
2024 Inspection WithumSmith+Brown, PC

(Headquartered in Princeton, New Jersey)

May 22, 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

PCAOB RELEASE NO. 104-2025-102



EXECUTIVE SUMMARY

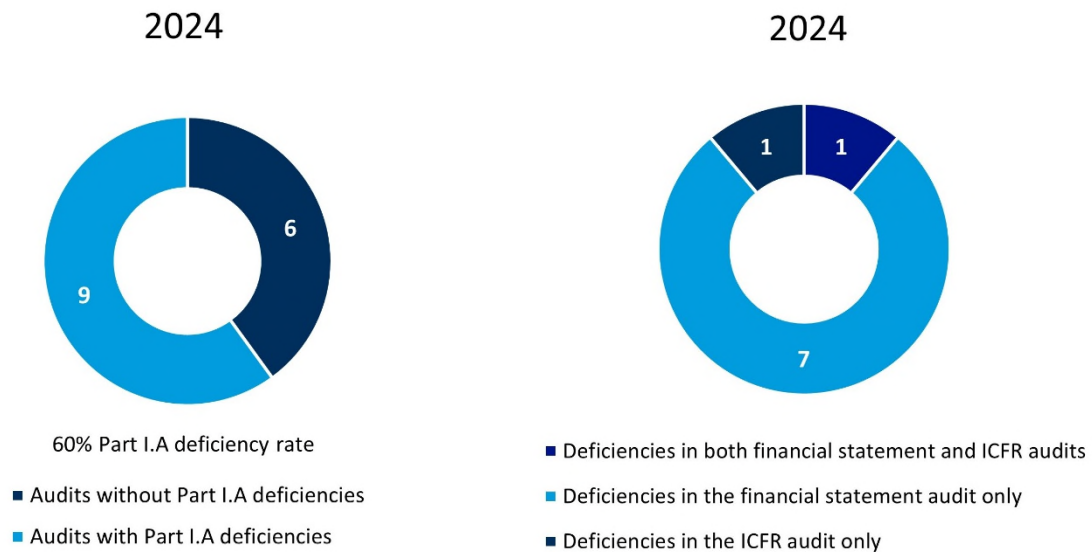
Our 2024 inspection report on WithumSmith+Brown, PC provides information on our inspection to assess the firm's compliance with Public Company Accounting Oversight Board (PCAOB) standards and rules and other applicable regulatory and professional requirements. This executive summary offers a high-level 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 apparent non-compliance with rules related to maintaining independence.
- Part I.C of the report discusses instances of apparent non-compliance with 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 2024 Deficiencies Included in Part I

Nine of the 15 audits we reviewed in 2024 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 substantive testing of revenue, business combinations, warrants, and equity.



In connection with our 2024 inspection procedures for two audits, the issuer restated its financial statements to correct misstatements, and the firm revised and reissued its report on the financial statements.

The most common Part I.A deficiencies in 2024 related to performing substantive testing to address a risk of material misstatement, testing an estimate, and testing data or reports used in substantive testing.

The Part I.B deficiencies in 2024 related to retention of audit documentation, engagement quality review, audit committee communications, auditor tenure, and critical audit matters.

The Part I.C deficiencies in 2024 related to audit committee pre-approval and financial relationships.

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2024 INSPECTION

In the 2024 inspection of WithumSmith+Brown, PC, the PCAOB assessed the firm's compliance with laws, rules, and professional standards applicable to the audits of issuers.

We selected for review 15 audits of issuers with fiscal years ending in 2023. For each issuer audit selected, we reviewed a portion of the audit. We also evaluated elements of the firm's system of quality control.

What's Included in this Inspection Report

This report includes the following sections:

- **Overview of the 2024 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 apparent non-compliance with rules related to maintaining independence.
 - **Part I.C:** Instances of apparent non-compliance with 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.

2024 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.

