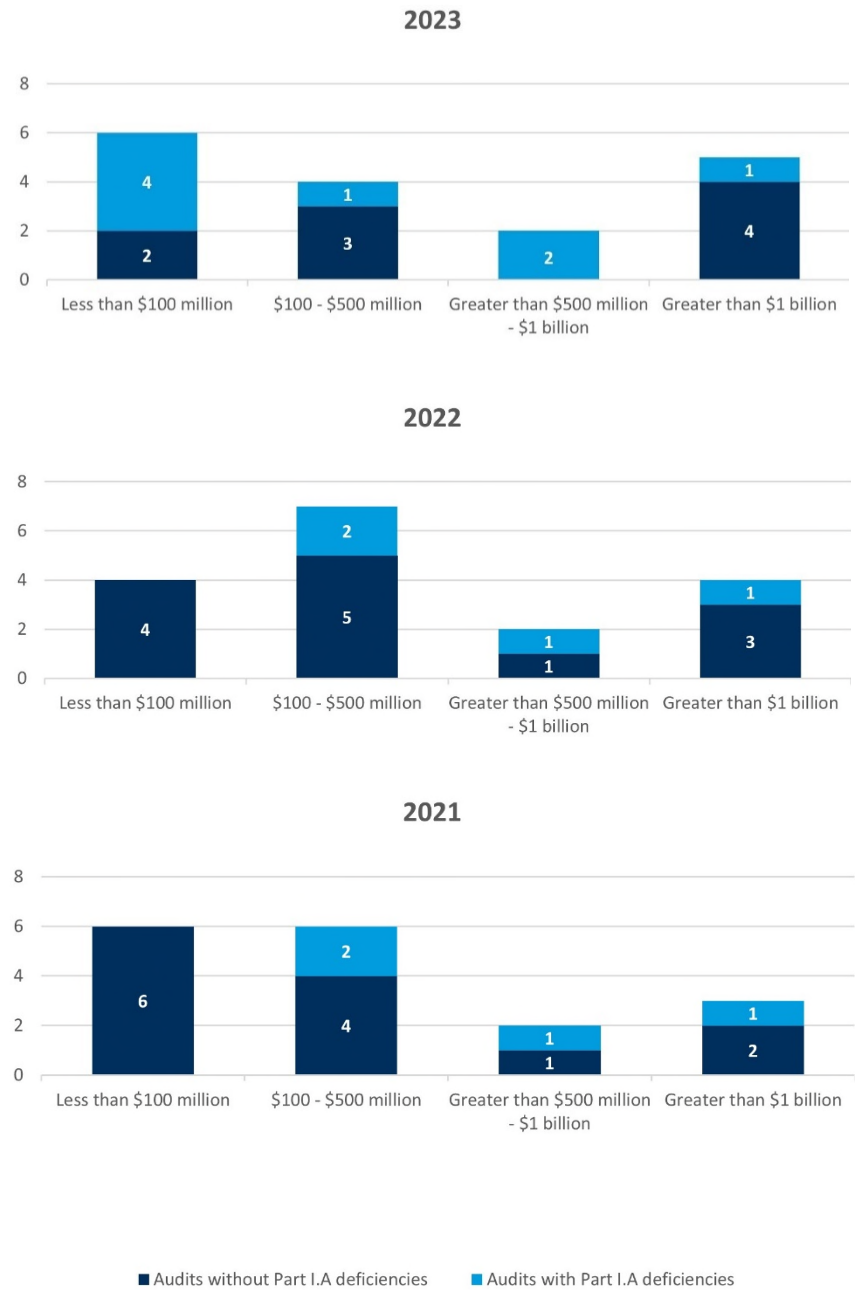
PCAOB Auditing Standards	2023	2022	2021
AS 1105, *Audit Evidence*	3	3	4
AS 1201, *Supervision of the Audit Engagement*	0	1	1
AS 2101, *Audit Planning*	1	0	0
AS 2201, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*	5	4	21
AS 2301, *The Auditor's Responses to the Risks of Material Misstatement*	2	0	4
AS 2315, *Audit Sampling*	2	0	4
AS 2501, *Auditing Accounting Estimates, Including Fair Value Measurements* (effective for fiscal years ending on or after December 15, 2020)	6	2	1
AS 2503, *Auditing Derivative Instruments, Hedging Activities, and Investments in Securities* (effective for fiscal years ending before December 15, 2020)	-	-	1
AS 2510, *Auditing Inventories*	1	0	0
AS 2605, *Consideration of the Internal Audit Function*	0	0	2
AS 2810, *Evaluating Audit Results*	2	1	0

