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# 2024 Inspection Keith K Zhen CPA

(Headquartered in Brooklyn, New York)

April 28, 2025

THIS IS A PUBLIC VERSION OF A PCAOB INSPECTION REPORT

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

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## 2024 INSPECTION

In the 2024 inspection of Keith K Zhen CPA, the Public Company Accounting Oversight Board (PCAOB) assessed the firm's compliance with laws, rules, and professional standards applicable to the audits of public companies.

We selected for review two audits of issuers, one with a fiscal year ending in 2023 and one with a fiscal year 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.

### 2024 Inspection Approach

In selecting issuer audits for review, we use a risk-based method of selection. We make selections based on (1) our internal evaluation of audits we believe have a heightened risk of material misstatement, including those with challenging audit areas, and (2) other risk-based characteristics, including issuer and firm considerations. In certain situations, we may select all of the firm's issuer audits for review.

When we review an audit, we do not review every aspect of the audit. Rather, we generally focus our attention on audit areas we believe to be of greater complexity, areas of greater significance or with a heightened risk of material misstatement to the issuer's financial statements, and areas of recurring deficiencies. We may also select some audit areas for review in a manner designed to incorporate unpredictability.

Our selection of audits for review does not necessarily constitute a representative sample of the firm's total population of issuer audits. Additionally, our inspection findings are specific to the particular portions of the issuer audits reviewed. They are not an assessment of all of the firm's audit work or of all of the audit procedures performed for the audits reviewed.

View the details on the [scope of our inspections and our inspections procedures](#).

# OVERVIEW OF THE 2024 INSPECTION AND HISTORICAL DATA BY INSPECTION YEAR

The following information provides an overview of our 2024 inspection as well as data from the previous inspection. We use a risk-based method to select audits for review and to identify areas on which we focus our review. Because our inspection process evolves over time, it can, and often does, focus on a different mix of audits and audit areas from inspection to inspection and firm to firm. Further, a firm's business, the applicable auditing standards, or other factors can change from the time of one inspection to the next. As a result of these variations, we caution that our inspection results are not necessarily comparable over time or among firms.

## Firm Data and Audits Selected for Review

	2024	2022
<b>Firm data</b>		
Total issuer audit clients in which the firm was the principal auditor	2	4
Total engagement partners on issuer audit work <sup>1</sup>	1	1
<b>Audits reviewed</b>		
Total audits reviewed	2	4
Audits in which the firm was the principal auditor	2	4
Integrated audits of financial statements and internal control over financial reporting (ICFR)	0	0
Audits with Part I.A deficiencies	0	1
Percentage of audits with Part I.A deficiencies	0%	25%

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

## Audit Areas Most Frequently Reviewed

This table reflects the audit areas we have selected most frequently for review in the 2024 inspection and the previous inspection. For the issuer audits selected for review, we selected these areas because they were generally significant to the issuer's financial statements, may have included complex issues for auditors, and/or involved complex judgments in (1) estimating and auditing the reported value of related accounts and disclosures and (2) implementing and auditing the related controls.

2024		2022	
Audit area	Audits reviewed	Audit area	Audits reviewed
Revenue and related accounts	2	Related party transactions	2
Related party transactions	1	A significant account	1
Leases	1	Leases	1
Cash and cash equivalents	1	Accruals and other liabilities	1

## PART I: INSPECTION OBSERVATIONS

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

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

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

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

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

In the 2024 inspection, we did not identify any deficiencies that were of such significance that we believe the firm, at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion on the issuer's financial statements.

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

This section of our report discusses certain deficiencies that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to support its opinion(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 the two audits reviewed, the firm, when testing journal entries for evidence of possible material misstatement due to fraud, did not perform 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 one of two audits reviewed, the firm provided certain services to the issuer but did not document that the audit committee had approved the engagement before the issuer engaged the firm to provide the services. In this instance, the firm was non-compliant with AS 1215, *Audit Documentation*.
- In the two audits reviewed, the firm did not communicate to the audit committee all of the significant risks identified through its risk assessment procedures. In addition, in one of these audits, the firm communicated that a certain risk was significant when the firm had not identified it as such. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.
- In one of two audits reviewed, the firm did not provide to the audit committee the required communications in writing of a material weakness identified during the audit. In this instance, the firm was non-compliant with AS 1305, *Communications About Control Deficiencies in an Audit of Financial Statements*.
- In one of two audits reviewed, the year the firm began serving consecutively as the company's auditor that was included in the firm's audit report was incorrect. In 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 the two 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 certain matters that were communicated, or required to be communicated, to the audit committee and that related to accounts or disclosures that were material to the financial statements. In 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.

## PART I.C: INDEPENDENCE

In the 2024 inspection, we did not identify, and the firm did not bring to our attention, any instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence. Although this section does not include any instances of potential non-compliance that we identified or the firm brought to our attention, there may be instances of non-compliance with SEC or PCAOB rules related to independence that were not identified through our procedures or the firm's monitoring activities.