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

OVERVIEW OF THE 2024 INSPECTION AND HISTORICAL DATA BY INSPECTION YEAR

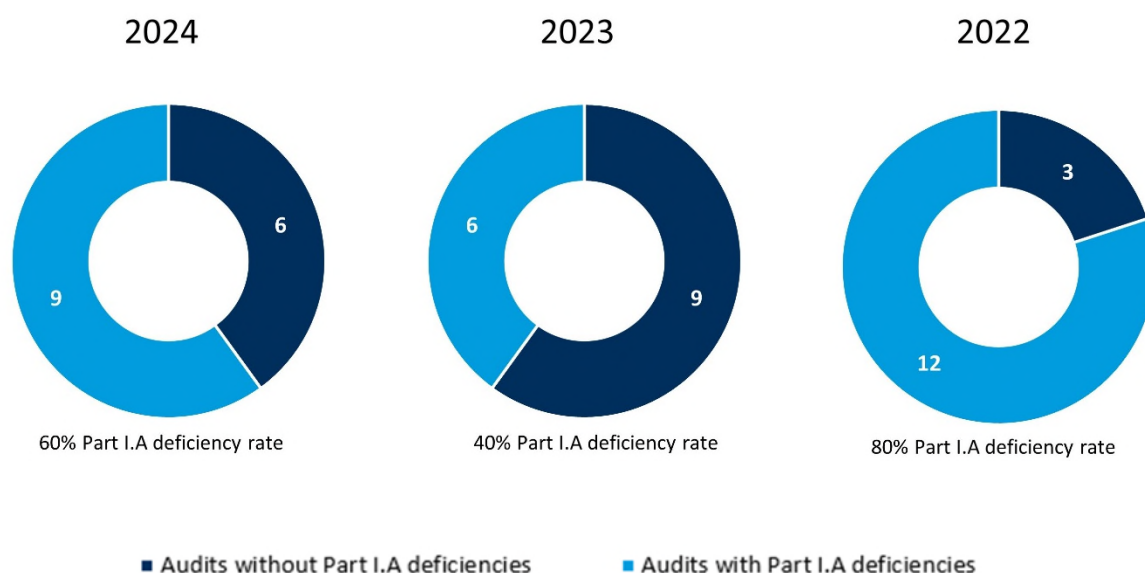
The following information provides an overview of our 2024 inspection as well as data from the previous two inspections. We use a combination of risk-based and random methods to select audits for review and to identify areas on which we focus our review. Because our inspection process evolves over time, 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

	2024	2023	2022
Total audits reviewed			
Total audits reviewed	15	15	15
Risk-based selections	13	13	13
Random selections	2	2	2
Total audits reviewed	15	15	15
Audits in which the firm was the principal auditor	15	15	15
Audits in which the firm was not the principal auditor	0	0	0
Total audits reviewed	15	15	15
Integrated audits of financial statements and ICFR	2	4	2
Financial statement audits only	13	11	13
Total audits reviewed	15	15	15

Part I.A Deficiencies in Audits Reviewed

In 2024, eight of the nine audits appearing in Part I.A were selected for review using risk-based criteria. In 2023, all of the audits appearing in Part I.A were selected for review using risk-based criteria. In 2022, 11 of 12 audits appearing in Part I.A were selected for review using risk-based criteria.

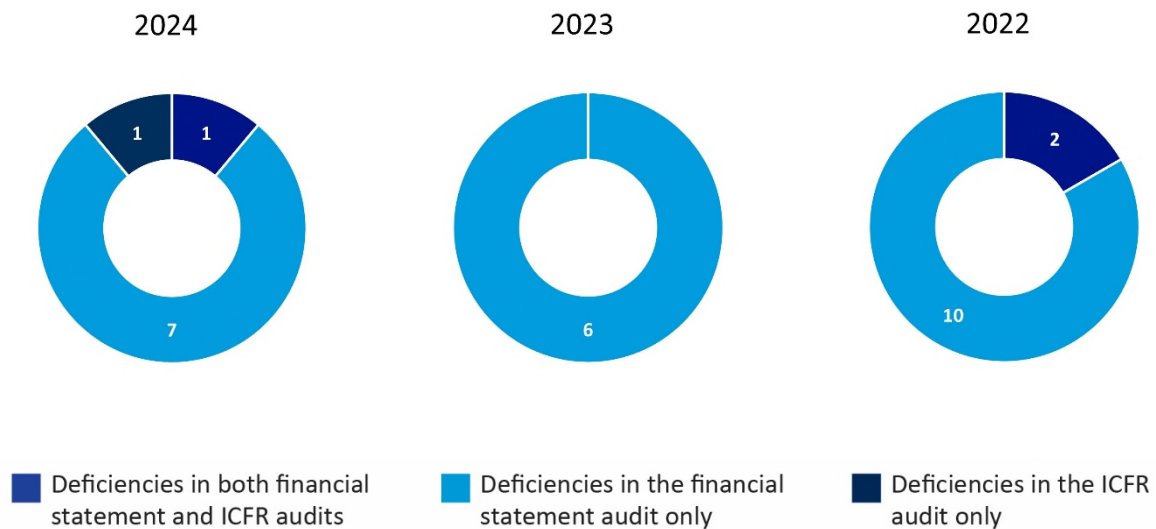


If we include a deficiency in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In certain cases, the firm may have performed remedial actions after the deficiency was identified. Depending on the circumstances, remedial actions may include performing 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



In connection with our 2024 inspection procedures for two audits, the issuer restated its financial statements to correct misstatements, and the firm revised and reissued its report on the financial statements.

In connection with our 2023 inspection procedures for one audit, the issuer restated its financial statements to correct a misstatement and also corrected an omission of certain required disclosures in a subsequent filing.

The following tables and graphs summarize inspection-related information, by inspection year, for 2024 and the previous two inspections. We caution against making any comparison of the data provided without reading the descriptions of the underlying deficiencies in each respective inspection report.