Inspection Results by Issuer Industry Sector

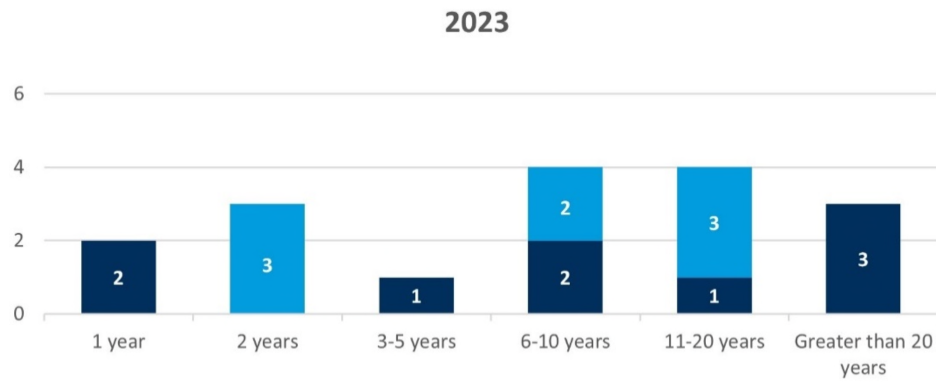
The majority of industry sector data is based on Global Industry Classification Standard (GICS) data obtained from Standard & Poor's (S&P). In instances where GICS data for an issuer is not available from S&P, classifications are assigned based upon North American Industry Classification System data. In instances where classifying an issuer using its industry sector could make an issuer identifiable, we have instead classified such issuer(s) as "unidentified."

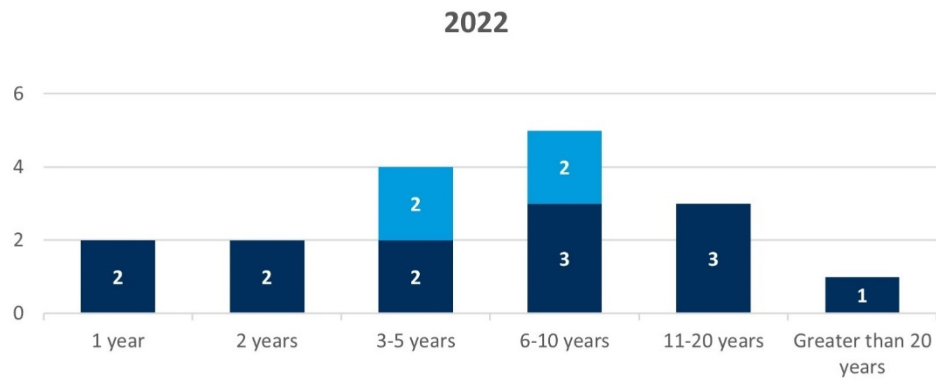


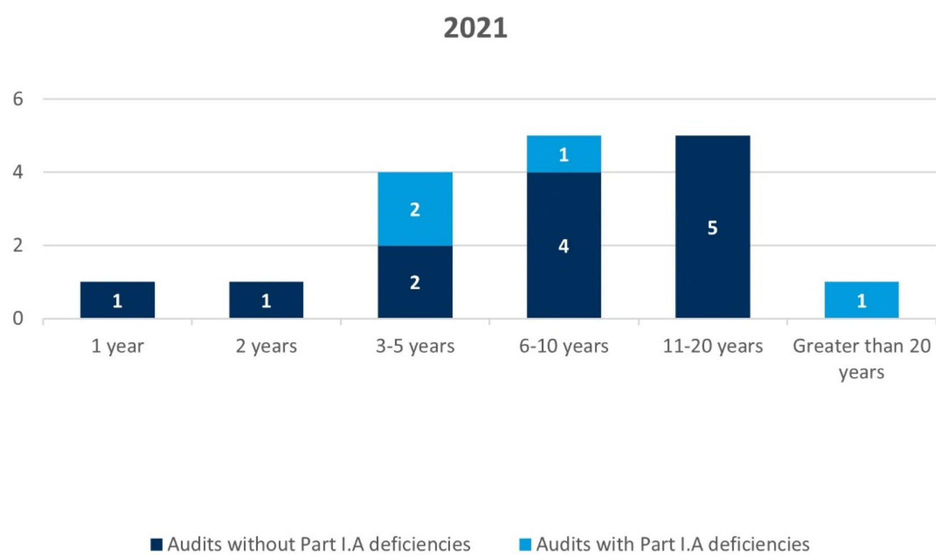
Inspection Results by Issuer Revenue Range



