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# 2024 Inspection

# Marcum LLP

(Headquartered in New York, New York)

June 25, 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. 104-2025-104



# EXECUTIVE SUMMARY

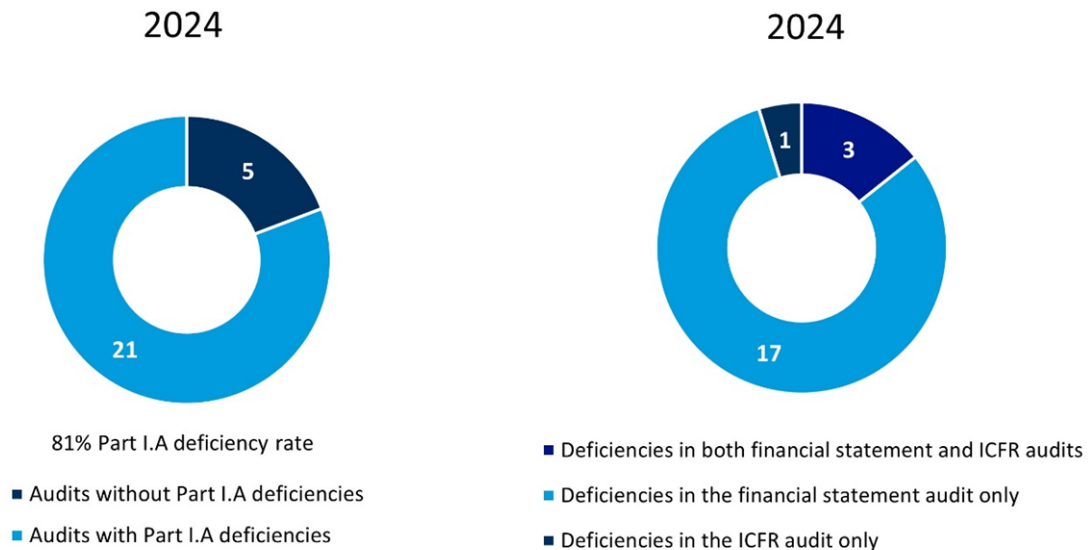
Our 2024 inspection report on Marcum LLP provides information on our inspection to assess the firm's compliance with Public Company Accounting Oversight Board (PCAOB) standards and rules and other applicable regulatory and professional requirements. This executive summary offers a high-level overview of what is included in this report:

- Part I.A of the report discusses deficiencies ("Part I.A deficiencies") in certain issuer audits that were of such significance that we believe the firm, at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion(s) on the issuer's financial statements and/or internal control over financial reporting (ICFR).
- Part I.B of the report discusses certain deficiencies ("Part I.B deficiencies") that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to support its opinion(s). This section does not discuss instances of 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

Twenty-one of the 26 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 testing of controls over and/or substantive testing of revenue and related accounts, goodwill and intangible assets, and long-lived assets.



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 consideration of fraud, engagement quality review, audit committee communications, risk assessment, management communications, critical audit matters, the firm's audit report, and Form AP.

The Part I.C deficiencies in 2024 related to audit committee pre-approval, financial relationships, partner rotation, and tax services for persons in a financial reporting oversight role.

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# 2024 INSPECTION

In the 2024 inspection of Marcum LLP, the PCAOB assessed the firm's compliance with laws, rules, and professional standards applicable to the audits of issuers.

We selected for review 26 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

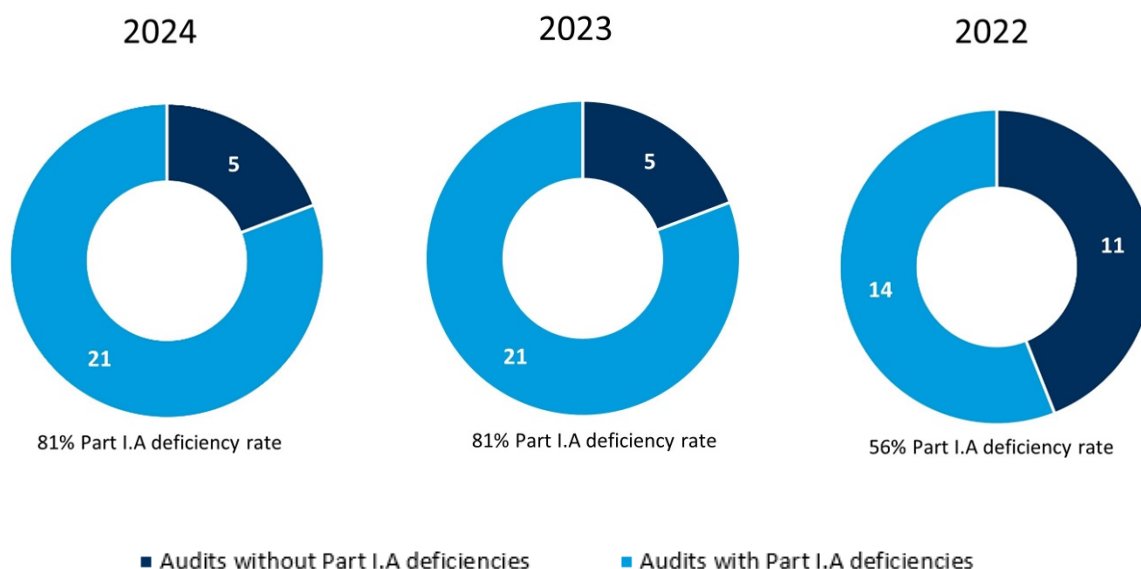
The following information provides an overview of our 2024 inspection as well as data from the previous two inspections. We use a combination of risk-based and random methods to select audits for review and to identify areas on which we focus our review. Because our inspection process evolves over time, 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
<b>Total audits reviewed</b>			
<b>Total audits reviewed</b>	26	26	25
<b>Selection method</b>			
<b>Risk-based selections</b>	24	24	23
<b>Random selections</b>	2	2	2
<b>Total audits reviewed</b>	26	26	25
<b>Principal auditor</b>			
<b>Audits in which the firm was the principal auditor</b>	26	26	25
<b>Audits in which the firm was not the principal auditor</b>	0	0	0
<b>Total audits reviewed</b>	26	26	25
<b>Audit type</b>			
<b>Integrated audits of financial statements and ICFR</b>	6	6	4
<b>Financial statement audits only</b>	20	20	21
<b>Total audits reviewed</b>	26	26	25

## Part I.A Deficiencies in Audits Reviewed

In 2024 and 2023, 20 of the 21 audits appearing in Part I.A were selected for review using risk-based criteria. In 2022, all audits appearing in Part I.A were selected for review using risk-based criteria.