Most Frequently Identified Part I.A Deficiencies

Deficiencies in audits of financial statements	Audits with Part I.A deficiencies		
	2024	2023	2022
Did not perform sufficient testing related to a significant account or disclosure or to address an identified risk	6	2	2
Did not sufficiently test an estimate	4	5	8
Did not perform sufficient testing of data or reports used in the firm's substantive testing	4	2	3

Deficiencies in ICFR audits	Audits with Part I.A deficiencies		
	2024	2023	2022
Did not perform sufficient testing of the design and/or operating effectiveness of controls selected for testing	1	0	1
Did not identify and/or sufficiently test controls over the accuracy and completeness of data or reports that the issuer used in the operation of controls	1	0	1
Did not identify and test any controls that addressed the risks related to a significant account or relevant assertion	1	0	0
Did not test the accuracy and completeness of information that the firm used to make selections for testing the operating effectiveness of a control	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.

2024			2023			2022		
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	7	4	Revenue and related accounts	9	4	Equity and equity-related transactions	8	5
Business combinations	5	2	Equity and equity-related transactions	5	0	Revenue and related accounts	7	4
Equity and equity-related transactions	3	2	Investment securities	4	0	Investment securities	6	0
Debt	3	1	Business combinations	3	3	Business combinations	5	4
Accruals and other liabilities	3	1	Goodwill and intangible assets	3	1	Expenses	2	1

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	2024		2023		2022	
	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	4	7	4	9	4	7
Equity and equity-related transactions	2	3	0	5	5	8
Business combinations	2	5	3	3	4	5

Revenue and related accounts: The deficiencies in 2024 primarily related to substantive testing of, and testing controls over revenue. The deficiencies in 2023 related to substantive testing of revenue, including testing estimated costs to complete contracts recognized over time. The deficiencies in 2022 primarily related to testing information the firm used in its substantive testing of revenue.

Equity and equity-related transactions: The deficiencies in 2024 related to substantive testing of certain stock and warrants. The deficiencies in 2022 primarily related to substantive testing of the significant assumptions used by the issuer to determine the fair value of warrant liabilities.

Business combinations: The deficiencies in 2024 related to substantive testing of, and evaluating disclosures related to, business combinations. The deficiencies in 2023 and 2022 primarily related to substantive testing of significant assumptions used by the issuer to determine the fair values of acquired assets.

Auditing Standards Associated with Identified Part I.A Deficiencies

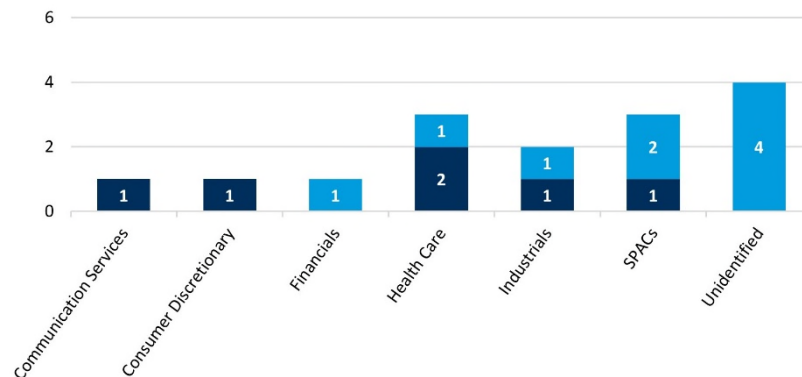
The following lists the auditing standards referenced in Part I.A of the 2024 and the previous two inspection reports, and the number of times that the standard is cited in Part I.A.

PCAOB Auditing Standards	2024	2023	2022
<i>AS 1105, Audit Evidence</i>	8	4	7
<i>AS 1201, Supervision of the Audit Engagement</i>	0	0	5
<i>AS 2201, An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements</i>	3	0	2
<i>AS 2301, The Auditor's Responses to the Risks of Material Misstatement</i>	7	3	7
<i>AS 2305, Substantive Analytical Procedures</i>	0	1	0
<i>AS 2315, Audit Sampling</i>	0	0	1
<i>AS 2401, Consideration of Fraud in a Financial Statement Audit</i>	0	0	3
<i>AS 2501, Auditing Accounting Estimates, Including Fair Value Measurements</i>	5	7	11
<i>AS 2810, Evaluating Audit Results</i>	7	4	4

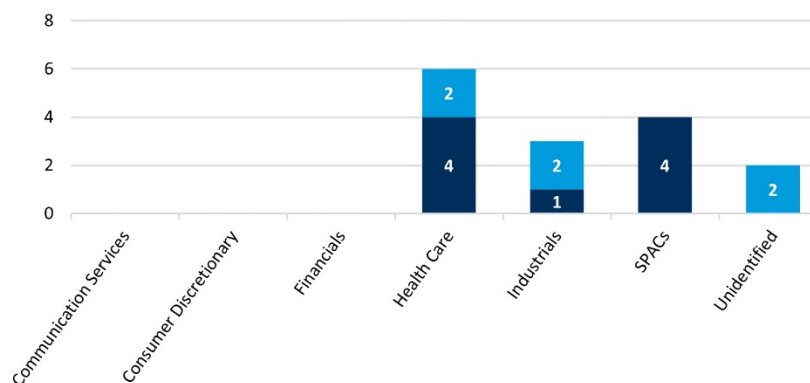
Inspection Results by Issuer Industry Sector

