# 2025 Inspection

# BDO USA, P.C.

(Headquartered in Chicago, Illinois)

May 21, 2026

**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. 104-2026-084**

PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

# EXECUTIVE SUMMARY

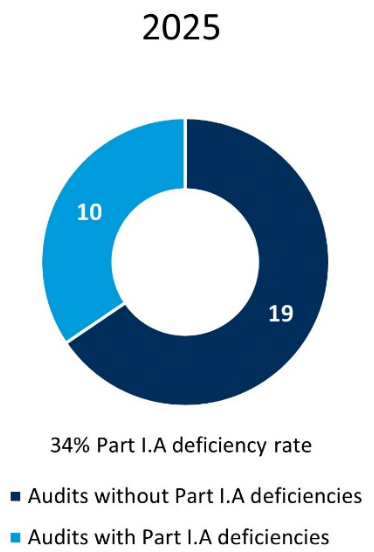
Our 2025 inspection report on BDO USA, P.C. provides information on our inspection to assess the firm's compliance with Public Company Accounting Oversight Board (PCAOB) standards and rules and other applicable regulatory and professional requirements. This executive summary offers a high-level overview of what is included in this report:

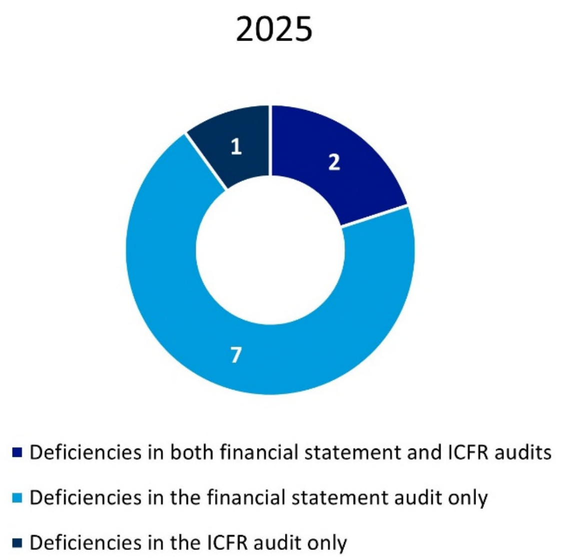
- Part I.A of the report discusses deficiencies ("Part I.A deficiencies") in certain issuer audits that were of such significance that we believe the firm, at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion(s) on the issuer's financial 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 2025 Deficiencies Included in Part I

Ten of the 29 audits we reviewed in 2025 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.




In connection with our 2025 inspection procedures for one audit, the issuer restated its financial statements to correct a misstatement, and the firm revised and reissued its report on the financial statements. The issuer also revised its report on ICFR, and the firm revised its opinion on the effectiveness of the issuer's ICFR to express an adverse opinion and reissued its report.

The most common Part I.A deficiencies in 2025 related to testing an estimate and testing data or reports used in substantive testing.

The Part I.B deficiencies in 2025 related to retention of audit documentation, audit committee communications, risk assessment, management communications, consideration of fraud, critical audit matters, and auditor tenure.

The Part I.C deficiencies in 2025 related to audit committee pre-approval.

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# 2025 INSPECTION

In the 2025 inspection of BDO USA, P.C., the PCAOB assessed the firm's compliance with laws, rules, and professional standards applicable to the audits of issuers.

We selected for review 29 audits of issuers with fiscal years generally ending in 2024. 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 2025 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.

## 2025 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.

Our target team performs inspection procedures in areas of current audit risk and emerging topics and focuses its reviews primarily on evaluating the firm's procedures related to that risk or topic. In 2025, our target team focused primarily on audit areas in which the firm outsourced certain audit procedures to offshore shared service centers and on the firm's procedures to test the statement of cash flows.

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

# OVERVIEW OF THE 2025 INSPECTION AND HISTORICAL DATA BY INSPECTION YEAR

The following information provides an overview of our 2025 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.