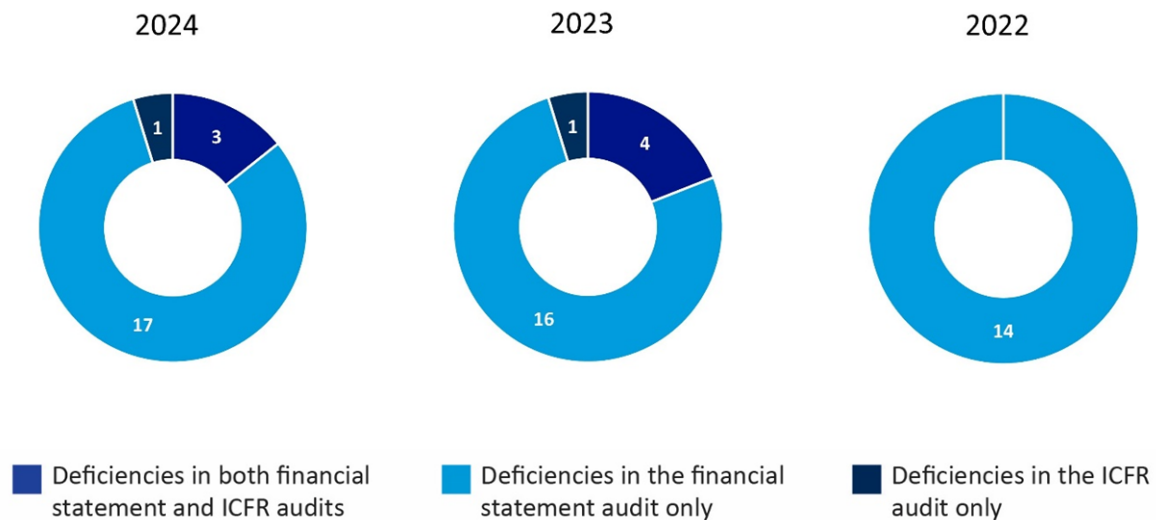
If we include a deficiency in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In certain cases, the firm may have performed remedial actions after the deficiency was identified. Depending on the circumstances, remedial actions may include performing 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 one audit, the issuer corrected a misstatement in a subsequent filing by adjusting the prior-period amounts.

In connection with our 2023 inspection procedures for one audit, the issuer restated its financial statements to correct misstatements, and the firm revised and reissued its report on the financial statements.

Our 2022 inspection procedures involved two audits for which each issuer, unrelated to our review, filed a Form 8-K indicating that its previously issued financial statements should not be relied on and corrected misstatements 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	13	13	9
Did not sufficiently test an estimate	10	16	10
Did not perform sufficient testing of data or reports used in the firm's substantive testing	8	16	7

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	3	4	0
Did not identify and test any controls that addressed the risks related to a significant account or relevant assertion	2	4	0
Did not identify and/or sufficiently test controls over the accuracy and completeness of data or reports that the issuer used in the operation of controls	2	3	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	16	11	Revenue and related accounts	17	15	Revenue and related accounts	16	6
Inventory	7	3	Business combinations	6	5	Business combinations	11	8
Equity and equity-related transactions	7	1	Equity and equity-related transactions	6	1	Equity and equity-related transactions	9	1
Goodwill and intangible assets	6	6	Long-lived assets	5	5	Investment securities	7	0
Long-lived assets	4	4	Goodwill and intangible assets	5	2	Goodwill and intangible assets	4	3

## 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	11	16	15	17	6	16
Goodwill and intangible assets	6	6	2	5	3	4
Long-lived assets	4	4	5	5	1	2
Business combinations	2	3	5	6	8	11

**Revenue and related accounts:** The deficiencies in 2024 primarily related to substantive testing of revenue and testing the accuracy and completeness of data used in substantive testing of revenue. The deficiencies in 2023 primarily related to substantive testing of, and testing controls over, revenue. The deficiencies in 2022 related to substantive testing of revenue.

**Goodwill and intangible assets:** The deficiencies in 2024 and 2023 primarily related to evaluating goodwill and intangible assets for possible impairment. The deficiencies in 2022 primarily related to evaluating intangible assets for possible impairment and the issuer's presentation of intangible assets.

**Long-lived assets:** The deficiencies in 2024 related to evaluating, and testing controls over the issuer's evaluation of, long-lived assets for possible impairment. The deficiencies in 2023 primarily related to evaluating long-lived assets for possible impairment. The deficiency in 2022 related to testing the accuracy and completeness of data used in the substantive testing of long-lived assets.

**Business combinations:** The deficiencies in 2024 and 2022 primarily related to substantive testing of significant assumptions used by the issuer to determine the fair values of acquired assets and evaluating the appropriateness of the issuer's accounting for business combinations and related disclosures. The deficiencies in 2023 primarily related to substantive testing, and testing controls over, significant assumptions used by the issuer to determine the fair values of assets acquired in a business combination.

## Auditing Standards Associated with Identified Part I.A Deficiencies

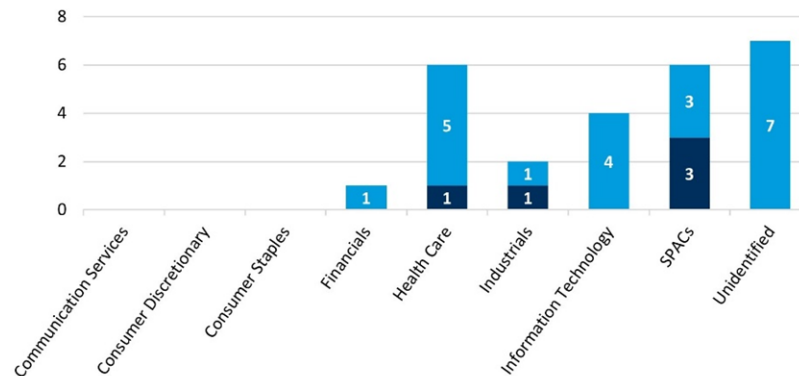
The following lists the auditing standards referenced in Part I.A of the 2024 and the previous two inspection reports, and the number of times that the standard is cited in Part I.A.

PCAOB Auditing Standards	2024	2023	2022
<i>AS 1105, Audit Evidence</i>	24	32	22
<i>AS 1201, Supervision of the Audit Engagement</i>	13	9	5
<i>AS 1210, Using the Work of an Auditor-Engaged Specialist</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>	15	35	0
<i>AS 2301, The Auditor's Responses to the Risks of Material Misstatement</i>	25	47	14
<i>AS 2305, Substantive Analytical Procedures</i>	0	2	0
<i>AS 2310, The Confirmation Process</i>	3	2	0
<i>AS 2315, Audit Sampling</i>	1	3	0
<i>AS 2401, Consideration of Fraud in a Financial Statement Audit</i>	2	3	1
<i>AS 2410, Related Parties</i>	1	0	0
<i>AS 2415, Consideration of an Entity's Ability to Continue as a Going Concern</i>	3	0	1
<i>AS 2501, Auditing Accounting Estimates, Including Fair Value Measurements</i>	13	33	18
<i>AS 2510, Auditing Inventories</i>	1	3	0
<i>AS 2810, Evaluating Audit Results</i>	11	14	16

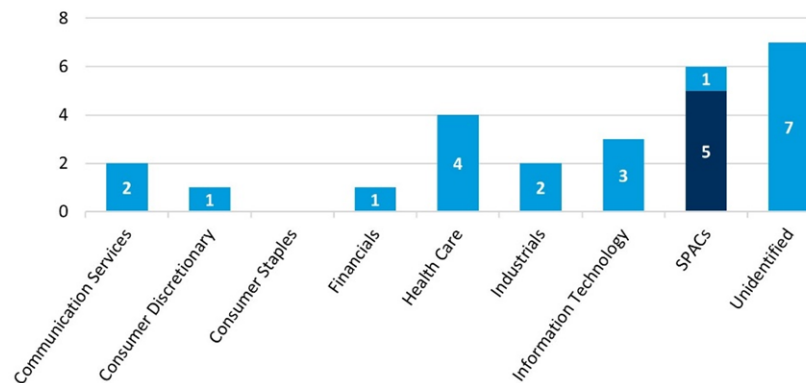
## Inspection Results by Issuer Industry Sector

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."