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

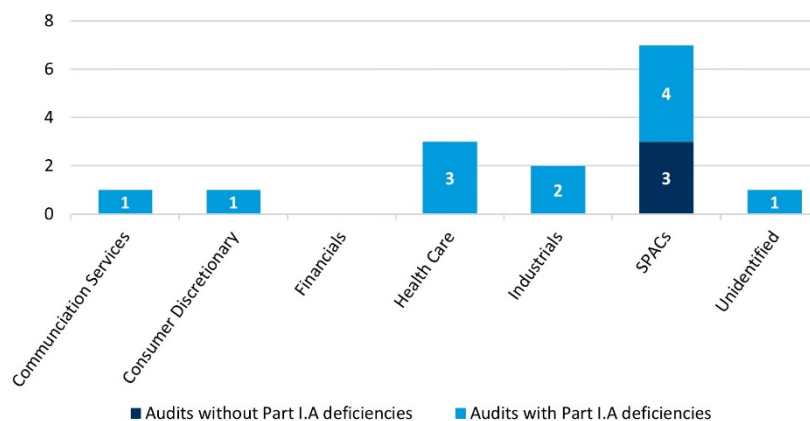
2024



2023

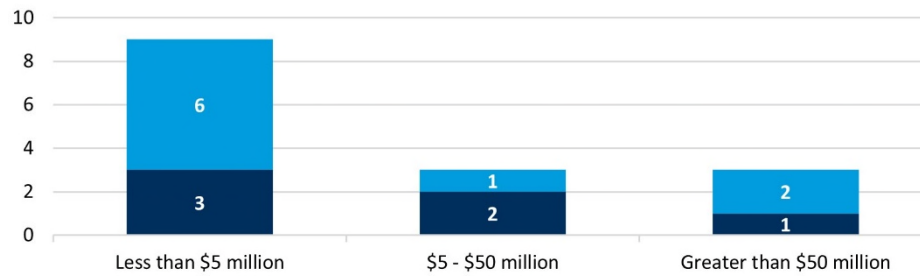


2022

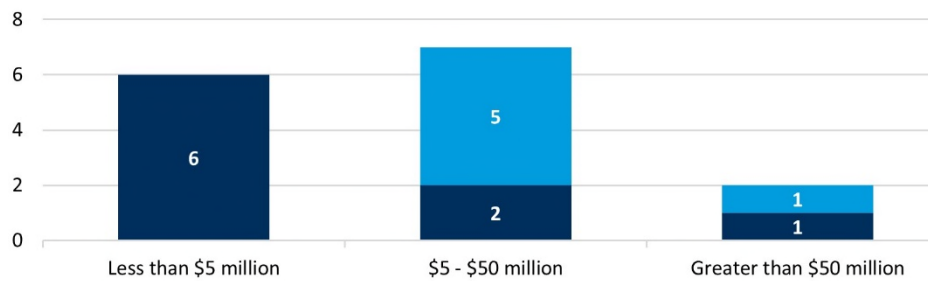


Inspection Results by Issuer Revenue Range

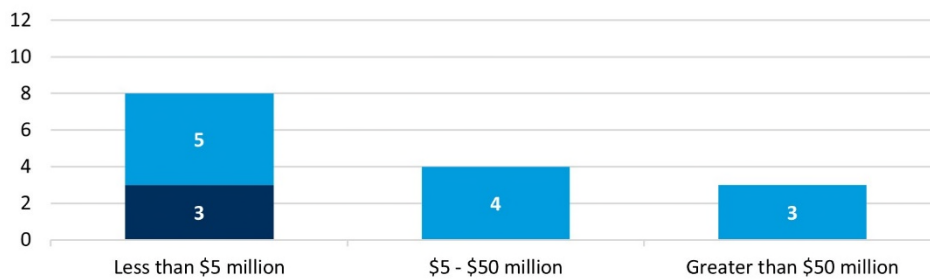
2024



2023



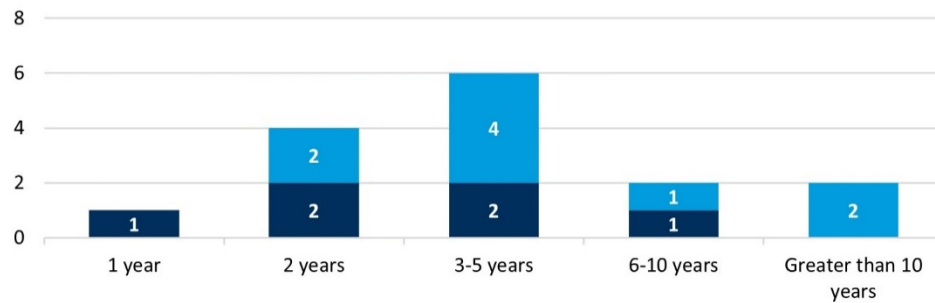
2022



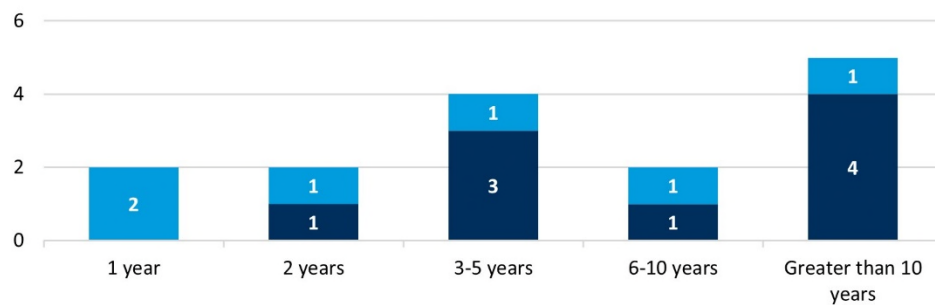
■ Audits without Part I.A deficiencies ■ Audits with Part I.A deficiencies