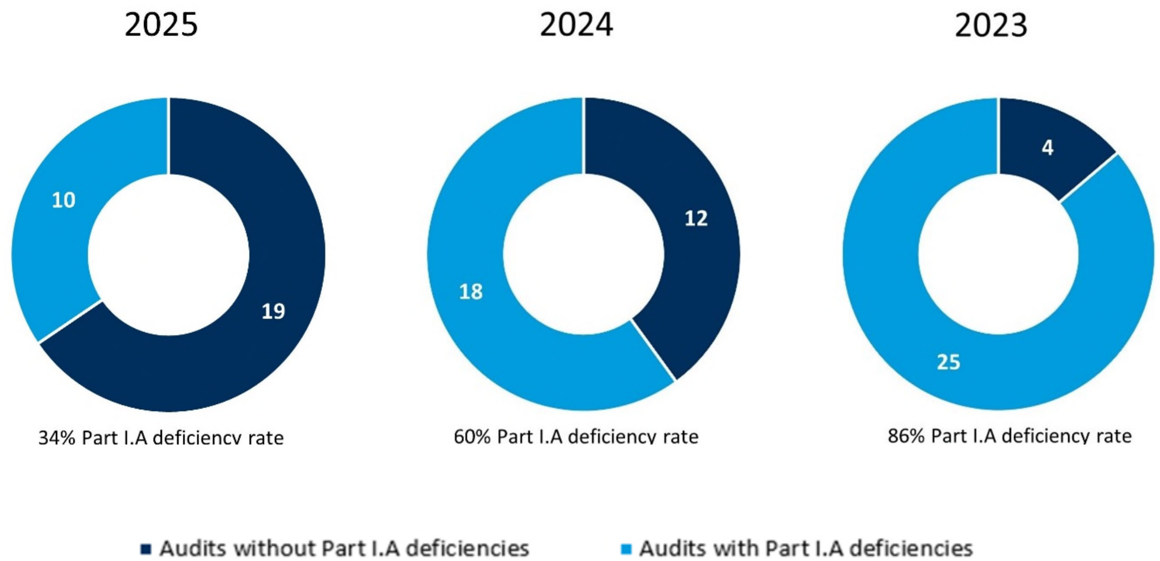
## Audits Selected for Review

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| **Total audits reviewed** | | | |
| **Total audits reviewed** | 29 | 30 | 29 |
| **Selection method** | | | |
| **Risk-based selections** | 22 | 22 | 22 |
| **Random selections** | 6 | 6 | 6 |
| **Target team selections**[1] | 1 | 2 | 1 |
| **Total audits reviewed** | **29** | **30** | **29** |
| **Lead/Principal auditor** | | | |
| **Audits in which the firm was the lead/principal auditor** | 29 | 29 | 29 |
| **Audits in which the firm was not the lead/principal auditor** | 0 | 1 | 0 |
| **Total audits reviewed** | **29** | **30** | **29** |
| **Audit type** | | | |
| **Integrated audits of financial statements and ICFR** | 18 | 18 | 19 |
| **Financial statement audits only** | 11 | 12 | 10 |
| **Total audits reviewed** | **29** | **30** | **29** |

[1] For further information on the target team's activities in 2024 and 2023, refer to those inspection reports.

## Part I.A Deficiencies in Audits Reviewed

In 2025, eight of the 10 audits appearing in Part I.A were selected for review using risk-based criteria. In 2024, 17 of the 18 audits appearing in Part I.A were selected for review using risk-based criteria. In 2023, 19 of the 25 audits appearing in Part I.A were selected for review using risk-based criteria.

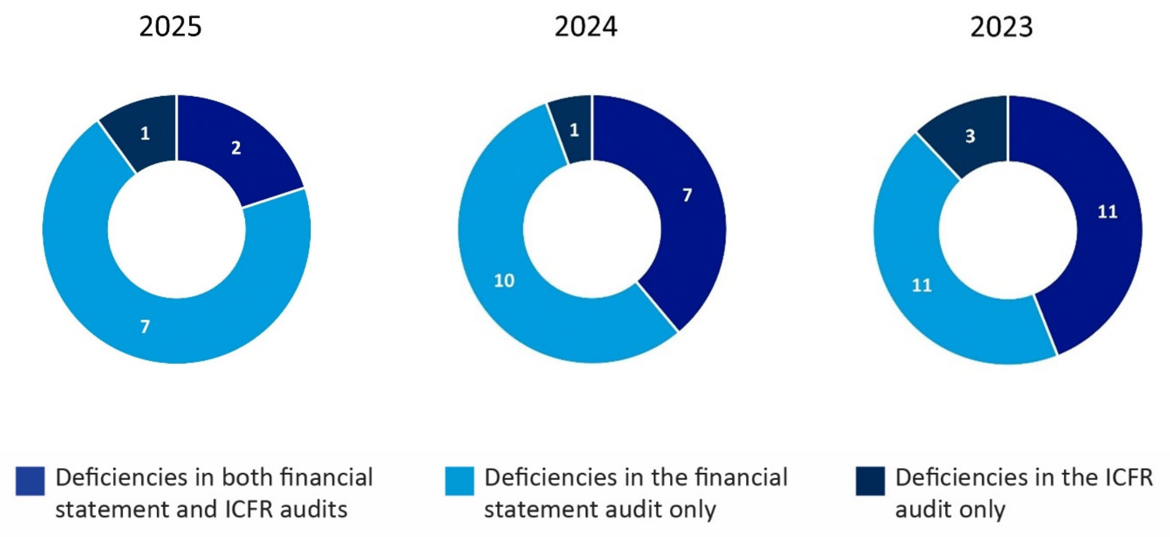



If we include a deficiency in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In certain cases, the firm may have performed remedial actions after the deficiency was identified. Depending on the circumstances, remedial actions may include performing 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 2025 inspection procedures for one audit, the issuer restated its financial statements to correct a misstatement, and the firm revised and reissued its report on the financial statements. The issuer also revised its report on ICFR, and the firm revised its opinion on the effectiveness of the issuer's ICFR to express an adverse opinion and reissued its report.