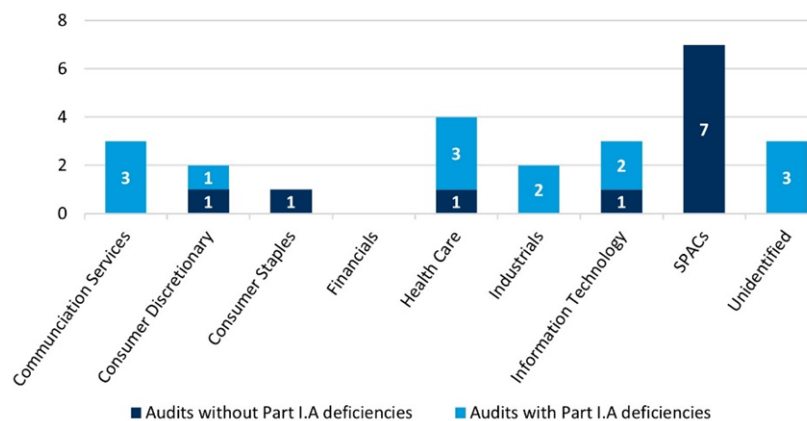
### 2024



### 2023

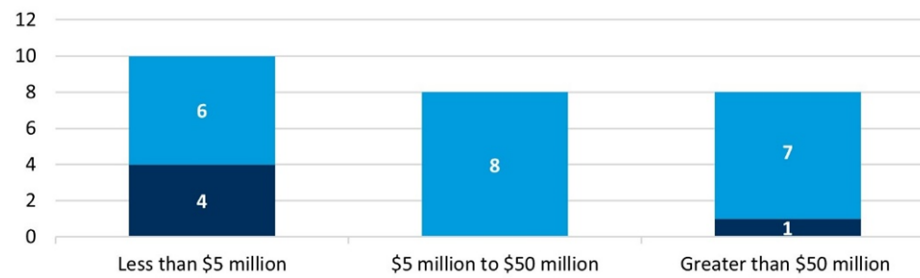


### 2022

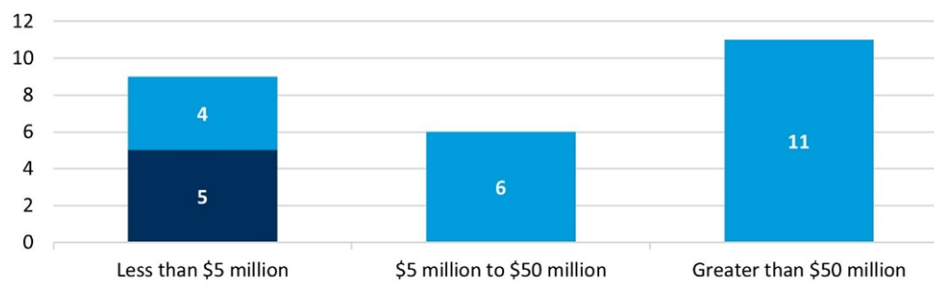


## Inspection Results by Issuer Revenue Range

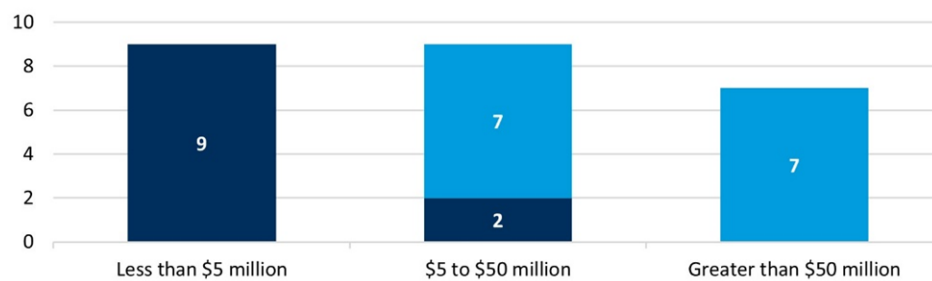
**2024**



**2023**



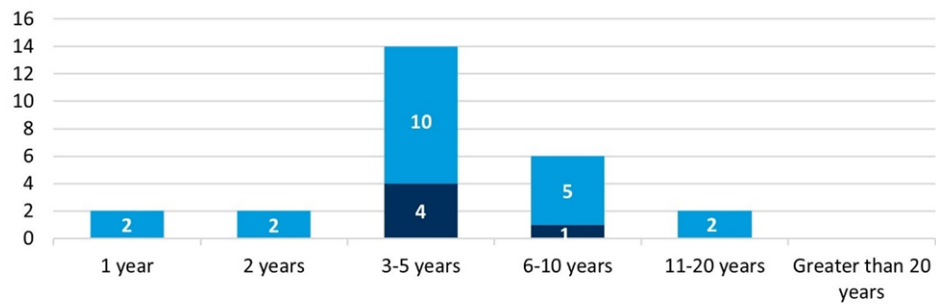
**2022**



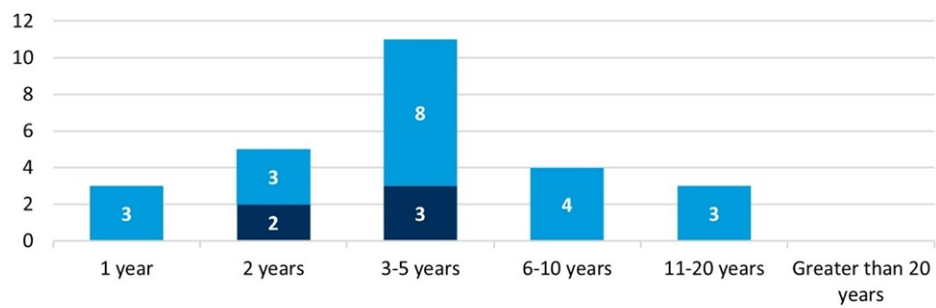
■ Audits without Part I.A deficiencies ■ Audits with Part I.A deficiencies