Inspection Results by the Firm's Tenure on the Issuer

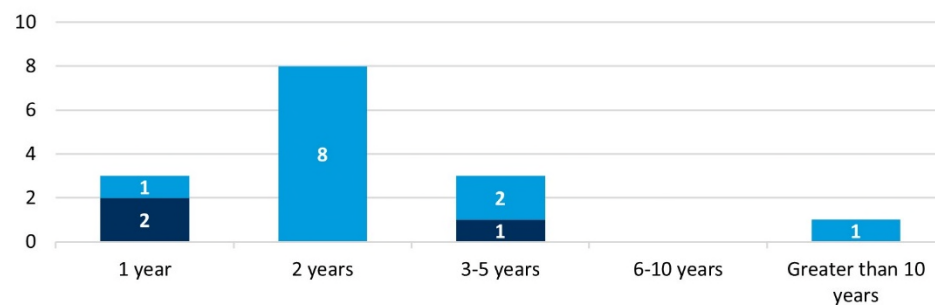
2024



2023



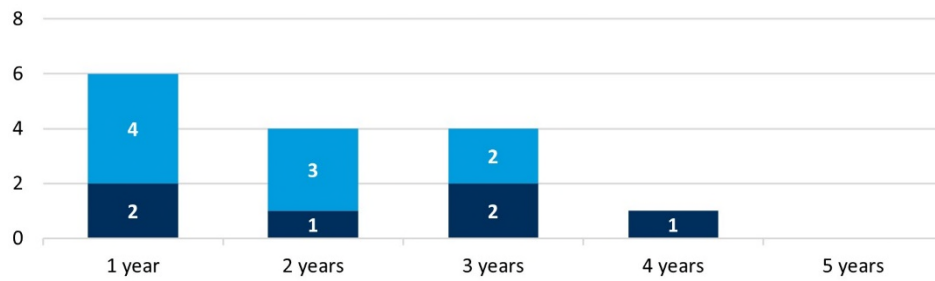
2022



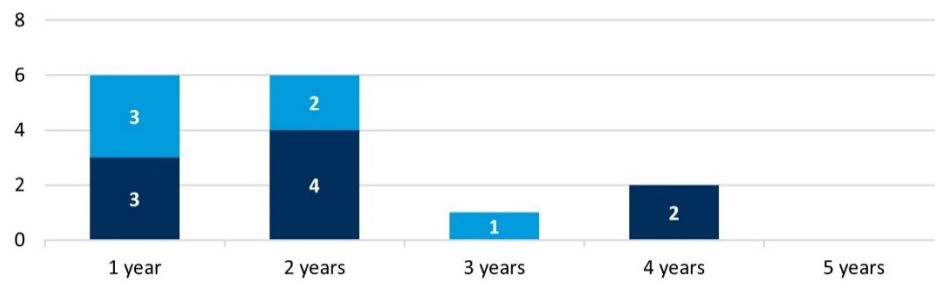
■ Audits without Part I.A deficiencies ■ Audits with Part I.A deficiencies

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

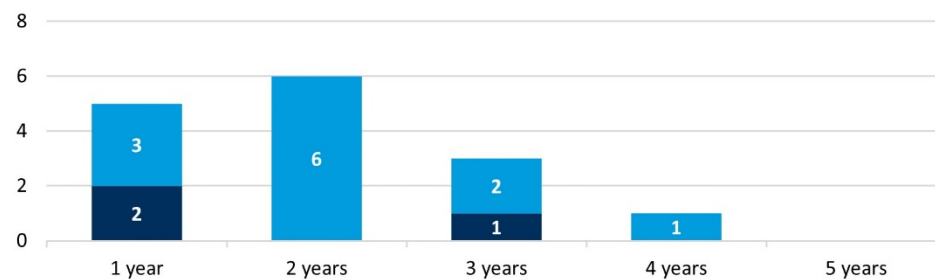
2024



2023



2022



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

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.