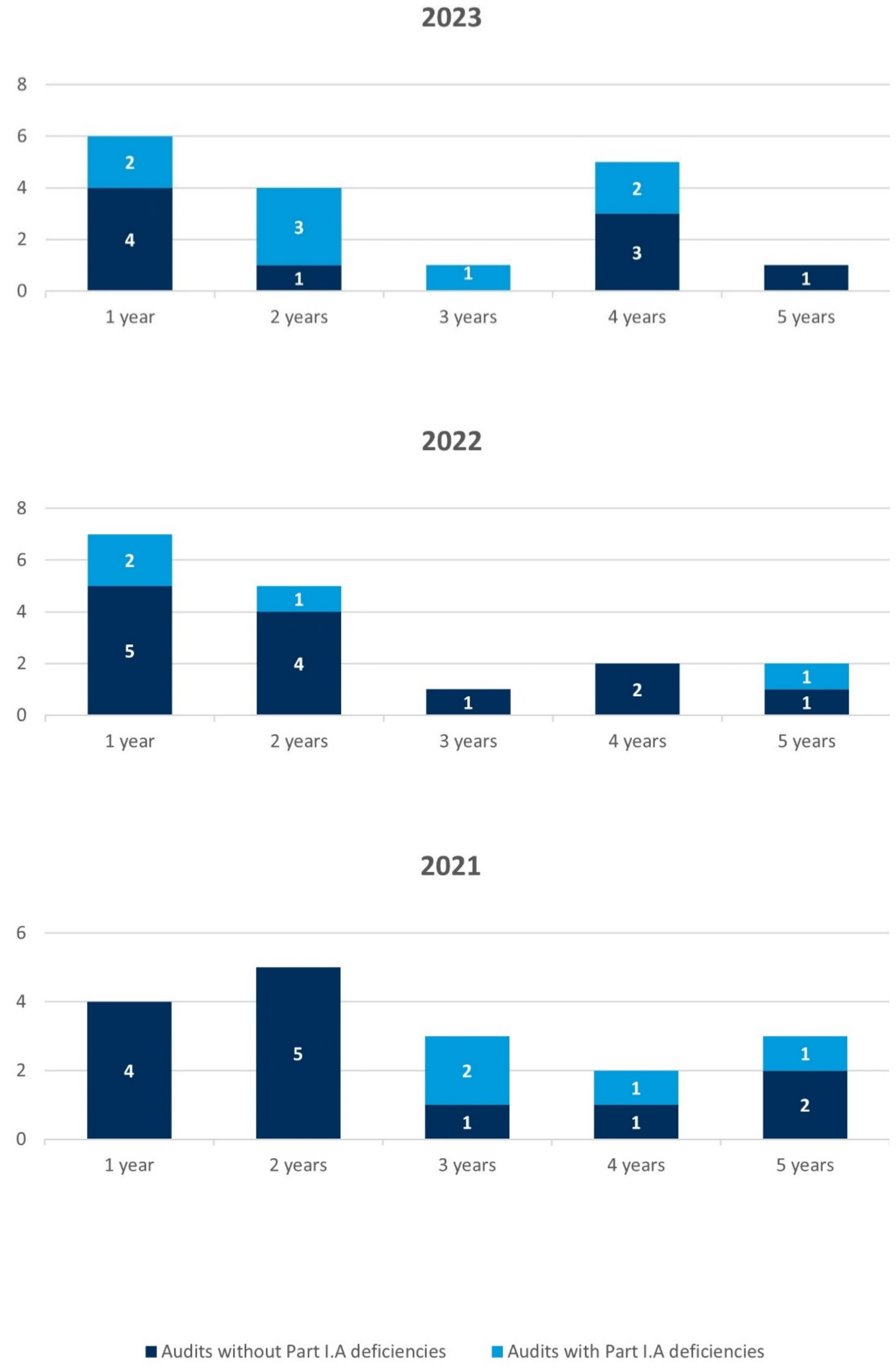
Inspection Results by the Firm's Tenure on the Issuer







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.