## Inspection Results by the Firm's Tenure on the Issuer

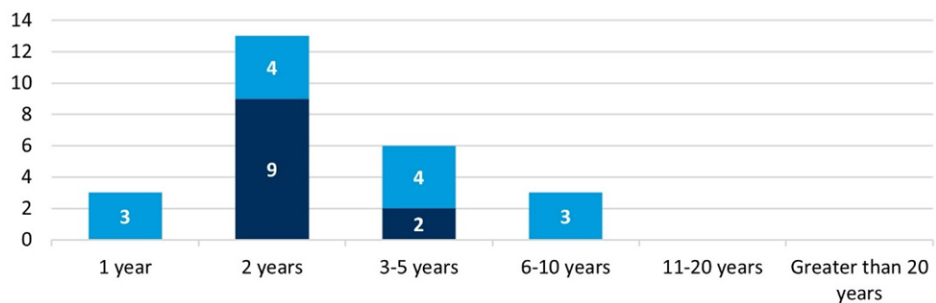
**2024**



**2023**



**2022**

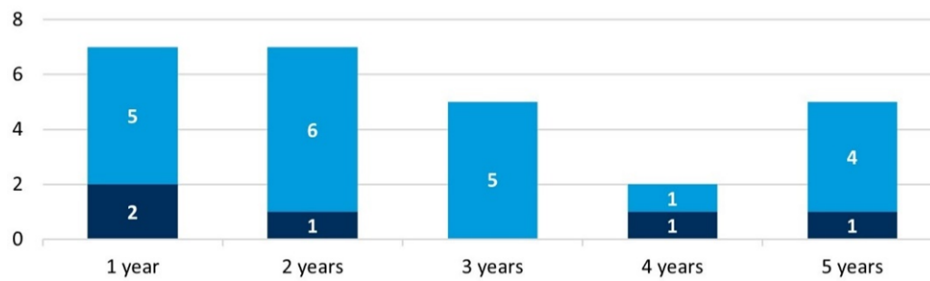


■ Audits without Part I.A deficiencies ■ Audits with Part I.A deficiencies

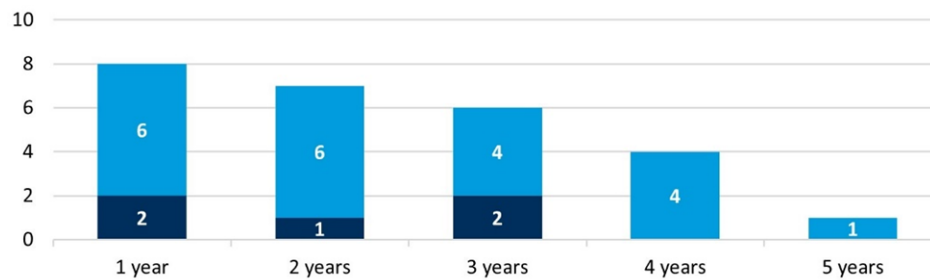


## Inspection Results by the Engagement Partner's Tenure on the Issuer

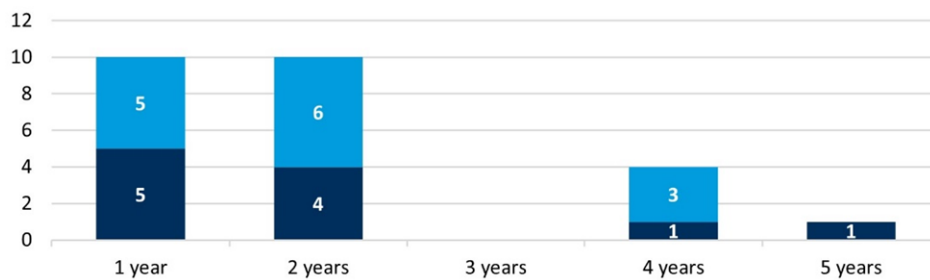
**2024**



**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.

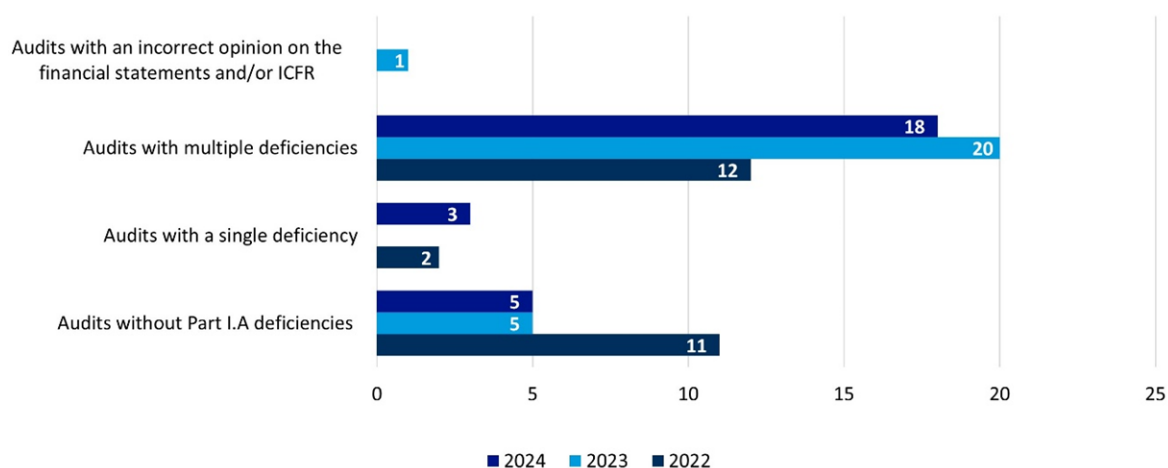
### Audits with Multiple Deficiencies

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

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 **Inventory, Revenue,** and a **Business Combination**. This was the firm's initial audit of this issuer.

## Description of the deficiencies identified

### With respect to **Inventory**:

The firm performed independent test counts of inventory after year end. The following deficiencies were identified:

- The firm did not compare the inventory listing it used to perform its substantive procedures to the recorded balance. (AS 2301.08)
- The firm did not apply tests of intervening transactions in inventory between year end and the date of its test counts. (AS 2510.12)

The firm's substantive procedures to test the unit cost of inventory consisted of (1) selecting a sample of raw materials for testing and (2) testing the issuer's process for allocating labor and overhead costs to inventory. The following deficiencies were identified:

- The firm did not perform sufficient procedures to test the raw materials cost because its procedures were limited to comparing the recorded cost to supporting documentation for the most recent purchase. (AS 2301.08)
- The firm did not perform procedures to test, or test controls over, the accuracy and completeness of certain issuer-produced information that it used in its testing of the allocated labor and overhead costs. (AS 1105.10)
- The firm did not perform procedures, beyond inquiring of management, to evaluate the reasonableness of certain significant assumptions used by the issuer to allocate overhead costs. (AS 2501.16)
- The firm did not perform any procedures to evaluate whether inventory was recorded at the lower of cost or net realizable value. (AS 2301.08)

The firm did not perform any substantive procedures to test the issuer's reserve for excess and obsolete inventory. (AS 2501.07)

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

The firm's substantive procedures to test revenue included selecting samples of transactions for testing. The following deficiencies were identified:

- The firm did not perform procedures to test, or test controls over, the completeness of the populations it used to make its selections. (AS 1105.10)
- The issuer recognized certain of this revenue upon (1) delivery and customer acceptance of products or (2) completion of its services. For certain selections, the firm did not perform procedures to test whether (1) the customer had accepted the products or (2) the issuer had completed its services. (AS 2301.08 and .13)

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

During the year, the issuer entered into a merger agreement, which included provisions for contingent payments to the sellers upon the satisfaction of certain criteria. The following deficiencies were identified:

- The firm’s approach to substantively test the fair value of one of these provisions consisted of developing an independent expectation using an auditor-employed specialist. The firm did not identify that the auditor-employed specialist did not perform procedures to demonstrate it had a reasonable basis for a significant assumption it developed. (AS 1201.C6 and .C7; AS 2501.22)
- The firm did not perform any other procedures to evaluate the issuer’s accounting for, and presentation and disclosure of, this provision. (AS 2301.08 and .11)
- For another provision, the firm did not identify and evaluate the issuer’s omission of certain disclosures required under FASB ASC Topic 718, *Compensation—Stock Compensation*, related to the nature and terms of the provision and the potential effects of the provision on shareholders. (AS 2810.30 and .31)

## Issuer B – Financials

### Type of audit and related areas affected

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

### Description of the deficiencies identified

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

The issuer recognized revenue from certain arrangements as single performance obligations satisfied at a point in time. The firm selected a sample of these revenue transactions for testing. The following deficiencies were identified:

