2024 Inspection Rosenfield & Co PLLC

(Headquartered in Orlando, Florida)

April 28, 2025

<u>THIS IS A PUBLIC VERSION OF A PCAOB INSPECTION REPORT</u>

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. 104-2025-079

PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

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2024 INSPECTION

In the 2024 inspection of Rosenfield & Co PLLC, 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 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.

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	2021
Firm data		
Total issuer audit clients in which the firm was the principal auditor	2	1
Total engagement partners on issuer audit work[1]	2	1
Audits reviewed		
Total audits reviewed	2	1
Audits in which the firm was the principal auditor	2	1
Integrated audits of financial statements and internal control over financial reporting (ICFR)	0	0
Audits with Part I.A deficiencies	2	1
Percentage of audits with Part I.A deficiencies	100%	100%

If we include a deficiency in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In many cases, the firm has performed remedial actions after the deficiency was identified. Depending on the circumstances, remedial actions may include performing additional audit procedures, informing management of the issuer of the need for changes to the financial statements or reporting on ICFR or taking steps to prevent reliance on prior audit reports.

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

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

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

Audit Areas Most Frequently Reviewed

This table reflects the audit areas we have selected most frequently for review in the 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		2021	
Audit area	**Audits reviewed**	**Audit area**	**Audits reviewed**
Revenue and related accounts	2	**Revenue and related accounts**	1
Certain assets and liabilities	2	**Goodwill and intangible assets**	1
		Long-lived assets	1

PART I: INSPECTION OBSERVATIONS

Part I.A of our report discusses deficiencies, if any, that were of such significance that we believe the firm, 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.

Classification of Audits with Part I.A Deficiencies

Within Part I.A of this report, we classify each issuer audit in one of the categories discussed below based on the Part I.A deficiency or deficiencies identified in our review.

The purpose of this classification system is to group and present issuer audits by the number of Part I.A deficiencies we identified within the audit as well as to highlight audits with an incorrect opinion on the financial statements and/or ICFR.

Audits with an Incorrect Opinion on the Financial Statements and/or ICFR

This classification includes instances where a deficiency was identified in connection with our inspection and, as a result, an issuer's financial statements were determined to be materially misstated, and the issuer restated its financial statements. It also includes instances where a deficiency was identified in connection with our inspection and, as a result, an issuer's ICFR was determined to be ineffective, or there were additional material weaknesses that the firm did not identify, and the firm withdrew its opinion, or revised its report, on ICFR.

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

Audits with Multiple Deficiencies

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

Audits with a Single Deficiency

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

PART I.A: AUDITS WITH UNSUPPORTED OPINIONS

This section of our report discusses the deficiencies identified, by specific issuer audit reviewed, in the audit work supporting the firm's opinion on the issuer's financial statements.

We identify each issuer by a letter (e.g., Issuer A). Each deficiency could relate to several auditing standards, but we reference the PCAOB standard that most directly relates to the requirement with which the firm did not comply.

We present issuer audits below within their respective deficiency classifications (as discussed previously). Within the classifications, we generally present the audits based on our assessment as to the relative significance of the identified deficiencies, taking into account the significance of the financial statement accounts and/or disclosures affected, and/or the nature or extent of the deficiencies.

Audits with an Incorrect Opinion on the Financial Statements and/or ICFR

None

Audits with Multiple Deficiencies

Issuer A

Type of audit and related areas affected

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

Description of the deficiencies identified

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

The firm did not:

- perform a test of details to address an identified fraud risk related to certain revenue; (AS 2301.08 and .13)

- evaluate whether a certain contract was with a customer, and whether the issuer had identified all of the performance obligations; (AS 2301.08 and .13)

- evaluate whether the counterparty for one contract was a customer or acting as an agent for the issuer; (AS 2301.08 and .13)

- evaluate whether certain contracts constituted transactions with related parties requiring disclosure within the financial statements; (AS 2410.14 and .17)

- perform any procedures to test the allocation of the transaction price to the separate performance obligations for a certain contract; (AS 2301.08 and .13)