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



## PART II: OBSERVATIONS RELATED TO QUALITY CONTROL

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

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

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

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

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

Pursuant to Section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(a), the firm provided a written response to a draft of this report. Pursuant to Section 104(f) of the Act and PCAOB Rule 4007(b), the firm's response, excluding any portion granted confidential treatment, is attached hereto and made part of this final inspection report.

The Board does not make public any of a firm's comments that address a nonpublic portion of the report unless a firm specifically requests otherwise. In some cases, the result may be that none of a firm's response is made publicly available.

In addition, pursuant to Section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(b), if a firm requests, and the Board grants, confidential treatment for any of the firm's comments on a draft report, the Board does not include those comments in the final report. The Board routinely grants confidential treatment, if requested, for any portion of a firm's response that addresses any point in the draft that the Board omits from, or any inaccurate statement in the draft that the Board corrects in, the final report.

6673, Responses to draft report on 2024 inspection of Keith K Zhen CPA

RE: Responses to draft inspection report of Keith K Zhen CPA (6673)

Dear Sir or Madam:

I am writing in response to the draft inspection report of Keith K Zhen CPA. We do not require confidential treatment for our responses to the draft inspection report. The finding/deficit that we intend to respond to are copied below, each being followed by our response.

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

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

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

Response:

We reviewed the general ledger ("GL") and the schedule of journal entries ("JEs") obtained from the clients. Since the clients' transactions were relatively simple, we traced and agreed each individual journal entry to the GL, and vice versa, to test its completeness. However, we should have marked each tested journal entry with a red check mark to indicate that such audit procedures were performed. Instead, we only provided the following description in our work paper W/P 03G-09-01 *KKZCPAAudProForManagementOverrideOfControl*.

2. Journal Entry Testing.

1) Identify Journal Entries for Testing: Obtain a complete listing of all journal entries (W/P 03G-09-01 & 03G-09-02).

- In one of two audits reviewed, the firm provided certain services to the issuer but did not document that the audit committee had approved the engagement before the issuer engaged the firm to provide the services. In this instance, the firm was non-compliant with AS 1215, *Audit Documentation*.

Response:

This was a continuing client. Before we began providing the audit service, we had communicated with the client and reached an agreement on the terms of service. We documented this procedure in work paper W/P 01R-02-01 *KKZCPA Audit Program*, as following,

## 02 Engagement Acceptance (W/P 03G-02)

3. Based on the terms of the engagement service that the client and we mutually agreed on, we prepared an *Engagement Letter* and had the client signed it and kept a copy in our work paper, see W/P 03G-02-01;

However, we did not notice that the signature page of the engagement letter was missing until we performed a full review of our work paper just before the issuance of the audit report. We promptly requested the signed engagement letter from the client, and the client quickly provided the signature page on a date very close to the date of the audit report.

- In the two audits reviewed, the firm did not communicate to the audit committee all of the significant risks identified through its risk assessment procedures. In addition, in one of these audits, the firm communicated that a certain risk was significant when the firm had not identified it as such. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.

### Response:

We performed a preliminary risk assessment during our audit planning. However, during the audit, we made certain changes to our risk assessment but did not appropriately update our work paper to reflect these changes. We acknowledge that we should have properly documented the updated risk assessments.

- In one of two audits reviewed, the firm did not make a required communication to the audit committee related to corrected misstatements. In this instance, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.

### Response:

This was a continuing client. During our quarterly review, the client identified such misstatements and made the necessary corrections. By the time of the annual audit, these misstatements were no longer present in the draft financial statements. We incorrectly believed that there were no corrected misstatements that required communication to the audit committee in the annual audit.

- In one of two audits reviewed, the firm did not provide to the audit committee the required communications in writing of a material weakness identified during the audit. In this instance, the firm was non-compliant with AS 1305, *Communications About Control Deficiencies in an Audit of Financial Statements*.

Response:

During our initial audit meeting, we preliminarily identified a material weakness. However, as the audit progressed, we changed our assessment and no longer considered it a material weakness. We should have updated our work paper to document this change in assessment.

- In one of two audits reviewed, the year the firm began serving consecutively as the company's auditor that was included in the firm's audit report was incorrect. In 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*.

Response:

This was a typographical error. When we drafted the audit report, we performed a batch modification to update the prior year's audit report, inadvertently adding "1" to the number of years. We should have carefully proofread the audit report to avoid this error.

- In the two 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 certain matters that were communicated, or required to be communicated, to the audit committee and that related to accounts or disclosures that were material to the financial statements. In 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.

Response:

When we performed audit procedures to determine whether or not matters were critical audit matters, we should have included all of the following matters, which were communicated, or required to be communicated, to the Issuer's Board of Directors, and which related to accounts or disclosures that were material to the financial statements, in work paper W/P 01R-13-01 PCA-CX-16\_6 *Determination of Critical Audit Matters WS*.