- The firm did not perform sufficient procedures to evaluate whether the issuer recognized revenue in conformity with FASB ASC Topic 606, *Revenue from Contracts with Customers*, because it did not evaluate (1) the issuer’s identification of the customers in these arrangements and (2) whether the issuer was acting as a principal or as an agent. (AS 2301.08 and .13)
- The firm did not perform procedures to test whether the performance obligations had been satisfied before revenue was recognized, beyond comparing the transactions selected for testing to an issuer-produced report. (AS 2301.08 and .13)

The firm did not sufficiently evaluate whether the issuer’s accounting for certain other transactions as revenue was appropriate because it did not evaluate whether one or more of the scope exceptions under FASB ASC Topic 606 were applicable. (AS 2301.08 and .13)

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

The issuer engaged a specialist to perform an assessment of its goodwill for possible impairment. The firm’s approach to substantively test the issuer’s goodwill impairment assessment consisted of

developing an independent expectation of the fair value of the issuer's single reporting unit as a range using an auditor-employed specialist. The following deficiencies were identified:

- The firm did not evaluate whether the auditor-employed specialist's independent expectation of the fair value as a range encompassed only reasonable outcomes and was supported by sufficient appropriate audit evidence. (AS 1201.C6 and .C7; AS 2501.25)
- The firm did not identify that the auditor-employed specialist did not perform procedures to evaluate the relevance of data from external sources it used to develop the independent expectation as a range. (AS 1105.04 and .06; AS 1201.C6 and .C7)

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

The issuer engaged a specialist to perform an assessment of an intangible asset for possible impairment. The firm's approach to substantively test this assessment was to test the issuer's process with the assistance of an auditor-employed specialist. The firm did not identify that the auditor-employed specialist did not perform procedures to evaluate the reasonableness of a significant assumption developed by the company's specialist. (AS 1105.A8b; AS 1201.C6 and .C7)

The issuer recorded a partial valuation allowance against its recorded deferred tax assets based on forecasted taxable income, which included significant assumptions developed by the issuer that were also used in the issuer's intangible asset impairment assessment discussed above. The firm did not sufficiently evaluate the reasonableness of these significant assumptions, including taking into account the issuer's intent and ability to carry out these assumptions, because its procedures were limited to inquiring of management and comparing these assumptions to historical financial information and written plans. Further, the firm did not evaluate certain significant differences between the issuer's historical experience and these assumptions. (AS 2501.16 and .17)

The firm did not perform procedures to test the issuer's income tax provision and deferred tax accounts, beyond the procedures discussed in the audit deficiency above. (AS 2301.08)

## Issuer C

### Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement audit related to **Revenue**, **Goodwill**, **Intangible Assets**, and **Financial Statement Presentation**.

### Description of the deficiencies identified

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

The issuer recorded certain revenue based on transactions that occurred on applications maintained by external parties. The following deficiencies were identified:

- For two types of revenue, the firm did not perform substantive procedures to evaluate whether the performance obligations had been satisfied before revenue was recognized. (AS 2301.08 and .13)

- To test a third type of revenue, the firm sent positive confirmation requests to the external parties that maintained the applications. The firm's confirmation procedures were not sufficient because the firm did not consider whether the external parties would have the information necessary to confirm that the issuer's performance obligations had been satisfied. (AS 2310.26) In addition, for the items for which the requested confirmations were not returned, the firm did not perform alternative procedures that provided sufficient appropriate audit evidence that the recorded amounts of revenue were accurate as of the confirmation date. (AS 2310.31)

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

The issuer engaged a specialist to perform assessments of goodwill and intangible assets for possible impairment using various significant assumptions, including assumptions related to forecasted cash flows. The firm's approach to evaluate these impairment assessments was to test the issuer's process, and the firm used an auditor-employed specialist to evaluate certain significant assumptions the company's specialist used. The following deficiencies were identified:

- The firm did not perform procedures to test, or test controls over, the accuracy and completeness of (1) historical financial information the firm used in evaluating the reasonableness of the significant assumptions related to forecasted cash flows and (2) the carrying value of certain asset groups. (AS 1105.10)
- For the assessments of intangible assets and goodwill, the firm did not (1) perform any procedures to evaluate the reasonableness of a significant assumption developed by the company's specialist or (2) identify that the auditor-employed specialist did not perform procedures to evaluate the reasonableness of a component of another significant assumption developed by the company's specialist. (AS 1105.A8b; AS 1201.C6 and .C7)
- For the assessments of intangible assets and goodwill for one reporting unit, the firm did not sufficiently evaluate the reasonableness of significant assumptions developed by the issuer related to forecasted cash flows because its procedures were limited to (1) comparing the assumptions for one forecasted period to historical experience and (2) reviewing new revenue contracts that represented a small percentage of forecasted revenue. (AS 2501.16)
- For the assessments of certain intangible assets and goodwill for another reporting unit, the firm did not evaluate the relevance and reliability of certain industry information it used in evaluating the reasonableness of the significant assumptions related to forecasted cash flows. (AS 1105.04 and .06)

With respect to **Financial Statement Presentation**:

During the year, the issuer disposed of two business units. The firm did not perform sufficient procedures to evaluate whether these business units should have been reported as discontinued operations in conformity with FASB ASC Topic 205, *Presentation of Financial Statements*, because it did not consider certain information in evaluating whether the discontinued operations represented a strategic shift. (AS 2301.08)

## Issuer D

### Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Revenue and Related Accounts, Inventory, and Long-Lived Assets**.

### Description of the deficiencies identified

The issuer used multiple service organizations to host and/or maintain an information-technology (IT) system that the issuer used to initiate, process, and record transactions related to revenue and related accounts, inventory, and long-lived assets at certain business units. In its testing of controls over these accounts, the firm tested various automated and IT-dependent manual controls that used data and reports generated or maintained by this IT system. As a result of the deficiencies in the firm's testing of IT general controls (ITGCs) discussed below, the firm's testing of these automated and IT-dependent manual controls was not sufficient. (AS 2201.46)

The firm obtained the service auditor's reports for these service organizations and identified certain complementary user controls that the service auditor's reports described as necessary. These service organizations used sub-service organizations for certain functions. The following deficiencies were identified:

- The firm selected for testing complementary user controls over the issuer's granting and monitoring of user access to this system but did not evaluate the specific review procedures that the control owners performed to determine whether to grant access to users or whether access that had been previously approved continued to be appropriate. (AS 2201.42, .44, and .B22)
- The firm selected for testing a complementary user control over change management. The firm did not perform sufficient procedures to test, or test controls over, the completeness of the population of changes that the firm used in its testing of this control because it did not evaluate whether the system was configured to track all changes made to the production environment. (AS 1105.10)
- The firm did not perform procedures, beyond inquiry, to evaluate whether the issuer had implemented certain other complementary user controls. (AS 2201.39 and .B22)
- The firm did not obtain an understanding of, or test, any relevant controls at certain sub-service organizations. (AS 2201.39 and .B19)

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

For revenue at three business units, which was affected by the ITGC audit deficiencies discussed above, the firm selected for testing various controls that addressed the recognition of revenue when performance obligations were satisfied. The firm did not identify and test any controls over the accuracy and completeness of certain information used in the operation of these controls. (AS 2201.39)

With respect to **Inventory**:

For inventory at two business units, which was affected by the ITGC audit deficiencies discussed above, the following additional deficiencies were identified:



- The firm selected for testing controls that consisted of the issuer's performance of physical inventory counts. The firm did not test the aspects of these controls that addressed whether an accurate and complete count had occurred. (AS 2201.42 and .44)
- The firm did not perform any procedures to evaluate the issuer's classification of certain items as inventory. (AS 2301.08)

