
2025 Inspection RW Group LLC

(Headquartered in Landenberg, Pennsylvania)

October 23, 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. 104-2025-173



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2025 INSPECTION

In the 2025 inspection of RW Group LLC, the Public Company Accounting Oversight Board (PCAOB) assessed the firm's compliance with laws, rules, and professional standards applicable to the audits of issuers.

We selected for review one audit of an issuer with a fiscal year ending in 2023. For the issuer audit selected, we reviewed a portion of the audit. We also evaluated elements of the firm's system of quality control.

2025 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 2025 INSPECTION

The following information provides an overview of our 2025 inspection, which was our first inspection of this firm. 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

	2025
Firm data	
Total issuer audit clients in which the firm was the lead auditor	1
Total engagement partners on issuer audit work ¹	1
Audits reviewed	
Total audits reviewed	1
Audits in which the firm was the lead auditor	1
Integrated audits of financial statements and internal control over financial reporting (ICFR)	0
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 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

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.

inspection. If a firm does not take appropriate actions to address deficiencies, we may criticize its system of quality control or pursue a disciplinary action.

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

Audit Areas Most Frequently Reviewed

This table reflects the audit areas we have selected most frequently for review in the 2025 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.

2025	
Audit area	Audits reviewed
Revenue and related accounts	1
Inventory	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 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 Sarbanes-Oxley Act ("Act"), it is the Board's assessment that nothing in Part I of this report deals with a criticism of, or potential defect in, the firm's quality control system. We discuss any such criticisms or potential defects in Part II. Further, you should not infer from any Part I deficiency, or combination of deficiencies, that we identified a quality control finding in Part II. Section 104(g)(2) of the Act restricts us from publicly disclosing Part II deficiencies unless the firm does not address the criticisms or potential defects to the Board's satisfaction no later than 12 months after the issuance of this report.

Classification of Audits with Part I.A Deficiencies

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

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

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

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

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

Audits with Multiple Deficiencies

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

Audits with a Single Deficiency

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

PART I.A: AUDITS WITH UNSUPPORTED OPINIONS

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

We identify each issuer by a letter (e.g., Issuer A) 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 audit related to **Inventory** and **Journal Entries**.

Description of the deficiencies identified

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

The firm's approach for substantively testing the reserve for excess and obsolete inventory was to develop an independent expectation. The firm did not perform any procedures to demonstrate it had a reasonable basis for certain assumptions it developed. (AS 2501.22)

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

The firm did not select any journal entries and other adjustments for testing. (AS 2401.61)

Audits with a Single Deficiency

None

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

This section of our report discusses certain deficiencies that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to support its opinion. 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. 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 did not make certain required communications to the audit committee related to (1) the timing of the audit; and (2) the critical accounting policies and practices and critical accounting estimates. In these instances, 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 all of the significant risks identified through its risk assessment procedures. In this instance, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.
- In ten instances, the firm did not file its report on Form 3 by the relevant deadline. In these instances, the firm was non-compliant with PCAOB Rule 2203, *Special Reports*.

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*.

In the 2025 inspection, we did not identify, and the firm did not bring to our attention, any instances of apparent non-compliance with PCAOB Rule 3520. Although this section does not include any instances of apparent non-compliance with PCAOB Rule 3520 that we identified or the firm brought to our attention, there may be instances of non-compliance with 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 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 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 apparent 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.

September 25, 2025

Public Company Accounting Oversight Board
Division of Registrations and Inspections
1666 K Street NW, Washington, DC 20006

We appreciate the opportunity to respond to the 2025 inspection of RW Group LLC's issuer audit practice. We recognize the importance of the trust that the public places on the auditing profession, and the need to ensure that engagements are performed in accordance with professional standards, so stakeholders maintain their confidence in the financial reporting process. Although, as noted in our response below, we do not agree with all the deficiencies noted by the Public Company Accounting Oversight Board ("PCAOB"), we look at the inspection process as an opportunity to review our audit and quality control processes, methodology, and documentation practices and develop appropriate improvements.