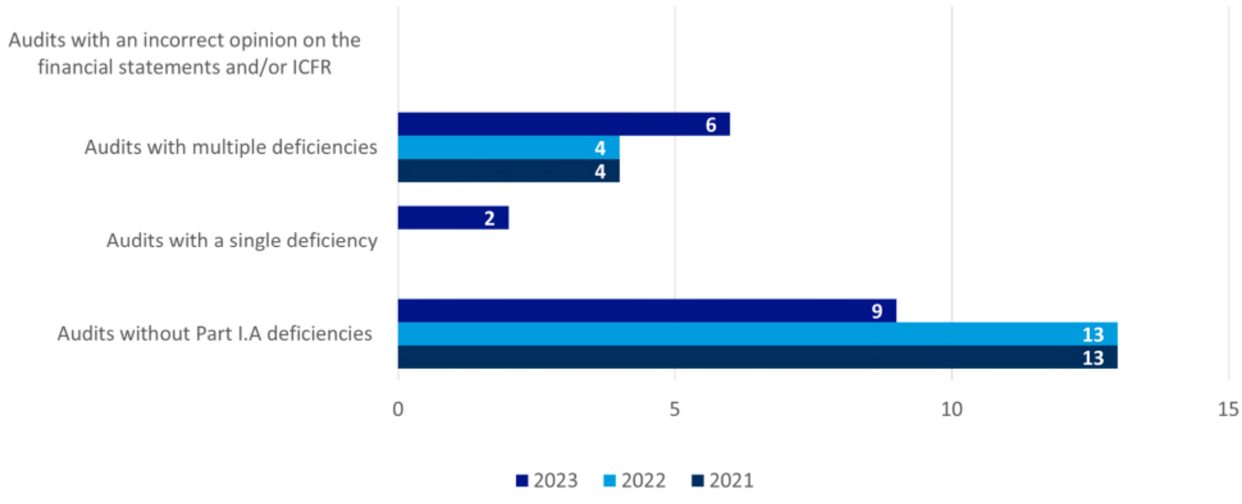
Audits with Multiple Deficiencies

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 – 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 **Long-Lived Assets**.

Description of the deficiencies identified

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

The issuer recognized certain revenue over time based on costs incurred to date relative to total estimated costs to complete the contract. The following deficiencies were identified:

- The firm selected for testing controls that consisted of the issuer's reviews of project budgets and status by contract, including the estimated costs to complete. The firm did not evaluate the specific review procedures that the control owners performed to evaluate the reasonableness of the project budgets and related assumptions. (AS 2201.42 and .44)
- The firm did not perform any procedures, beyond inquiring of project managers, to evaluate the reasonableness of the significant assumptions that the issuer used to develop the estimated costs to complete the contracts the firm selected for testing. (AS 2501.16)

With respect to **Long-Lived Assets**:

The firm selected for testing various controls that consisted of the issuer's reviews of additions to long-lived assets. The firm did not evaluate the specific review procedures that the control owners performed to evaluate whether additions were properly capitalized and allocated to the correct asset group. (AS 2201.42 and .44)

Issuer B – Industrials

Type of audit and related areas affected

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

Description of the deficiencies identified

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

The issuer recognized certain revenue over time based on costs incurred to date relative to total estimated costs to complete the contract. The firm did not perform any procedures, beyond inquiring of management, to evaluate the reasonableness of the significant assumptions that the issuer used to develop the estimated costs to complete the contracts the firm selected for testing. (AS 2501.16)

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

The issuer recorded a partial valuation allowance against its recorded deferred tax assets based on forecasted taxable income, which included various significant assumptions. The following deficiencies were identified:

- For the first year of the forecast period, the firm did not sufficiently evaluate the reasonableness of a significant assumption because its procedures were limited to comparing the assumption to the issuer's recent experience. (AS 2501.16)
- For the remaining years of the forecast period, the firm did not perform any procedures to evaluate the reasonableness of the significant assumptions. (AS 2501.16)

- The firm did not perform procedures to test, or test controls over, the accuracy and completeness of certain information produced by the issuer that the firm used in its substantive testing of the deferred tax assets that were subject to the valuation allowance. (AS 1105.10)

- The firm did not identify and evaluate a misstatement in a required disclosure under FASB ASC Topic 740, *Income Taxes*. (AS 2810.30 and .31)

Issuer C – Consumer Staples

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement audit related to **Inventory** and an **Intangible Asset**.