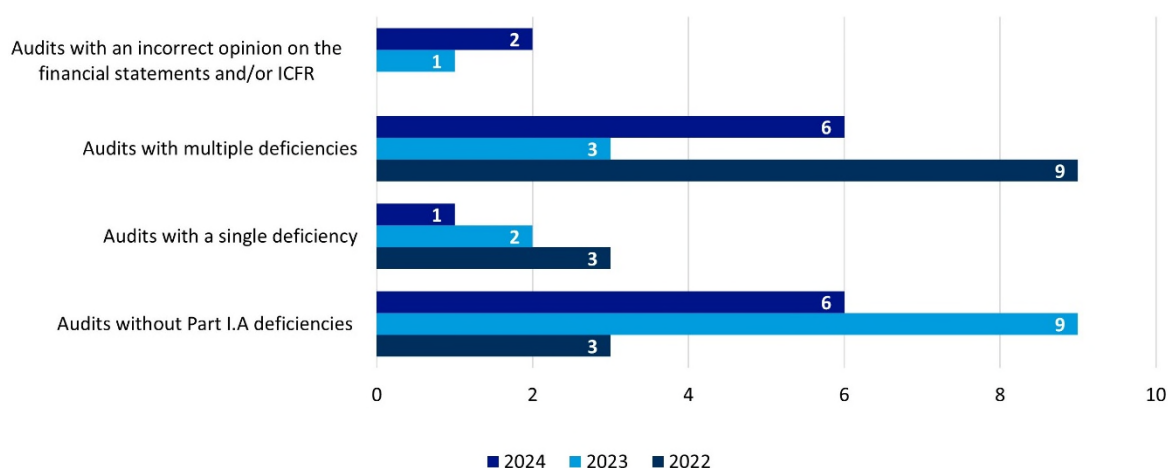
Audits with Multiple Deficiencies

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 apparent non-compliance with rules related to maintaining independence.

Part I.C discusses instances of apparent non-compliance with 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). 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

Issuer A – Health Care

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement audit related to **Intangible Assets**, **Debt**, and **Warrants**.

Description of the deficiencies identified

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

The issuer evaluated certain of its intangible assets for possible impairment using forecasted cash flows that it developed using various assumptions, including when, and at what amounts, the issuer would be

able to begin recognizing revenue. The firm did not evaluate, beyond inquiry of management, whether the issuer had a reasonable basis for the significant assumptions the issuer used, including taking into account the issuer's ability to carry out its planned course of action for certain of these assumptions. (AS 2501.16 and .17)

The firm did not identify and evaluate the issuer's omission of certain disclosures required under FASB ASC Topic 820, *Fair Value Measurement*. (AS 2810.30 and .31)

In connection with our review, the issuer reevaluated its disclosures related to these intangible assets and determined that certain disclosures were omitted. The issuer corrected these omissions in the amended filing discussed below.

With respect to **Debt** and **Warrants**, for each of which the firm identified a significant risk:

During the year, the issuer entered into certain transactions related to convertible debt and warrants. The following deficiencies were identified:

- The firm did not perform sufficient procedures to evaluate whether the issuer's accounting for, and presentation of, convertible debt, including warrants, were in conformity with relevant GAAP because, for certain transactions, its procedures were limited to reading an issuer-prepared memorandum, without evaluating certain terms within the debt and warrant agreements. (AS 2301.08 and .11)
- The firm did not identify and evaluate that the method the issuer used to allocate fair value between certain warrants and convertible debt was not in conformity with FASB ASC Topic 470, *Debt*. (AS 2810.30 and .31)

In connection with our review, the issuer reevaluated its accounting for these convertible debt and warrant transactions and concluded that misstatements existed that had not been previously identified. The issuer subsequently restated its financial statements to correct these misstatements, and the firm revised and reissued its report on the financial statements.

Issuer B – Financials

Type of audit and related area affected

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

Description of the deficiencies identified

The issuer held certain investments that were categorized as level 3 within the fair value hierarchy as set forth in FASB ASC Topic 820, *Fair Value Measurement*. The firm's approach for substantively testing the fair value of these investments was to develop an independent expectation using certain interim financial results and other data about the underlying investments. The following deficiencies were identified:

- The firm did not perform sufficient procedures to evaluate the reliability of certain interim financial results it used to estimate the fair value of these investments because it did not perform procedures beyond (1) comparing the interim financial results to year-end financial

results and (2) confirming, for certain underlying investments, operating results with related parties. Further, for one of these investments the firm did not evaluate certain evidence that indicated lower revenue than it used to develop its independent expectation. (AS 1105.04 and .06; AS 2810.03)

- For one of these investments, the firm did not perform sufficient procedures to evaluate the reliability of other data it used to estimate the fair value of the investment because its procedures were limited to recalculation. Further, the firm did not evaluate certain evidence that indicated a higher amount than the data it used to develop its independent expectation. (AS 1105.04 and .06; AS 2810.03)
- The firm did not identify and evaluate a misstatement in a required disclosure under FASB ASC Topic 235, *Notes to Financial Statements*, related to another investment. (AS 2810.30 and .31)

In connection with our review, the issuer reevaluated this disclosure and concluded that misstatements existed that had not been previously identified. The issuer subsequently restated its financial statements to correct these misstatements, and the firm revised and reissued its report on the financial statements.