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

For long-lived assets at one business unit, which was affected by the ITGC audit deficiencies discussed above, the following additional deficiencies were identified:

- The firm did not identify and test any controls related to the issuer's evaluation of long-lived assets for possible impairment. (AS 2201.39)
- The firm did not perform any substantive procedures to test long-lived assets for possible impairment. (AS 2301.08)

## Issuer E

### Type of audit and related areas affected

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

### Description of the deficiencies identified

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

The issuer recognized revenue from certain contracts related to the development and sale of real estate. In conjunction with these contracts, the issuer received deposits from customers that were recorded as deferred revenue. The following deficiencies were identified:

- The firm did not identify and evaluate the issuer's omission of certain disclosures required under FASB ASC Topic 606 related to unsatisfied (or partially unsatisfied) performance obligations and when the issuer expects to recognize this revenue. (AS 2810.30 and .31)
- The firm did not evaluate the appropriateness of the issuer's classification of deferred revenue associated with these contracts as a current liability. (AS 2301.08)

With respect to **Related Party Transactions**, for which the firm identified a significant risk:

During the year, the issuer recorded a credit loss associated with amounts owed by a related party. The firm did not evaluate whether the business purpose (or the lack thereof) of this transaction indicated that it may have been entered into to engage in fraudulent financial reporting or conceal misappropriation of assets given certain facts regarding this transaction. (AS 2401.67; AS 2410.11)

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

The firm did not perform any substantive procedures to test certain long-lived assets for possible impairment. (AS 2301.08)

## Issuer F

### Type of audit and related areas affected

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

### Description of the deficiencies identified

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

During the year, the issuer acquired multiple businesses and engaged specialists to determine the fair values of certain acquired assets using various assumptions. For these business combinations, the firm's approach to substantively test the fair values of certain of these acquired assets consisted of (1) testing the issuer's process and (2) developing independent expectations of the fair values as a range, and the firm used an auditor-employed specialist in each approach. The following deficiencies were identified:

- In testing the issuer's process, the firm did not identify that the auditor-employed specialist did not perform procedures to evaluate the reasonableness of certain significant assumptions developed by the company's specialists. (AS 1105.A8b; AS 1201.C6 and .C7) In addition, the firm did not perform procedures to test the accuracy of certain issuer-produced data that the company's specialists used to develop the fair values of these assets. (AS 1105.A8a)
- In developing its independent expectations, the firm did not identify that the work of the auditor-employed specialist did not provide sufficient appropriate audit evidence because it did not evaluate whether the independent expectations of the fair values as a range encompassed only reasonable outcomes and were supported by sufficient appropriate audit evidence. (AS 1201.C6 and .C7; AS 2501.25) In addition, the firm did not identify that the auditor-employed specialist did not evaluate the relevance and reliability of certain external data that it used to develop its independent expectations. (AS 1105.04 and .06; AS 1201.C6 and .C7)

For one of these business combinations, the firm's approach to substantively test the fair values of certain other acquired intangible assets consisted of testing the issuer's process, and the firm used an auditor-employed specialist to evaluate certain significant assumptions that the company's specialists used. The following deficiencies were identified:

- The firm did not identify that the auditor-employed specialist did not sufficiently evaluate the reasonableness of a significant assumption developed by the company's specialist because the auditor-employed specialist did not perform any procedures to evaluate the reasonableness of a component of this assumption. (AS 1105.A8b; AS 1201.C6 and .C7)
- The firm did not identify that the auditor-employed specialist did not evaluate the relevance and reliability of (1) external data that the company's specialist used to develop a significant assumption and (2) other external data that the auditor-employed specialist used to evaluate the reasonableness of other significant assumptions. (AS 1105.04, .06, and .A8a; AS 1201.C6 and .C7)

- The firm did not evaluate the reliability of certain other information that the firm used to evaluate the reasonableness of certain significant assumptions developed by the issuer. (AS 1105.04 and .06)

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

With respect to **Revenue**:

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

The firm did not identify and evaluate the issuer's omission of certain disclosures required under FASB ASC Topic 606 related to a description of the nature of certain services the issuer promised to transfer. (AS 2810.30 and .31)

## Issuer G

### Type of audit and related areas affected

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

### Description of the deficiencies identified

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

The issuer recorded certain revenue based on data in an electronic environment that were tracked by an IT system. To test this revenue, the firm (1) sent positive confirmation requests to the issuer's customers with revenue over an established threshold and (2) selected a sample of transactions for testing. The following deficiencies were identified:

- The firm's confirmation procedures were not sufficient because the firm did not consider whether the issuer's customers would have the information necessary to confirm that the issuer's performance obligations had been satisfied. (AS 2310.26)
- The firm did not evaluate whether the transaction prices allocated to the issuer's performance obligations were based on standalone selling prices. (AS 2301.08 and .13)

For another type of revenue, the firm did not perform procedures to test whether the issuer's performance obligation had been satisfied before revenue was recognized. (AS 2301.08 and .13)

The firm did not identify and evaluate the issuer's omission of a required disclosure under FASB ASC Topic 606 related to significant payment terms. (AS 2810.30 and .31)

With respect to **Going Concern**:

The issuer evaluated its ability to continue as a going concern and concluded that the substantial doubt was alleviated by its plans. The firm did not sufficiently evaluate the reliability of management's plans because it did not (1) evaluate management's ability to increase revenue and (2) take into account

certain conditions and events that could affect revenue growth. (AS 1105.04 and .06; AS 2415.03, .08, and .09)

## Issuer H – Health Care

### Type of audit and related areas affected

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

### Description of the deficiencies identified

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

The issuer engaged a specialist to perform an assessment of its goodwill for possible impairment, and the firm selected for testing a control that consisted of the issuer's review of this assessment. The firm did not evaluate the specific review procedures the control owner performed to assess the reasonableness of a significant assumption used in this assessment. (AS 2201.42 and .44)

The firm's approach to substantively test the issuer's goodwill impairment assessment consisted of developing an independent expectation of the fair value of the issuer's single reporting unit as a range using an auditor-employed specialist. The following deficiencies were identified:

- The firm did not evaluate whether the auditor-employed specialist's independent expectation of the fair value as a range encompassed only reasonable outcomes and was supported by sufficient appropriate audit evidence. (AS 1201.C6 and .C7; AS 2501.25)
- The firm did not identify that the auditor-employed specialist did not perform procedures to evaluate the relevance of data from external sources it used to develop the independent expectation as a range. (AS 1105.04 and .06; AS 1201.C6 and .C7)

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

The issuer estimated the cost of certain inventory using various significant assumptions. The firm's approach for substantively testing the valuation of this inventory was to test the issuer's process. The following deficiencies were identified:

- The firm's approach for evaluating the reasonableness of certain significant assumptions was to develop expectations of these assumptions. The firm did not perform sufficient procedures to demonstrate it had a reasonable basis for its expectations because it limited the development of these expectations to the results of its tests of certain varieties of inventory items. (AS 2501.16)
- The firm did not perform procedures to test, or test controls over, the accuracy and/or completeness of certain issuer-produced information that the firm used in its substantive testing of inventory. (AS 1105.10)

## Issuer I – Information Technology

### Type of audit and related areas affected

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

### Description of the deficiencies identified

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

The firm did not perform procedures to test, or test controls over, the accuracy and completeness of certain issuer-produced information that it used in its testing of (1) certain revenue and (2) the issuer's disclosure related to the remaining performance obligations. (AS 1105.10)

With respect to **Intangible Assets**:

The firm did not perform any substantive procedures to test intangible assets for possible impairment. (AS 2301.08)

## Issuer J – Information Technology

### Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Expenses** and **Long-Lived Assets**. The firm's internal inspection program had inspected this audit and reviewed the ITGCs area, and also identified the deficiency below.