- evaluate for a certain type of revenue whether it was probable that the issuer would collect substantially all of the consideration to which the issuer was entitled in exchange for the satisfaction of its performance obligations. (AS 2301.08 and .13)

In addition, the issuer disclosed disaggregated revenue by source. The firm did not test the accuracy and completeness of the disclosure, including addressing a difference between the amounts disclosed and the amounts per the firm's work papers. (AS 2301.08 and .13; AS 2810.03)

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

The firm sent positive confirmation requests to the issuer's customers for a sample of accounts receivable. For confirmations returned with exceptions and for those for which differences were identified through alternative procedures, the firm did not sufficiently evaluate the nature of those exceptions, as it limited its procedures to inquiry. (AS 2310.33)

With respect to **Certain Assets and Liabilities**, for which the firm identified a significant risk:

The issuer engaged a specialist to determine the fair value of certain assets. The following deficiencies were identified:

- The firm did not sufficiently evaluate whether methods the company's specialist used to determine the fair value of these assets were appropriate because the firm did not evaluate whether the data and significant assumptions were appropriately applied under the applicable financial reporting framework. (AS 1105.A8c)

- The firm did not evaluate the reasonableness of certain significant assumptions developed by the issuer and the company's specialist that were used by the company's specialist to determine the fair value of these assets. (AS 1105.A8b; AS 2501.16)

- The firm developed an expectation of certain other significant assumptions, developed by the issuer and used by the company's specialist, to evaluate their reasonableness. The firm did not sufficiently evaluate the reasonableness of these significant assumptions because it did not (i) perform procedures to demonstrate that it had a reasonable basis for a component of the assumptions and (ii) did not evaluate the significant differences between its expectations and the assumptions. (AS 2501.16)

- The firm did not sufficiently evaluate the reasonableness of another significant assumption used by the company's specialist because it limited its procedures to a comparison to a similar assumption used by the issuer in the prior year. (AS 1105.A8b)

The following deficiencies were identified related to certain other assets:

- The firm did not sufficiently test the existence and fair value of certain assets because it limited its testing to determining that certain subsequent payments were received. (AS 2301.08 and .11; AS 2501.07)

- The firm did not perform any procedures to test the existence and fair value of certain other assets. (AS 2301.08 and .11; AS 2501.07)

- The firm did not perform any procedures to evaluate the completeness of certain other assets, including evaluating contrary evidence. (AS 2301.08 and .11; AS 2810.03)

- The firm did not perform sufficient procedures to evaluate the reasonableness of a significant assumption for one of these assets because it did not evaluate the significant difference between this assumption and a related significant assumption used by the issuer in another estimate tested. (AS 2501.16)

The following deficiencies were identified related to certain liabilities:

- The firm did not perform any procedures to test the completeness and fair value of certain liabilities. (AS 2301.08 and .11; AS 2501.07)

- The firm did not perform procedures to test the fair value of certain other liabilities, beyond obtaining and reading the valuation report prepared by the company's specialist. Further, the firm did not perform any procedures to evaluate the work of the company's specialist. (AS 1105.A6 - .A10; AS 2501.07)

- The firm did not perform sufficient procedures to test the completeness and valuation of certain other liabilities because it limited its procedures to cut-off testing. Further, the firm inappropriately projected the results of its cut-off testing, including misstatements identified, to the entire balance of those liabilities. (AS 1105.27; AS 2301.08 and .11)

- The firm did not perform procedures, beyond inquiry, to demonstrate that it had a reasonable basis for an assumption it derived and used in developing its independent expectation of the fair value of another liability. (AS 2501.22) In addition, the firm did not perform any procedures to test, or in the alternative, identify and test controls over, the accuracy and completeness of data it used to develop its independent expectation. (AS 1105.10)

The firm did not identify and evaluate departures from GAAP related to the issuer's omission of, or inaccurate, disclosures regarding certain assets and liabilities. (AS 2810.30 and .31)

Issuer B

Type of audit and related areas affected

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

Description of the deficiencies identified

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

The firm did not perform any procedures to demonstrate that it had a reasonable basis for assumptions it derived and used to develop an independent expectation of an estimate related to certain assets. (AS 2501.22) In addition, the firm did not perform any procedures to test, or identify and test controls over, the accuracy of certain reports it used to develop this independent expectation. (AS 1105.10)