Description of the deficiencies identified

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

The issuer performed a combination of cycle counts and full physical counts of inventory held at certain locations. To test the existence of inventory at these locations, the firm performed independent physical counts of inventory before year end. The firm did not test any intervening transactions and did not inspect any records of the issuer's counts and procedures on which the year-end inventory was based. (AS 2510.12)

The firm's sample to test the issuer's reserve for excess and obsolete inventory at one business unit was too small to provide sufficient appropriate audit evidence because, in determining the sample size, the firm did not take into account tolerable misstatement, the allowable risk of incorrect acceptance, and the characteristics of the population. (AS 2315.16, .23, and .23A) In addition, the firm's sample was not representative of the population because the firm selected inventory items that had a recorded reserve but did not select any items that did not have a recorded reserve. (AS 2315.24)

With respect to an **Intangible Asset**:

The issuer evaluated an intangible asset for possible impairment using various assumptions it developed, including forecasted revenue that assumed significant growth. The firm did not perform any procedures, beyond inquiring of management, to evaluate the reasonableness of the significant revenue growth assumptions. (AS 2501.16)

Issuer D – Information Technology

Type of audit and related areas affected

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

Description of the deficiencies identified

With respect to **Revenue** and **Inventory**, for which the firm identified a significant risk in each area:

During the year, the issuer recorded certain revenue from consignment arrangements, whereby revenue was recognized, and inventory was relieved, when products were shipped to customers by resellers. The firm did not perform any procedures to evaluate the reliability of the information that it obtained from resellers and used to test this revenue and the inventory held on consignment. (AS 1105.04 and .06)

With respect to **Inventory**:

The firm did not sufficiently test a component of the issuer's reserve for excess and obsolete inventory because its procedures were limited to recalculating the reserve using information obtained from the issuer's external warehouse manager, without evaluating the reliability of this information. (AS 1105.04 and 06)

Issuer E – Information Technology

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement audit related to **Revenue** and **Long-Lived Assets**.

Description of the deficiencies identified

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

The issuer recognized certain revenue from a contract with a customer based on specific formulas that measured the amount of consideration the issuer would receive for satisfaction of its performance obligation. The firm's substantive procedures to test this revenue included testing a sample of revenue transactions. For the transactions selected for testing, the firm did not recalculate the consideration that the issuer used to record revenue to determine whether the consideration was calculated in accordance with the contract. (AS 2301.08 and .13)

With respect to **Long-Lived Assets**:

The firm did not perform any procedures to evaluate certain indicators of potential impairment that existed at year end. (AS 2301.08; AS 2810.03)

Issuer F – Consumer Discretionary

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 initiated and processed sales transactions at numerous business units. The firm designated certain business units as subject to more extensive audit procedures and used an other accounting firm to test one of these business units. The following deficiencies were identified:

- The firm did not identify and test any controls over the accuracy of the pricing information the issuer used to record revenue at the business units it tested. (AS 2201.39)
- The firm identified a risk of material misstatement that applied to all of these business units and tested a control that addressed this risk at the business units it tested, but it did not instruct the other accounting firm to test this control at the business unit that firm tested. (AS 2101.11 and .12; AS 2201.B10)

Audits with a Single Deficiency

Issuer G – Industrials

Type of audit and related area affected

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

Description of the deficiency identified

The issuer recognized certain revenue over time based on costs incurred to date relative to total estimated costs to complete the contract. The firm did not perform any procedures, beyond inquiring of management, to evaluate the reasonableness of the significant assumptions that the issuer used to develop the estimated costs to complete the contracts the firm selected for testing. (AS 2501.16)

Issuer H – Financials

Type of audit and related area affected

In our review, we identified a deficiency in the ICFR audit related to **Investments**, for which the firm identified a fraud risk.

Description of the deficiency identified

The firm selected for testing a control that included the issuer's review of the fair values of certain investments. The firm did not evaluate the specific review procedures that the control owner performed to assess the reasonableness of certain assumptions the issuer used to determine the fair values of these investments. (AS 2201.42 and .44)

PART I.B: OTHER INSTANCES OF NON-COMPLIANCE WITH PCAOB STANDARDS OR RULES

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

When we review an audit, we do not review every aspect of the audit. As a result, the areas below were not necessarily reviewed on every audit. In some cases, we assess the firm's compliance with specific PCAOB standards or rules on other audits that were not reviewed and include any instances of non-compliance below.