### Description of the deficiencies identified

The issuer used an IT system to initiate, process, and record transactions related to certain expenses and long-lived assets. The firm identified various control deficiencies in its testing of ITGCs over this system, but did not sufficiently evaluate whether these deficiencies represented a material weakness because the firm did not evaluate the magnitude of the potential misstatements resulting from these deficiencies. (AS 2201.62) In its testing of controls over these accounts, the firm tested various IT-dependent manual controls that used data and reports generated from this system. As a result of this deficiency in the firm's evaluation, the firm's testing of these IT-dependent manual controls was not sufficient. (AS 2201.46)

With respect to **Expenses**:

The issuer included payroll and other costs as components of these expenses, which were affected by the audit deficiencies discussed above. The following additional deficiencies were identified:

- The firm did not evaluate whether the controls it selected for testing were designed to address the risk of whether the issuer had appropriately classified these payroll and other costs. (AS 2201.42)
- The firm did not perform any substantive procedures to test whether the issuer had appropriately classified these payroll costs. (AS 2301.08)

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

The firm selected for testing a control, which was affected by the audit deficiencies discussed above, that included the issuer's review of certain long-lived assets for possible impairment. The firm did not evaluate the specific review procedures that the control owner performed to assess certain indicators of possible impairment. (AS 2201.42 and .44)

The firm did not perform any substantive procedures to test these long-lived assets for possible impairment. (AS 2301.08)

## Issuer K – Health Care

### 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 revenue from contracts with customers that included an estimate of variable consideration in the transaction price; the issuer estimated this variable consideration using a portfolio of contracts approach. The following deficiencies were identified:

- The firm did not evaluate whether the issuer's method to estimate variable consideration was in conformity with FASB ASC Topic 606 and appropriate for the nature of the revenue. (AS 2501.10)
- The firm used an issuer-prepared schedule of cash receipts by invoice in its substantive testing of the variable consideration estimate. The firm did not sufficiently test, or test controls over, the accuracy of this schedule because it did not perform procedures to evaluate whether the cash receipts throughout the period related to the associated invoices. (AS 1105.10)

The sample size the firm used in its substantive procedures to test this revenue was too small to provide sufficient appropriate audit evidence because, in determining the sample size, the firm did not take into account tolerable misstatement, the allowable risk of incorrect acceptance, and the characteristics of the population. (AS 2315.16, .23, and .23A)

## Issuer L – Health Care

### Type of audit and related area affected

In our review, we identified deficiencies in the financial statement audit related to **Going Concern**, for which the firm identified a significant risk. This was the firm's initial audit of this issuer.

### Description of the deficiencies identified

The issuer used forecasted financial information in its evaluation of its ability to continue as a going concern and concluded that substantial doubt was alleviated by its plans. In evaluating management's plans, the firm did not sufficiently evaluate the reliability of the issuer's forecasted financial information, as follows:

- The firm compared the forecasted revenue to the issuer's results subsequent to year end but did not evaluate the significant difference it identified. Further, the firm did not evaluate whether the issuer's recent reduction in workforce would affect its ability to achieve its forecasted revenue growth. (AS 1105.04 and .06; AS 2415.03, .08, and .09)
- The firm did not compare certain forecasted expenditures with the issuer's results subsequent to year end. (AS 1105.04 and .06; AS 2415.09)

## Issuer M – SPAC

### Type of audit and related area affected

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

### Description of the deficiencies identified

During the year, the issuer entered into certain equity-related agreements; the issuer accounted for each of these agreements as one or more derivatives. The following deficiencies were identified:

- The firm did not evaluate whether the issuer's accounting for one of these agreements was in conformity with FASB ASC Topic 815, *Derivatives and Hedging*. (AS 2301.08)
- The firm's approach to substantively test the fair values of these derivatives at issuance and year end was to test the issuer's process. The firm did not perform procedures to evaluate the reasonableness of certain significant assumptions used in the valuation of these derivatives at issuance and year end, beyond reading an issuer-prepared memorandum and inquiring of management and, for one of the agreements, a counterparty. (AS 2501.16)
- The firm did not identify and evaluate the issuer's omission of certain disclosures required under FASB ASC Topic 820 related to the valuation of these derivatives at issuance and year end. (AS 2810.30 and .31)

## Issuer N – Industrials

### Type of audit and related areas affected

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

### Description of the deficiencies identified

With respect to **Debt**:

The firm did not perform any substantive procedures to test the issuer's compliance with certain financial debt covenants. (AS 2301.08)

The firm did not identify and evaluate (1) a misstatement in the issuer's statement of cash flows related to proceeds and repayments of debt; (2) the issuer's omission of a required disclosure under FASB ASC Topic 210, *Balance Sheet*, related to the remaining borrowing capacity for certain debt; and (3) misstatements in certain disclosures required under FASB ASC Topic 820 and FASB ASC Topic 825,

*Financial Instruments*, related to the issuer's accounting for and measurement of certain other debt. (AS 2810.30 and .31)

In connection with our review, the issuer reevaluated its presentation of the statement of cash flows and concluded that a misstatement existed that had not been previously identified. The issuer corrected this misstatement in a subsequent filing.

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

The issuer performed an assessment of certain of its long-lived assets for possible impairment at year end and concluded that the carrying value of these assets was recoverable. The firm did not identify that the issuer did not consider certain indicators of possible impairment in its assessment of these assets. (AS 2301.08; AS 2810.03)

## Issuer O – Health Care

### Type of audit and related area affected

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

### Description of the deficiencies identified

The issuer used various service organizations for the custody, recordkeeping, and processing of investment transactions, and these service organizations used sub-service organizations for certain functions. For certain sub-service organizations and one service organization, the firm did not obtain an understanding of, or test, any relevant controls for the year under audit. (AS 2201.39 and .B19)

The firm obtained the service auditor's reports for certain of these service organizations and identified certain complementary user controls that the service auditor's reports described as necessary. The following deficiencies were identified:

- The firm selected for testing a complementary user control that addressed the issuer's review of updates to its investment policies, but did not test the design and operating effectiveness of this control. (AS 2201.39 and .B22)
- The firm did not perform any procedures to evaluate whether the issuer implemented certain other complementary user controls as described in the service auditor's reports. (AS 2201.39 and .B22)

## Issuer P – Information Technology

### Type of audit and related areas affected

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

### Description of the deficiencies identified

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



For one business unit, the firm did not perform any procedures to identify and select journal entries and other adjustments for testing, without having an appropriate basis for excluding this business unit. (AS 2401.61)

With respect to **Revenue**:

The firm did not identify and evaluate the issuer's omission of certain disclosures required under FASB ASC Topic 606 related to revenue that is recognized over time. (AS 2810.30 and .31)

## Issuer Q

### 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 revenue from certain contracts over time using an input method based on costs incurred. The following deficiencies were identified:

- The firm did not perform substantive procedures to evaluate whether the costs incurred had been allocated to the appropriate contract. (AS 2301.08 and .13)
- The firm used certain labor information in its substantive testing of the costs incurred but did not test, or test controls over, the accuracy of this information. (AS 1105.10)