In connection with our 2024 inspection procedures for one audit, the issuer revised its report on ICFR, and the firm revised its opinion on the effectiveness of the issuer's ICFR to express an adverse opinion and reissued its report.

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. In addition, in connection with our 2023 inspection procedures for another audit, the issuer revised its report on ICFR, and the firm revised its opinion on the effectiveness of the issuer's ICFR to express an adverse opinion and reissued its report.

The following tables and graphs summarize inspection-related information, by inspection year, for 2025 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 | | |
|---|---|---|---|
| | 2025 | 2024 | 2023 |
| **Did not sufficiently test an estimate** | 5 | 11 | 9 |
| **Did not perform sufficient testing of data or reports used in the firm's substantive testing** | 5 | 6 | 9 |
| **Did not perform sufficient testing related to a significant account or disclosure or to address an identified risk** | 2 | 5 | 13 |

| Deficiencies in ICFR audits | Audits with Part I.A deficiencies | | |
|---|---|---|---|
| | 2025 | 2024 | 2023 |
| **Did not perform sufficient testing of the design and/or operating effectiveness of controls selected for testing** | 2 | 6 | 9 |
| **Did not identify and test any controls that addressed the risks related to a significant account or relevant assertion** | 1 | 6 | 13 |
| **Did not appropriately evaluate control deficiencies** | 1 | 1 | 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.

| 2025 | | | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|---|---|
| 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** | 21 | 4 | **Revenue and related accounts** | 22 | 10 | **Revenue and related accounts** | 21 | 12 |
| **Goodwill and intangible assets** | 7 | 2 | **Goodwill and intangible assets** | 9 | 4 | **Inventory** | 10 | 7 |
| **Long-lived assets** | 6 | 2 | **Inventory** | 8 | 2 | **Goodwill and intangible assets** | 9 | 3 |
| **Inventory** | 6 | 0 | **Investment securities** | 5 | 2 | **Business combinations** | 5 | 5 |
| **Debt** | 6 | 0 | **Business combinations** | 4 | 3 | **Investment securities** | 4 | 2 |

## 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 | 2025 | | 2024 | | 2023 | |
|---|---|---|---|---|---|---|
| | Audits with Part I.A deficiencies | Audits reviewed | Audits with Part I.A deficiencies | Audits reviewed | Audits with Part I.A deficiencies | Audits reviewed |
| **Revenue and related accounts** | 4 | 21 | 10 | 22 | 12 | 21 |
| **Goodwill and intangible assets** | 2 | 7 | 4 | 9 | 3 | 9 |
| **Long-lived assets** | 2 | 6 | 2 | 2 | 1 | 3 |
| **Business combinations** | 1 | 4 | 3 | 4 | 5 | 5 |
| **Inventory** | 0 | 6 | 2 | 8 | 7 | 10 |

**Revenue and related accounts:** The deficiencies in 2025 primarily related to the accuracy and completeness of data or reports used in substantive testing of revenue. The deficiencies in 2024 and 2023 primarily related to the substantive testing of, and testing controls over, revenue and related accounts.

**Goodwill and intangible assets:** The deficiencies in 2025 primarily related to substantive testing of significant assumptions used by the issuer in evaluating goodwill for possible impairment and evaluating the relevance and reliability of information used in its substantive testing. The deficiencies in 2024 primarily related to substantive testing of, and testing controls over, assumptions used by the issuer in evaluating goodwill and intangible assets for possible impairment. The deficiencies in 2023 primarily related to evaluating intangible assets for possible impairment.

**Long-lived assets:** The deficiencies in 2025 related to evaluating, and testing controls over the issuer's evaluation of, the appropriateness of the issuer's accounting for a disposal loss and evaluating control deficiencies. The deficiencies in 2024 related to evaluating, and testing controls over the issuer's evaluation of, long-lived assets for possible impairment. The deficiency in 2023 related to substantive testing of a significant assumption used by the issuer in evaluating long-lived assets for possible impairment.

**Business combinations:** The deficiency in 2025 related to the identification of acquired intangible assets. The deficiencies in 2024 primarily related to substantive testing of, and testing controls over, significant assumptions used by the issuer to determine the fair value of assets acquired in a business combination and the accuracy and completeness of data used. The deficiencies in 2023 primarily related to substantive testing of, and testing controls over, significant assumptions used by the issuer to determine the fair values of assets acquired in a business combination.

**Inventory:** The deficiencies in 2024 primarily related to the accuracy and completeness of data or reports used in substantive testing. The deficiencies in 2023 primarily related to substantive testing of, and testing controls over, inventory.