Of particular concern is the PCAOB's conclusion that we issued an unsupported opinion on the financial statements. Two deficiencies were noted that resulted in that conclusion, as follows:

- *The firm did not develop any procedures to demonstrate it had a reasonable basis for certain assumptions it developed.*

We agree that the development of the expectation was not clearly documented, and the procedure appeared to be a substantive test, when in fact it was more appropriately a high level analytical procedure. The client had developed a reserve for obsolescence of 10% of the carrying amount of slow moving inventory. Our test was to see what the error would look like at 15% and 25% if management's estimate was understated. As noted by the PCAOB team during the inspection, the total of the reserve was not material to the financial statements. We do agree that we should not have considered the immaterial difference between the 10% and 15% reserve as a potential (waived) audit adjustment, which could lead an independent reviewer of the work to conclude that the test was substantive in nature.

- *The firm did not select any journal entries and other adjustments for testing.*

We partially agree with the statement. We did not clearly document how we believe our approach appropriately supported overcoming the presumptively mandatory required to test journal entries in response to fraud risks. We documented in our workpapers that all general ledger maintenance, including journal entries, are performed by the independent accounting firm. We also documented that management does not have access to the general ledger and therefore is not able to make any entries. We also documented that we interviewed the independent accounting firm staff and confirmed that management has never asked them to make any journal entries. All this work was identified to the PCAOB during their inspection. We did document that we reviewed the journal entries that were posted and nothing was deemed to be unusual, but we did not document what constituted unusual. We failed to document in the file was that due to these unique circumstances, the presumptively mandatory requirement is overcome since the contemplated transactions could not occur.

As noted in our response to the PCAOB identified deficiencies we don't entirely agree with their conclusions. We do note that had we prepared clearer documentation, the inspection team would likely have had an easier time understanding the work we performed and how we reached our conclusions.

We also noted that the PCAOB noted three instances of non-compliance with the PCAOB standards or rules that did not result in an unsupported opinion on the financial statements, as follows:

- *The firm did not make certain required communications to the audit committee related to (1) the timing of the audit; and (2) the critical accounting policies and practices and critical accounting estimates. In these instances, the firm was non-compliant with AS 1301, Communications with Audit Committees.*

We agree that the engagement letter and other communications with management erroneously omitted reference to the timing of the audit engagement. Our communications with management did document the critical account policies and practices, however, we omitted communicating our conclusions on our evaluations of those policies and practices.

- *The firm did not communicate to the audit committee all of the significant risks identified through its risk assessment procedures.*

We agree with this deficiency. The firm modified the planning communication letter to governance to add additional risks that were identified during planning. When we did that, we erroneously deleted reference to management override of controls, a presumptive significant risk.

Specific to the two deficiencies noted above. Subsequent to the completion of the audit selected for inspection by the PCAOB, the firm changed the quality control materials provider. This includes comprehensive example communication letters. We believe the new tools and practice aids will assist us in ensuring that the letters and communications are complete.

- *In ten instances, the firm did not file its report on Form 3 by the relevant deadline.*

We agree with this deficiency. While we were preparing the planning documentation requested by the PCAOB for the inspection, we noted that we had not kept the list of states for which we acquired (or dropped) state licenses or permits up to date. We brought this information current and notified the PCAOB that this had not been done timely.

Lastly, the PCAOB concluded that the firm's system of quality control is not functioning as intended (including engagement quality review), due to the PCAOB identified deficiencies noted in their report. Although we disagree with some of the deficiencies noted above that caused the PCAOB to conclude that there are deficiencies in the system of quality control, we do believe there are opportunities for us to improve our current system of quality control and incorporate these improvements as we develop our new policies and procedures in anticipation of the adoption of PCAOB QC 1000.

Respectfully submitted,



Richard E. Wortmann
Managing Member
RW Group, LLC

