2024 Inspection Schechter Dokken Kanter Andrews & Selcer Ltd.

(Headquartered in Minneapolis, Minnesota)

June 26, 2025

PCAOB

PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

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2024 INSPECTION

In the 2024 inspection of Schechter Dokken Kanter Andrews & Selcer Ltd., the Public Company Accounting Oversight Board (PCAOB) assessed the firm's compliance with laws, rules, and professional standards applicable to the audits of public companies.

We selected for review one audit of an issuer with a fiscal year ending in 2022. For the issuer audit selected, we reviewed a portion of the audit. We also evaluated elements of the firm's system of quality control.

2024 Inspection Approach

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

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

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

View the details on the scope of our inspections and our inspections procedures.

OVERVIEW OF THE 2024 INSPECTION

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

Firm Data and Audits Selected for Review

	2024
Firm data	
Total issuer audit clients in which the firm was the principal auditor	1
Total engagement partners on issuer audit work[1]	1
Audits reviewed	
Total audits reviewed	1
Audits in which the firm was the principal auditor	1
Integrated audits of financial statements and internal control over financial reporting (ICFR)	1
Audits with Part I.A deficiencies	1
Percentage of audits with Part I.A deficiencies	100%

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

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.

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

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

Audit Areas Most Frequently Reviewed

This table reflects the audit areas we have selected most frequently for review in the 2024 inspection. For the issuer audit 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	
Audit area	**Audits reviewed**
Revenue and related accounts	1
Business combinations	1

PART I: INSPECTION OBSERVATIONS

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

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

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

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

Classification of Audits with Part I.A Deficiencies

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

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

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

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

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

Audits with Multiple Deficiencies

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

Audits with a Single Deficiency

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

PART I.A: AUDITS WITH UNSUPPORTED OPINIONS

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

We identify each issuer by a letter (e.g., Issuer A) and industry sector. Each deficiency could relate to several auditing standards, but we reference the PCAOB standard 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 – Consumer Discretionary

Type of audit and related areas affected

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

Description of the deficiencies identified

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

The issuer used multiple point-of-sale (POS) applications to initiate and process revenue transactions. The firm selected for testing two controls related to the automated calculation of sales discounts and the review of those discounts by designated individuals with certain access levels.

For two of the POS applications, the firm did not perform any procedures to test these controls. (AS 2201.42 and .44)

For the other POS applications, the firm did not:

- perform any procedures to test that the access to change the configuration was appropriately restricted;
- identify and test the controls for all of the discount types that were applied to the issuer's sales transactions; and
- perform sufficient procedures to determine that certain of the designated access levels were the only designations that allowed for approval of sales discounts because the procedures were limited to testing one level of access. (AS 2201.42 and .44)

For restaurant sales, the following deficiencies were identified:

- The firm performed certain dual-purpose testing for its substantive testing and its testing of the operating effectiveness of certain related controls:
  - The firm did not achieve the objectives of both the test of controls and the substantive test because the sampling unit and attributes tested were not the same. (AS 2301.47)
  - The sample size the firm used was too small to provide sufficient appropriate audit evidence because, in determining the sample size, the firm did not (1) take into account tolerable misstatement and the allowable risk of incorrect acceptance and (2) use the larger of the samples that would otherwise have been designed for the two separate purposes. (AS 2315.16, .19, .23, .23A, and .44)
- The firm selected a sample of restaurant sales transactions to perform a test of details; however, the firm did not perform any procedures to test revenue recognition for certain of the sampled items. (AS 2301.08 and .13)
- The firm did not perform procedures to test, or test any controls over, the accuracy and completeness of the lists and reports it used in selecting its samples and in performing its testing of restaurant sales. (AS 1105.10)

The firm's primary substantive procedures to test franchise royalty revenue were analytical procedures. The following deficiencies were identified:

- The firm did not perform procedures to determine whether certain assumptions it used in developing its expectation for revenue were based on predictable relationships. (AS 2305.13 and .14)

- The expectation the firm used was not sufficiently precise in identifying material misstatements because the firm did not sufficiently disaggregate the data it used in its procedure to address important factors, such as the number of franchisees and differences between franchisee sales and company-owned sales. (AS 2305.17)

The firm did not identify and evaluate a departure from GAAP related to the issuer's omission of certain disclosures required by FASB ASC Topic 606, *Revenue from Contracts with Customers*. (AS 2810.30 and 31)

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

The firm did not identify and test any controls over the issuer's accounts receivable. (AS 2201.39)

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

During the year, the issuer completed a business combination and engaged multiple specialists to determine the fair value of certain acquired assets, including acquired intangible assets, and certain assumed liabilities. The following deficiencies were identified:

- The firm selected for testing a control over the issuer's review of the fair value analyses associated with the acquired assets and assumed liabilities. For the control selected, the firm did not evaluate the specific review procedures that the control owner performed to assess the reasonableness of the assumptions. (AS 2201.42 and .44) In addition, the firm did not identify and test any controls over the prospective financial information developed by the issuer and used by the company's specialist to determine the fair value of certain intangible assets acquired. (AS 2201.39)