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

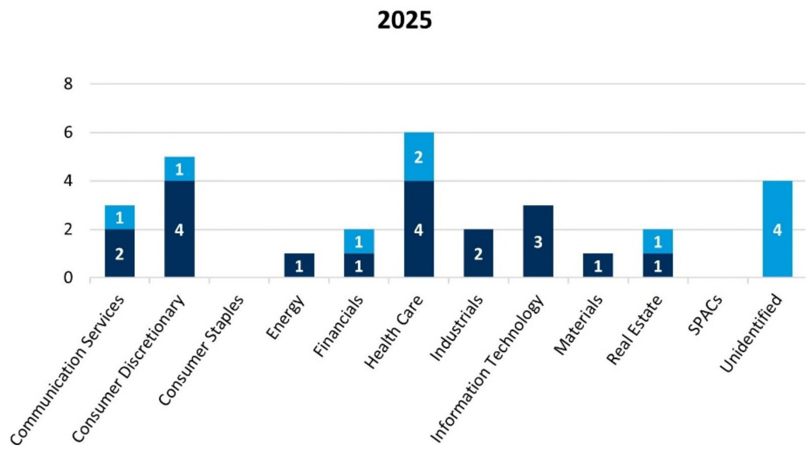
The following lists the auditing standards referenced in Part I.A of the 2025 and the previous two inspection reports, and the number of times that the standard is cited in Part I.A.

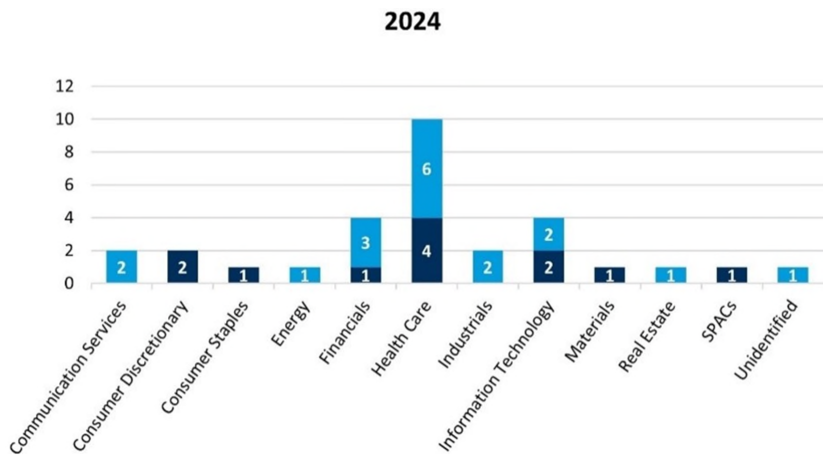
| PCAOB Auditing Standards | 2025 | 2024 | 2023 |
|---|---|---|---|
| **AS 1105, *Audit Evidence*** | 9 | 15 | 17 |
| **AS 1201, *Supervision of the Audit Engagement*** | 0 | 6 | 5 |
| **AS 2101, *Audit Planning*** | 0 | 1 | 1 |
| **AS 2201, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*** | 5 | 25 | 58 |
| **AS 2301, *The Auditor's Responses to the Risks of Material Misstatement*** | 3 | 9 | 30 |
| **AS 2305, *Substantive Analytical Procedures*** | 0 | 1 | 0 |
| **AS 2310, *The Confirmation Process*[2]** | 0 | 0 | 2 |
| **AS 2315, *Audit Sampling*** | 1 | 4 | 11 |
| **AS 2401, *Consideration of Fraud in a Financial Statement Audit*** | 0 | 1 | 6 |
| **AS 2415, *Consideration of an Entity's ability to Continue as a Going Concern*** | 1 | 1 | 0 |
| **AS 2501, *Auditing Accounting Estimates, Including Fair Value Measurements*** | 7 | 18 | 14 |
| **AS 2510, *Auditing Inventories*** | 0 | 0 | 2 |
| **AS 2605, *Consideration of the Internal Audit Function*** | 0 | 0 | 1 |
| **AS 2810, *Evaluating Audit Results*** | 1 | 1 | 4 |

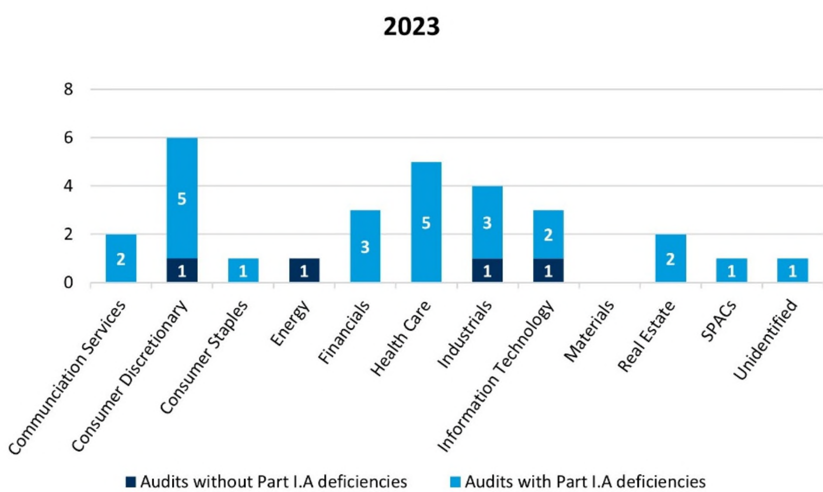
[2] The citations in this report refer to AS 2310, *The Confirmation Process*, which was in effect for these audits. This standard was replaced by AS 2310, *The Auditor's Use of Confirmation*, which became effective for audits of financial statements for fiscal years ending on or after June 15, 2025.