Audits with Multiple Deficiencies

Issuer C

Type of audit and related areas affected

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

Description of the deficiencies identified

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

During the year, the issuer acquired a business and engaged a specialist to assist it in determining the fair values of certain acquired intangible assets using various assumptions, including forecasted revenue, customer attrition rate, and useful lives. Forecasted revenue included revenue for current contracts as well as projected revenue for contract renewals and expansions. The following deficiencies were identified:

- The firm did not sufficiently evaluate the reasonableness of the forecasted revenue because its procedures were limited to agreeing the total contract value for current contracts to customer contracts, without testing projected revenue for contract renewals or expansions. (AS 2501.16)
- The firm did not sufficiently evaluate the reasonableness of the customer attrition rate because its procedures were limited to consideration of the issuer's pre-existing relationships with customers and certain qualitative industry factors. (AS 2501.16)
- The firm did not perform sufficient procedures to evaluate the reasonableness of the useful lives the issuer assigned to these intangible assets because it did not evaluate significant differences

between the useful lives assigned to these assets and 1) the cash-flow forecast periods used to determine their fair values and/or 2) the remaining lives of the contracts. (AS 2501.16)

- The firm did not identify and evaluate the issuer's omission of certain disclosures required under FASB ASC Topic 820, *Fair Value Measurement*. (AS 2810.30 and .31)

With respect to **Revenue** and **Contract Assets**:

The issuer used multiple information-technology (IT) systems to initiate, process, and record transactions related to revenue and outsourced certain aspects of the IT function, including change management, to an external party. The following deficiencies were identified:

- The firm did not evaluate the reliability of the information it obtained from the external party and used to select its sample for testing a control over change management for one of these systems. (AS 1105.04 and .06)
- The firm selected for testing various controls over revenue but did not test, or test any controls over, the completeness of the system-generated reports that it used to select its samples for testing these controls. (AS 1105.10)
- The firm used system-generated reports in its substantive testing of certain revenue transactions but did not perform any procedures to test, or test any controls over, the accuracy and completeness of these reports. (AS 1105.10)
- The firm's substantive procedures to test contract assets consisted of the preparation and testing of a roll-forward of contract assets from the prior year. The firm did not perform sufficient procedures to test this roll-forward because its procedures were limited to testing additions to contract assets during the year. (AS 2301.08)
- The firm did not identify and evaluate the issuer's omission of a disclosure related to the change in the balance of contract assets required under FASB ASC Topic 606, *Revenue from Contracts with Customers*. (AS 2810.30 and .31)

Issuer D

Type of audit and related area affected

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

Description of the deficiencies identified

The issuer used a service organization to initiate and process transactions related to revenue that are then recorded in the issuer's information-technology (IT) system. In its testing of controls over revenue, the firm tested certain automated and IT-dependent manual controls that used data and reports generated by this service organization. The firm obtained a service auditor's report and identified complementary user controls that the service auditor's report described as necessary. As a result of the deficiencies in the firm's testing of the complementary user controls discussed below, the firm's testing of these automated and IT-dependent manual controls was not sufficient. (AS 2201.46)

The firm selected for testing a complementary user control that consisted of the issuer's reviews of user access to the service organization's IT system. The firm did not evaluate the specific review procedures that the control owners performed to determine whether previously granted access continued to be appropriate. (AS 2201.42, .44, and .B22) In addition, the firm did not perform any procedures to evaluate whether the issuer had implemented any complementary user controls related to change management. (AS 2201.39 and .B22)

Issuer E – Industrials

Type of audit and related areas affected

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

Description of the deficiencies identified

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

For certain customer contracts, the firm did not perform any substantive procedures to test whether the performance obligations had been satisfied before revenue was recognized. (AS 2301.08 and .13)

With respect to a **Business Combination**:

During the year, the issuer completed a business combination. The firm used issuer-prepared schedules in its substantive testing of this transaction but did not perform any procedures to test, or test any controls over, the accuracy of certain of these schedules. (AS 1105.10)

Issuer F

Type of audit and related areas affected

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

Description of the deficiencies identified

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

The firm did not evaluate the relevance and reliability of information it obtained from external sources that it used to test certain assets. (AS 1105.04 and .06)

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

The issuer recorded interest payable on certain liabilities. The firm did not evaluate the appropriateness of the interest rate that the issuer used to determine the amount of this liability. (AS 2301.08 and .13)

Issuer G

Type of audit and related area affected

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

Description of the deficiencies 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 substantive procedures to test whether costs incurred to date were allocated to the appropriate contract. (AS 2301.08 and .13) In addition, the firm did not perform any substantive procedures to evaluate the reasonableness of a significant assumption that the issuer used to develop the estimated total costs to complete the contracts. (AS 2501.16)

Issuer H – SPACs

Type of audit and related areas affected

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

Description of the deficiencies identified

With respect to **Warrants**:

The firm did not perform procedures, beyond reading an issuer-prepared memorandum, to evaluate whether the issuer's accounting for warrants as equity was in conformity with FASB ASC Topic 815, *Derivatives and Hedging*. (AS 2301.08)

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

The firm did not perform procedures to evaluate whether the issuer's accounting for redeemable stock as temporary equity was in conformity with FASB ASC Topic 480, *Distinguishing Liabilities from Equity*. (AS 2301.08 and .11)

Audits with a Single Deficiency

Issuer I – SPACs

Type of audit and related area affected

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

Description of the deficiency identified

During the year, the issuer engaged a specialist to assist it in determining the fair value of certain shares of its stock. The firm did not perform any procedures to evaluate the reasonableness of a significant assumption developed by the company's specialist. (AS 1105.A8b)

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 apparent non-compliance with rules related to maintaining independence.