## Issuer R – Information Technology

### Type of audit and related area affected

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

### Description of the deficiencies identified

During the year, the issuer engaged a specialist to perform a quantitative assessment of goodwill for one reporting unit for possible impairment. The firm used an auditor-employed specialist to evaluate certain significant assumptions used in the issuer's assessment. For certain of these significant assumptions, the firm did not identify that the auditor-employed specialist did not (1) perform procedures, beyond inquiring of the company's specialist, to evaluate the reasonableness of these assumptions and (2) evaluate the relevance and/or reliability of certain data from an external source the company's specialist used to develop these assumptions. (AS 1105.A8a and .A8b; AS 1201.C6 and .C7)

At year end, the issuer concluded that it was not necessary to perform an additional quantitative assessment of goodwill for this reporting unit. The firm did not sufficiently evaluate the issuer's conclusion because it did not evaluate the issuer's basis for concluding that certain events and circumstances that occurred during the year did not indicate that it was more likely than not that the fair value of this reporting unit was below its carrying amount. (AS 2301.08; AS 2810.03)

## Audits with a Single Deficiency

### Issuer S – Health Care

#### Type of audit and related area affected

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

#### Description of the deficiency identified

The issuer performed assessments of certain intangible assets for possible impairment using various significant assumptions. The firm's approach to evaluate these impairment assessments was to test the issuer's process. The firm did not perform procedures, beyond inquiring of management, to evaluate the reasonableness of certain significant assumptions used in these impairment assessments. (AS 2501.16)

### Issuer T – SPAC

#### Type of audit and related area affected

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

#### Description of the deficiency identified

The issuer reported convertible debt that was measured at fair value. The firm did not perform procedures, beyond inquiring of management, to evaluate the reasonableness of a significant assumption used by the issuer to determine the fair value of the convertible debt. (AS 2501.16)

### Issuer U – SPAC

#### Type of audit and related area affected

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

#### Description of the deficiency identified

The issuer reported warrants that were recorded as liabilities. The firm did not identify and evaluate the issuer's omission of, and a misstatement in, certain required disclosures under FASB ASC Topic 820 related to these warrants. (AS 2810.30 and .31)

## 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 26 audits reviewed, the firm, when testing journal entries for evidence of possible material misstatement due to fraud, did not perform sufficient procedures to determine whether the journal entry population from which it made its selections was accurate. In these instances, the firm was non-compliant with AS 1105, *Audit Evidence*.
- In one of 26 audits reviewed, the work papers did not contain sufficient information to enable an experienced auditor, having no previous connection with the engagement, to understand all of the procedures performed by the engagement quality reviewer, including the procedures that the engagement quality reviewer performed to evaluate the engagement team's responses to the significant risks identified. In this instance, the documentation of the engagement quality review was non-compliant with AS 1220, *Engagement Quality Review*.
- In two of 26 audits reviewed, the firm did not make certain required communications to the audit committee related to the name, location, and planned responsibilities of an other accounting firm that performed audit procedures in the audit. In one additional audit reviewed, the firm did not make certain 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 four of 26 audits reviewed, the firm did not inquire of certain members of management or the internal audit function about the risks of material misstatement, including fraud risks. In addition, in one of these audits, the firm did not inquire of others within the company about fraud risks. In these instances, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*.
- In four of 26 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 these instances, the firm was non-compliant with AS 2401, *Consideration of Fraud in a Financial Statement Audit*.

- In one of 26 audits reviewed, the firm, when testing journal entries for evidence of possible material misstatement due to fraud, did not appropriately consider the characteristics of potentially fraudulent journal entries in determining the criteria it used to identify and select journal entries for testing. In this instance, the firm was non-compliant with AS 2401, *Consideration of Fraud in a Financial Statement Audit*.
- In one of 26 audits reviewed, the firm did not communicate all accumulated misstatements to management on a timely basis to provide management with an opportunity to correct them. In this instance, the firm was non-compliant with AS 2810, *Evaluating Audit Results*.
- In three of 14 audits reviewed, the engagement team performed procedures to determine whether or not matters were critical audit matters but, in performing those procedures, did not include one or more matters that were communicated to the audit committee and that related to accounts or disclosures that were material to the financial statements. In these instances, the firm was non-compliant with AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*. These instances of non-compliance do not necessarily mean that other critical audit matters should have been communicated in the auditor's report.
- In one of 26 audits reviewed, the firm's audit report incorrectly identified the issuer's name and the issuer's financial statements. In this instance, the firm was non-compliant with AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*.
- In one of 26 audits reviewed, 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*.

## 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 instance 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 26 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, four instances across four issuers,<sup>1</sup> representing approximately 1% of the firm's total reported issuer audits, in which the firm or its personnel appeared to have impaired the firm's independence because it may not have complied with Rule 2-01(c) or PCAOB Rule 3523 related to maintaining independence.

While we have not evaluated the underlying reasons for the instances 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 instances of apparent non-compliance related to financial relationships, partner rotation, audit committee pre-approval requirements, and tax services for persons in a financial reporting oversight role:

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<sup>1</sup> The firm-identified instances of apparent non-compliance do not necessarily relate to the issuer audits that we selected for review.

- The firm reported one instance of apparent non-compliance with Rule 2-01(c)(1) regarding financial relationships, which involved the firm's personnel. This instance related to an investment in an audit client where a partner in the same office as the engagement partner for an issuer had a financial relationship with that issuer.
- The firm reported one instance of apparent non-compliance with Rule 2-01(c)(6) regarding partner rotation. This instance related to the performance of services by the engagement partner for more than the maximum period permitted.
- The firm reported one instance of apparent non-compliance with Rule 2-01(c)(7) regarding audit committee pre-approval. This instance related to services provided by the firm without the engagement having been pre-approved by the audit committee.
- The firm reported one instance of non-compliance with PCAOB Rule 3523, which related to prohibited tax services provided by an associated firm for persons in a financial reporting oversight role at an issuer.

The firm has reported to us that it has evaluated these instances of apparent non-compliance and determined in all instances that its objectivity and impartiality were not impaired. The firm also reported to us that it communicated these instances to the issuers' audit committees as required by PCAOB Rule 3526.

## PART II: OBSERVATIONS RELATED TO QUALITY CONTROL

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

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

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

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

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

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

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

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





May 13, 2025

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

Re: Response to the Draft Report on the 2024 Inspection of Marcum LLP

Dear Ms. Gunia:

Marcum LLP (the "Firm") is pleased to provide our response to Part I of the Public Company Accounting Oversight Board's (the "PCAOB") Draft Report on the 2024 inspection of Marcum LLP (the "Draft Report").

The Firm respects and values the PCAOB's inspection process, which through formal communications and through interactions with PCAOB staff helps us identify areas where we can continue to improve and strengthen audit quality to the benefit of investors, other stakeholders and the capital markets in general. As we have after every inspection, we carefully considered the matters brought to our attention in connection with the 2024 inspection and have taken actions to enhance our policies and procedures as part of our commitment to the highest standards of audit quality.

We have also thoroughly evaluated the matters described in Part I.A of the Draft Report and have taken steps to fulfill our responsibilities under AS 2901, *Consideration of Omitted Procedures after the Report Date* and AS 2905, *Subsequent Discovery of Facts Existing at the Date of the Auditor's Report*.

We appreciate the opportunity to respond to the Draft Report and look forward to continuing to work with the PCAOB on matters of interest to our public company auditing practice.

Very truly yours,

A handwritten signature in black ink that reads "Marcum LLP".

Marcum LLP