## Inspection Results by Issuer Industry Sector

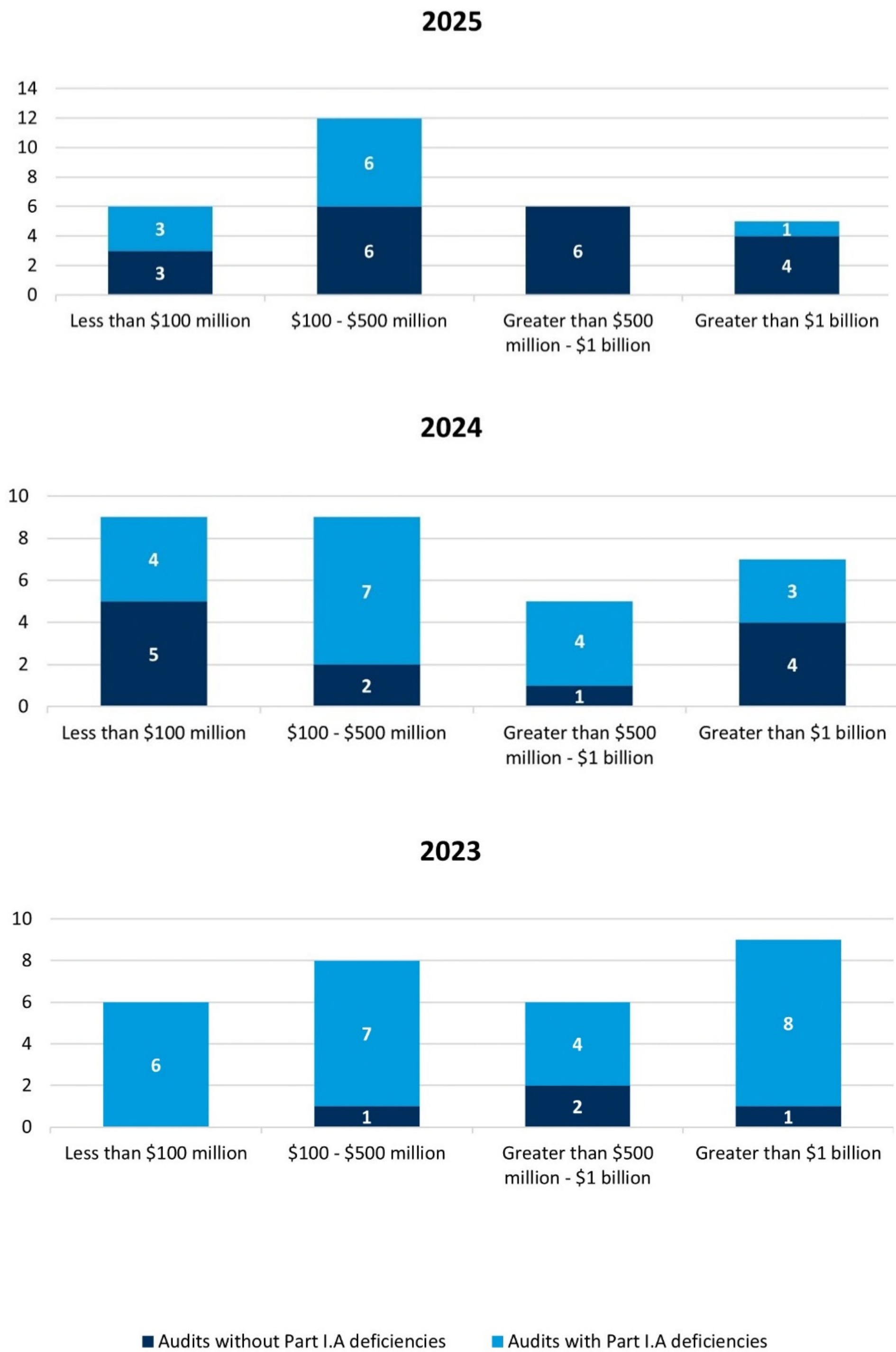
The majority of industry sector data is based on Global Industry Classification Standard (GICS) data obtained from Standard & Poor's (S&P). In instances where GICS data for an issuer is not available from S&P, classifications are assigned based upon North American Industry Classification System data.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