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

The firm identified journal entries that met certain fraud criteria but did not examine the underlying support for the entries. (AS 2401.61)

Audits with a Single Deficiency

None

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

This section of our report discusses certain deficiencies that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to support its opinion(s). 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 two audits reviewed, the firm did not include all of the required information in its engagement completion document. In this instance, the firm was non-compliant with AS 1215, *Audit Documentation.*
- In one of two audits reviewed, the firm did not make a required communication to the audit committee related to certain critical accounting policies and practices and certain significant accounting estimates. In this instance, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.
- In one of two audits reviewed, the firm did not make a required communication to the audit committee related to all significant unusual transactions that it identified. In this instance, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.
- In one of two audits reviewed, the firm, when testing journal entries for evidence of possible material misstatement due to fraud, did not have an appropriate rationale for limiting its testing of entries it identified as having certain fraud risk characteristics to certain entries. In this instance, the firm was non-compliant with AS 2401, *Consideration of Fraud in a Financial Statement Audit*.
- In the two audits reviewed, the firm did not make a required communication to management related to identified misstatements. In these instances, the firm was non-compliant with AS 2810, *Evaluating Audit Results.*
- In one audit, 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 to the audit committee and that related to accounts or disclosures that were material to the financial statements. In this instance, the firm was non-compliant with AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*. This instance of non-compliance does not necessarily mean that other critical audit matters should have been communicated in the auditor's report.
- In one audit, 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 one audit, the firm's report on Form AP omitted information related to the participation in the audit by an other accounting firm. In this instance, the firm was non-compliant with PCAOB Rule 3211, *Auditor Reporting of Certain Audit Participants*.
- In one audit, the firm's report on Form AP included inaccurate information regarding the issuer CIK number and Partner ID. In this instance, the firm was non-compliant with PCAOB Rule 3211, *Auditor Reporting of Certain Audit Participants*.

PART I.C: INDEPENDENCE

This section of our report discusses instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence. An instance of potential non-compliance with SEC rules or an instance of non-compliance with PCAOB rules does not necessarily mean that the Board has concluded the firm was not objective and impartial throughout the audit and professional engagement period. Although this section includes instances of potential non-compliance that we identified, there may be other instances of non-compliance with SEC or PCAOB rules related to independence that were not identified through our procedures or the firm's monitoring activities.

PCAOB-Identified

We identified the following instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence:

An audit client's agreement to indemnify its auditor with respect to certain liabilities is inconsistent with the general standard of independence set out in Rule 2-01(b) of Regulation S-X and impairs the accountant's independence with respect to an audit client. In two audits reviewed, we identified six instances across two issuers in which this circumstance appears to have occurred.

Firm-Identified

The firm did not bring to our attention any instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence.

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

PART II: OBSERVATIONS RELATED TO QUALITY CONTROL

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

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

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

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

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

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

ROSENFIELD & Co. PLLC
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Ms. Christine Gunia
Acting Director
Division of Registration and Inspection
Public Company Accounting Oversight Board
1666 K Street NW
Washington DC 20006

Dear Ms. Gunia:

We appreciate the opportunity to respond to the Public Company Accounting Oversight Board's (PCAOB) draft report on the 2023 Inspection of Rosenfield and Company, PLLC (the Report). We believe that the PCAOB's inspection process serves an important role in improving audit quality and serving investors and the public interest. We take seriously the matters identified by the PCAOB, which we analyze in our ongoing efforts to strengthen our quality control processes and audit performance.

We have evaluated the matters identified by the PCAOB's inspection team for each of the issuer audits described in Part I of the Report and have taken actions as appropriate in accordance with PCAOB standards to comply with our professional responsibilities.

We are committed to performing high quality audits, and we have designed our quality control and monitoring systems to drive continuous improvement. Improving audit quality is a continual process, and we look forward to collaborating with the PCAOB to pursue our shared objective of enhancing audit quality.

Sincerely,

Paul Kaplan, CPA
Managing Partner

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