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

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

- In two of 15 audits reviewed, the firm did not include all of the required information in its engagement completion documents. In these instances, the firm was non-compliant with AS 1215, *Audit Documentation*.
- In one of 15 audits reviewed, the audit documentation did not identify the date that the engagement quality reviewer provided concurring approval of the issuance of the audit report. In this instance, the documentation of the engagement quality review was non-compliant with AS 1220, *Engagement Quality Review*.
- In three of 15 audits reviewed, the firm did not make one or more required communications to the audit committee prior to the issuance of the auditor's report. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.
- In one of 13 audits reviewed, the firm did not provide to the audit committee the required communications in writing of all significant deficiencies identified during the audit prior to the issuance of the auditor's report. In this instance, the firm was non-compliant with AS 1305, *Communications About Control Deficiencies in an Audit of Financial Statements*.
- In one of 15 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 two of six audits reviewed, the firm's communication of one or more critical audit matters in the audit report included language that was inconsistent with information in the firm's audit documentation. 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*.

PART I.C: INDEPENDENCE

PCAOB Rule 3520, *Auditor Independence*, requires a firm and its personnel to be independent of the firm's audit clients. This requirement encompasses not only an obligation to satisfy the independence criteria set out in PCAOB rules and standards but also an obligation to satisfy all other independence criteria applicable to an engagement, including the independence criteria set out by the SEC in Regulation S-X, 17 C.F.R. § 210.2-01, *Qualifications of Accountants* ("Rule 2-01").

This section of our report discusses identified instances of apparent non-compliance with PCAOB Rule 3520. An instance of apparent non-compliance with PCAOB Rule 3520 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 apparent non-compliance with PCAOB Rule 3520 that we identified and the firm brought to our attention, there may be other instances of non-compliance with 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 apparent non-compliance with PCAOB Rule 3520:

Under Rule 2-01(c)(7), an accountant is not independent if it is engaged to render audit or non-audit services to an issuer or its subsidiaries without that engagement having been pre-approved by the audit committee. In 15 audits reviewed, we identified one instance for one issuer in which the firm could provide no persuasive evidence of the necessary audit committee pre-approval.

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, one instance for one issuer,¹ representing approximately 1% of the firm's total reported issuer audits, in which the firm's personnel appeared to have impaired the firm's independence because the firm may not have complied with Rule 2-01(c) related to maintaining independence. This instance of apparent non-compliance did not involve non-U.S. associated firms.

While we have not evaluated the underlying reasons for the instance of apparent non-compliance with PCAOB Rule 3520, the number, large or small, of firm-identified instances of apparent 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 apparent non-compliance across firms.

The firm reported one instance of apparent non-compliance with Rule 2-01(c)(1) regarding a financial relationship that occurred at the firm and involved its personnel. This instance related to an investment in an audit client by a partner in the same office as the engagement partner for an issuer.

¹ The firm-identified instance of apparent non-compliance does not necessarily relate to the issuer audits that we selected for review.

The firm has reported to us that it has evaluated this instance of apparent non-compliance and determined that its objectivity and impartiality were not impaired. The firm also reported to us that it communicated this instance to the issuer's audit committee 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.



April 9, 2025

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

Email: ResponsestoDraftReport@pcaobus.org

Re: Response to Part I of the Draft Report on the 2024 Inspection of WithumSmith+Brown, PC

Dear Ms. Gunia:

On behalf of WithumSmith+Brown, PC ("Withum" or the "Firm"), we appreciate the opportunity to provide our response to the Public Company Accounting Oversight Board's ("PCAOB") Draft Report (the "Report") regarding the 2024 inspection of the Firm.

Withum has the utmost respect for the PCAOB's inspection process and believes that the PCAOB inspection process serves a critical role in further enhancing audit quality for the benefit of investors and the public interest. We take very seriously the matters identified by the PCAOB in connection with our 2024 inspection, and the matters identified in Part 1 of the Report have been carefully evaluated and have been properly addressed and resolved in accordance with Firm internal policies and relevant PCAOB standards to comply with our professional responsibilities under AS 2901, *Consideration of Omitted Procedures After the Report Date* and, if applicable, AS 2905, *Subsequent Discovery of Facts Existing at the Date of the Auditor's Report*.

Additionally, we have conducted root cause analyses, and as a result, have enhanced certain aspects of our audit approach and quality control policies. Withum continues to stress the importance of improving audit quality.

Withum remains committed to the PCAOB's mission of constant improvement to audit quality to better protect the public interest. We look forward to continuing to engage with the PCAOB in pursuit of this common mission.

Respectfully submitted,

John Mortenson, Head of Accounting and Auditing Services
WithumSmith+Brown, PC

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