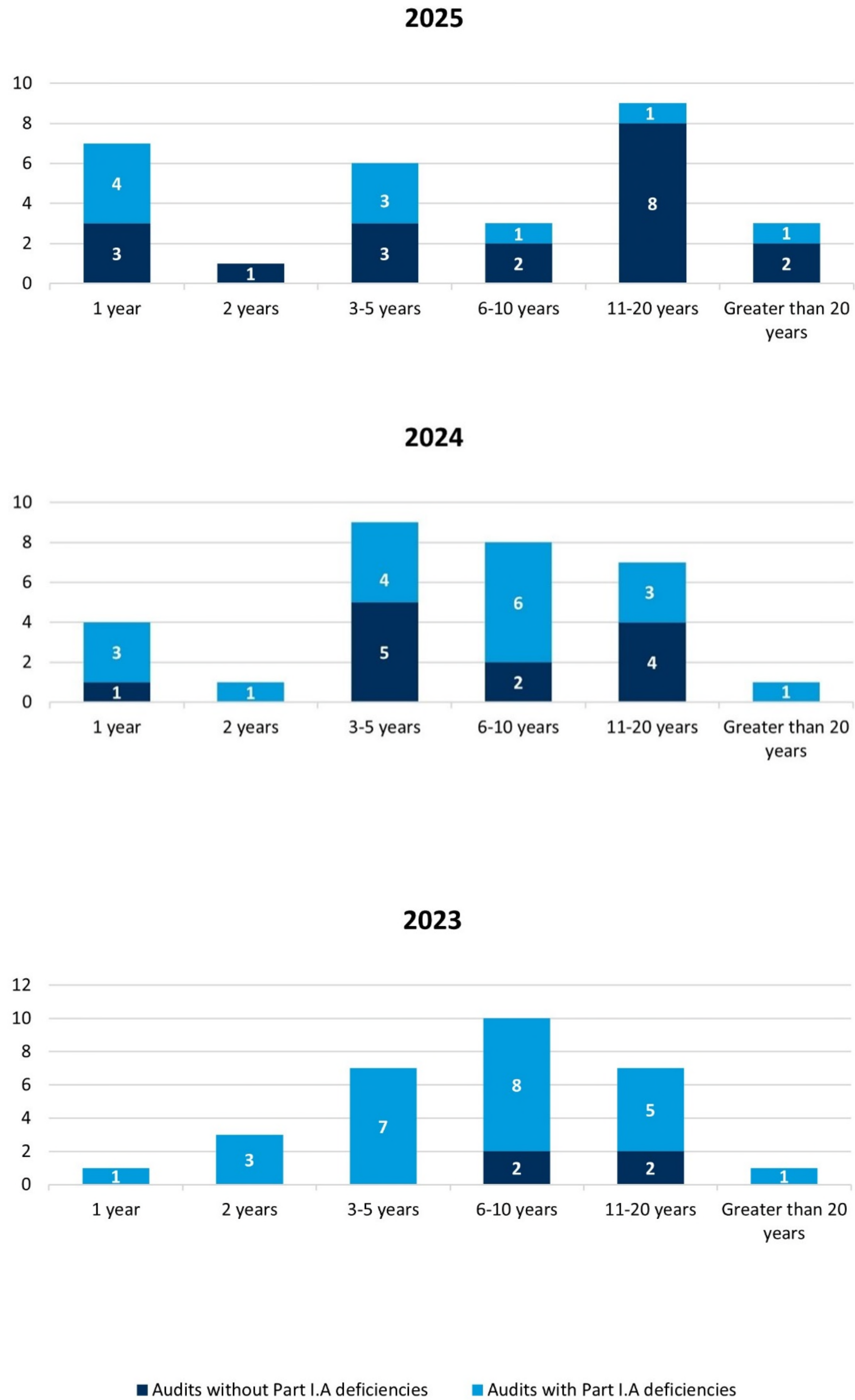



## Inspection Results by Issuer Revenue Range

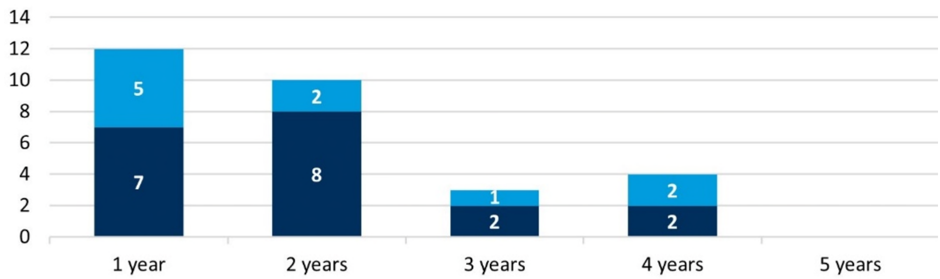


## Inspection Results by the Firm’s Tenure on the Issuer

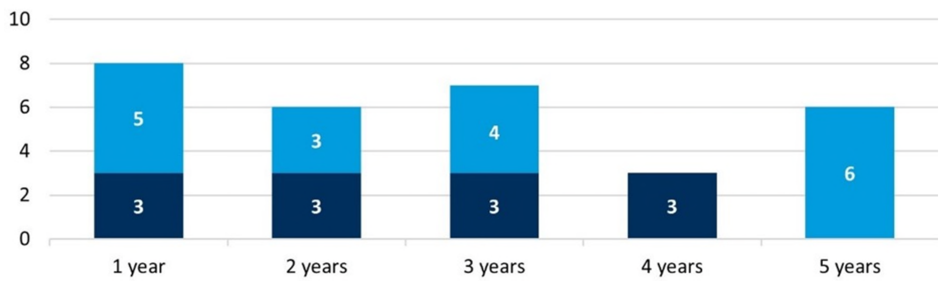


## Inspection Results by the Engagement Partner’s Tenure on the Issuer

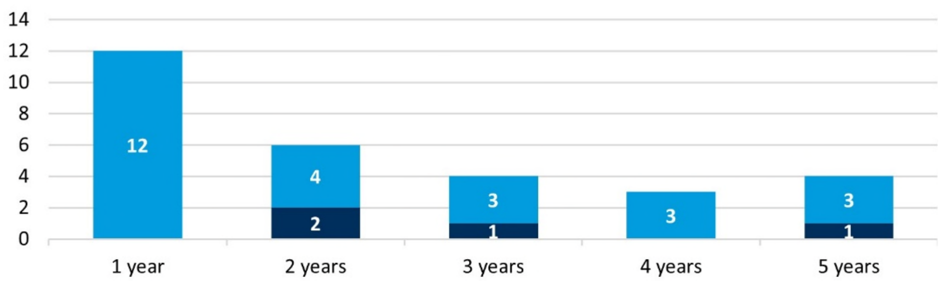
**2025**




**2024**




**2023**




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

## Classification of Audits with Part I.A Deficiencies

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

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

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

This classification includes instances where a deficiency was identified in connection with our inspection and, as a result, an issuer's financial statements were determined to be materially misstated, and the issuer restated its financial statements. It also includes instances where a deficiency was identified in connection with our inspection and, as a result, an issuer's ICFR was determined to be ineffective, or there were additional material weaknesses that the firm did not identify, and the firm withdrew its opinion, or revised its report, on ICFR. This classification does