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

- In one of 13 audits reviewed, the firm did not make certain required communications to the issuer's audit committee related to the name, location, and planned responsibilities of other accounting firms that performed audit procedures in the audit. In this instance, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.
- In one of 17 audits reviewed, the firm did not evaluate certain factors when determining that there were no risks of material misstatement related to a relevant assertion for a significant account. In this instance, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*.
- In one of eight audits reviewed, the firm did not sufficiently evaluate the appropriateness of the issuer's disclosures related to an apparent limitation of management's assessment of ICFR. 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 six of 13 audits reviewed, the firm, when testing journal entries for evidence of possible material misstatement due to fraud, did not appropriately consider the characteristics of potentially fraudulent journal entries in determining the criteria it used to identify and select entries for testing. In one of these audits, the firm did not examine the underlying support for certain journal entries it identified for testing. In these instances, the firm was non-compliant with AS 2401, *Consideration of Fraud in a Financial Statement Audit*.
- In one of 14 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 13 audits reviewed, the firm did not describe, in writing, to the issuer's audit committee the scope of certain permissible tax services; the fee structure for these services; and any side letter or other amendment to the engagement letter, or any other agreement between the firm and the issuer, related to these services. In this instance, 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 the firm brought to our attention, there may be other instances of non-compliance with SEC or PCAOB rules related to independence that were not identified through our procedures or the firm's monitoring activities.

PCAOB-Identified

We did not identify any instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence.

Firm-Identified

During the inspection, the firm brought to our attention that it had identified, through its independence monitoring activities, for a 12-month period, three instances across two 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 Rules 2-01(b) and/or 2-01(c) of Regulation S-X related to maintaining independence. All of these instances of potential non-compliance involved non-U.S. associated firms.

While we have not evaluated the underlying reasons for the instances of potential non-compliance, the number, large or small, of firm-identified instances of potential non-compliance may be reflective of the size of the firm, including the number of non-U.S. associated firms in the global network; the design and effectiveness of the firm's independence monitoring activities; and the size and/or complexity of the issuers it audits, including the number of affiliates of the issuer. Therefore, we caution against making any comparison of these firm-identified instances of potential non-compliance across firms.

The instances of potential non-compliance related to non-audit services and indemnification clauses:

- The firm reported two instances of potential non-compliance with Rule 2-01(c)(4) of Regulation S-X regarding non-audit services. Both of these instances related to services provided by a non-U.S. associated firm that the firm determined to be prohibited, such as performing management functions or bookkeeping.
- The firm reported one instance of potential non-compliance regarding indemnification clauses that appears to be inconsistent with the general standard of independence set out in Rule 2-01(b) of Regulation S-X. This instance related to a non-U.S. associated firm including clauses in its audit arrangement letter with a subsidiary of the firm's issuer audit client that may have

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

resulted in the audit client agreeing to indemnify the non-U.S. associated firm with respect to certain liabilities for that audit.

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 has 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.

RSM

RSM US LLP

30 South Wacker Drive
Suite 3000
Chicago, IL 60606

April 25, 2024

Ms. Christine Gunia
Director, Division of Registration and Inspections
Public Company Accounting Oversight Board
1666 K Street NW
Washington, DC 20006

Re: Response to Part I of the Public Company Accounting Oversight Board (PCAOB) Draft Report on 2023 Inspection of RSM US LLP

Dear Ms. Gunia:

On behalf of RSM US LLP, we are pleased to provide our response to Part I of the PCAOB's Draft Report on the 2023 Inspection of RSM US LLP dated March 26, 2024 ("Draft Report"). We believe that the PCAOB's inspection process serves an important role in our shared objective of improving audit quality, promoting trust in the capital markets and inspiring investor confidence.

We have thoroughly evaluated the matters described in Part I of the Draft Report and have taken appropriate actions to address the findings in accordance with PCAOB standards to comply with our professional 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*.

We support the PCAOB's inspection process and believe that it improves the quality of our audit engagements. As a result of the 2023 inspection process, we have endeavored to implement new actions and continue to design meaningful enhancements to existing actions that respond to the root causes of the matters identified. We are committed to using the inspection comments and observations to create an environment that allows for continuous adaptation and improvement in our system of quality control. In addition, our system of quality control was strengthened by the adoption of International Standard on Quality Management 1. We have also made significant investments in our people and our technological resources, as well as audit innovation. We have a long history of audit quality founded on our commitment to integrity, objectivity, and excellence. Our firm, our partners and our employees are committed to these principles, and we align our firm's values and infrastructure accordingly. We constantly examine what we do and how we do it to determine ways to improve the quality and effectiveness of our work.

We appreciate the opportunity to provide our response to the Draft Report and remain committed to working with the PCAOB to improve audit quality. We look forward to continuing our dialogue with the PCAOB and its staff.

Sincerely,

Brian Becker
Managing Partner and Chief Executive Officer

Joel Shamon
National Audit Leader

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