- The firm did not perform any procedures to test the existence of the fixed assets acquired. (AS 2301.08 and .11)

- For the valuation of fixed assets, the firm did not perform sufficient procedures to evaluate whether the methods used by the company's specialist were appropriate. Specifically, the firm did not evaluate whether the data and significant assumptions were appropriately applied under the applicable reporting framework. (AS 1105.A8c)

- For the valuation of certain intangible assets, the firm did not perform procedures to test the financial projections, including taking into account the issuer's intent and ability to carry out the projections, used in determining the fair values, beyond tracing the projections for certain years to issuer-prepared schedules or comparing them to certain historical financial statements. (AS 1105.A8b; AS 2501.16 and .17)

- The company's specialists used certain external data in developing the assumptions used in the valuation of certain acquired intangible assets. The firm did not perform any procedures to evaluate the relevance and reliability of the data used. (AS 1105.A8a)

- The firm did not perform any procedures to evaluate the reasonableness of certain significant assumptions used by the company's specialists in the valuation of certain acquired assets and assumed liabilities. (AS 1105.A8b)

- The firm did not perform sufficient procedures to evaluate the reasonableness of certain other significant assumptions developed by the company's specialists in the valuation of certain acquired assets and assumed liabilities, because its procedures were limited to comparing the assumption to either (1) external data (without evaluating the relevance and reliability of the data as noted above), (2) the same assumption used to value another acquired asset, or (3) issuer-prepared schedules. (AS 1105.A8b)

- The firm did not perform any procedures to evaluate the relevance and reliability of certain data the firm used to evaluate the reasonableness of certain components of another significant assumption developed by the company's specialist in its valuation of certain acquired assets. (AS 1105.04 and .06)

- The firm did not perform sufficient procedures to evaluate the relevance and reliability of one of the company's specialists' work related to certain assumed liabilities because it did not evaluate the restriction the specialist placed on the intended users of the report, and perform additional procedures to address the matter. (AS 1105.A9 and .A10)

The firm did not identify and evaluate a departure from GAAP related to the issuer's omission of a disclosure required by FASB ASC Topic 805, *Business Combinations*. (AS 2810.30 and 31)

Audits with a Single Deficiency

None

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

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

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

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

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

- In the audit reviewed, the firm added audit documentation subsequent to the 45-day period following the report release date and did not indicate the date the information was added, the name of the person who prepared the additional documentation, and the reason for adding it. In this instance, the firm was non-compliant with AS 1215, *Audit Documentation.*

- In the audit reviewed, the firm did not make certain required communications to the audit committee related to certain critical accounting policies and practices and certain critical accounting estimates. In this instance, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.

- In the audit reviewed, the firm did not communicate to the audit committee certain significant changes to the significant risks that had initially been identified and communicated to the audit committee and the reasons for such changes. In this instance, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.

- In the audit reviewed, the firm, when testing journal entries for evidence of possible material misstatement due to fraud, did not consider the characteristics of potentially fraudulent journal entries when identifying and selecting entries for testing. In this instance, the firm was non-compliant with AS 2401, *Consideration of Fraud in a Financial Statement Audit.*

- In the audit reviewed, the firm did not make certain required communications to the audit committee related to its evaluation of the issuer's identification of, accounting for, and disclosure of its relationships and transactions with related parties. In this instance, the firm was non-compliant with AS 2410, *Related Parties*.

- In the audit reviewed, the engagement team performed procedures to determine whether or not matters were critical audit matters but, in performing those procedures, did not include certain matters that were communicated, or required to be communicated, to the audit committee and that related to accounts or disclosures that were material to the financial statements. In this instance, the firm was non-compliant with AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*. This instance of non-compliance does not necessarily mean that other critical audit matters should have been communicated in the auditor's report.

- In the audit reviewed, the firm's communication of a critical audit matter in the audit report included language that was inconsistent with information in the firm's audit documentation. In this instance, the firm was non-compliant with AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*.

- In the audit reviewed, the firm's report on Form AP included inaccurate information regarding the audit report date. In this instance, the firm was non-compliant with PCAOB Rule 3211, *Auditor Reporting of Certain Audit Participants*.

PART I.C: INDEPENDENCE

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

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

PART II: OBSERVATIONS RELATED TO QUALITY CONTROL

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

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

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

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

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

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

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

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

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May 15, 2025

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

Re: Response to draft report on 2024 inspection of Schechter Dokken Kanter Andrew & Selcer, Ltd (Firm ID 494)

Dear Ms. Gunia:

We appreciate the role of the PCAOB in promoting audit quality and remain committed to a constructive dialogue regarding inspection results. We have read the draft report on the 2024 inspection.

We fully support the PCAOB's mission and believe the inspection process helps us identify areas we can improve upon and strengthen our audit quality control. We have evaluated matters in the draft. We have disagreements on certain findings that were conveyed during the inspection process.

We take the Board's feedback seriously and continue to evaluate opportunities to enhance our audit methodology and training. We value our ongoing dialogue with the PCAOB for audit quality improvements and will continue to evaluate our audit processes.

Sincerely

Schechter Dokken Kanter
Andrews & Selcer Ltd.