not include instances where, unrelated to our review, an issuer restated its financial statements and/or an issuer's ICFR was determined to be ineffective. We include any deficiencies identified in connection with our reviews of these audits in the audits with multiple deficiencies or audits with a single deficiency classification below.

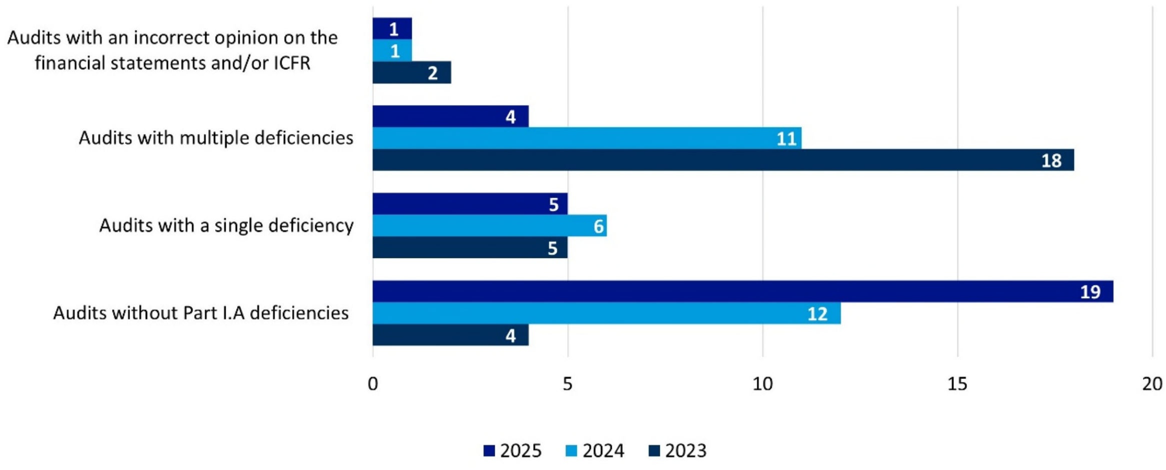
### Audits with Multiple Deficiencies

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

### Audits with a Single Deficiency

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

## Number of Audits in Each Category



# PART I: INSPECTION OBSERVATIONS

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

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

Part I.C discusses instances of apparent non-compliance with rules related to maintaining independence.

Consistent with the Act, it is the Board's assessment that nothing in Part I of this report deals with a criticism of, or potential defect in, the firm's quality control system. We discuss any such criticisms or potential defects in Part II. Further, you should not infer from any Part I deficiency, or combination of deficiencies, that we identified a quality control finding in Part II.

# PART I.A: AUDITS WITH UNSUPPORTED OPINIONS

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

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

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

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

### Issuer A – Health Care

#### Type of audit and related area affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Assets Held for Sale**.

#### Description of the deficiencies identified

During the year, the issuer formalized plans to dispose of certain business units and allocated the assets of these business units to various disposal groups. For certain of these disposal groups, the issuer determined that the fair values less costs to sell were lower than their carrying values, resulting in the reporting of an expected disposal loss. The following deficiencies were identified:

- The firm selected for testing controls related to the issuer's reviews of the determination of fair values less costs to sell for these disposal groups. In its testing of the operating effectiveness of these controls, the firm did not identify that the controls did not operate as designed with respect to the control owners' evaluation for conformity with GAAP. (AS 2201.44)
- The firm did not identify and evaluate that the issuer did not comply with FASB ASC Topic 820, *Fair Value Measurement*, and FASB ASC Topic 360, *Property, Plant, and Equipment,* because, for certain disposal groups, the issuer determined the fair values less costs to sell of certain assets within the disposal group were less than zero and/or recorded an expected disposal loss in excess of the carrying value of the disposal group. (AS 2810.30)

In connection with our review, the issuer reevaluated its accounting for these disposal groups and concluded that a material misstatement existed that had not been previously identified. The issuer subsequently corrected this misstatement in a restatement of its financial statements, and the firm revised and reissued its report on the financial statements. The issuer also reevaluated its controls over these disposal groups and concluded that a material weakness existed that had not been previously identified. The issuer subsequently reflected this material weakness in a revision to its report on ICFR, and the firm revised its opinion on the effectiveness of the issuer's ICFR to express an adverse opinion and reissued its report. Our procedures did not include review of any additional audit work related to the restatement or the material weakness.

## Audits with Multiple Deficiencies

### Issuer B – Financials

#### Type of audit and related areas affected

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

#### Description of the deficiencies identified

With respect to **Loans Receivable** and **Revenue**:

The firm selected for testing a control that consisted of the issuer's review of loan data that addressed the risk that collections are not applied to the appropriate loan receivable. The firm did not test the aspect of this control that addressed the accuracy of certain loan data. (AS 2201.42 and .44)

The firm selected for testing a control that included the issuer's review of the mathematical logic of the automated calculations of recorded loans receivable and the related revenue. The firm did not test this aspect of the control. (AS 2201.42 and .44)

The sample size the firm used in its substantive procedures to test loans receivable was too small to provide sufficient appropriate audit evidence because these procedures were designed based on a level of control reliance that was not supported due to the first deficiency in the firm's control testing discussed above. (AS 2301.16, .18, and .37; AS 2315.19, .23, and .23A)

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

The issuer performed assessments of its goodwill for possible impairment, and the firm selected for testing controls that consisted of the issuer's reviews of these assessments and related significant assumptions. The firm did not evaluate the specific review procedures that the control owners performed to (1) evaluate the reasonableness of certain significant assumptions and (2) assess the accuracy and completeness of certain historical data used in the operation of these controls. (AS 2201.42 and .44)

The firm's approach to substantively test the issuer's impairment assessments was to test the issuer's process. The following deficiencies were identified:

- The firm did not perform procedures, beyond inquiry, to evaluate the reasonableness of certain significant assumptions used in the impairment assessments. (AS 2501.16)
- The firm did not perform sufficient procedures to evaluate the reasonableness of certain other significant assumptions because its procedures were limited to inquiring of management and comparing with existing market information. The firm did not evaluate the relevance and reliability of the market information it used, and it did not identify that this information was inconsistent with the assumptions in certain cases. (AS 1105.04 and .06; AS 2501.16)

## Issuer C – Communication Services

### Type of audit and related areas affected

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

### Description of the deficiencies identified

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

The issuer recognized certain revenue based on customer activity that was processed and recorded using various information-technology (IT) systems. The issuer identified material weaknesses related to ineffective IT general controls (ITGCs) over these systems. The firm did not perform sufficient procedures to test, or test controls over, the accuracy of the customer activity information from these IT systems that it used in its substantive testing of this revenue given that ITGCs over these systems were ineffective. (AS 1105.10)

With respect to **Goodwill**:

The issuer performed an assessment of goodwill for possible impairment using various significant assumptions. The firm did not sufficiently evaluate the reasonableness of the significant assumptions related to revenue growth rates because its procedures were limited to inquiring of management and evaluating these assumptions for consistency with certain global industry information. The firm did not (1) evaluate the significant differences between these assumptions and this industry information and (2) sufficiently evaluate the relevance of this global industry information because it did not take into account the geographic markets in which the issuer operates. (AS 1105.04 and .06; AS 2501.16)

With respect to **Intangible Assets**:

The issuer capitalized costs associated with the development of certain intangible assets. The firm used certain issuer-produced information in its substantive testing of these capitalized costs but did not perform procedures to test, or test controls over, the accuracy and completeness of this information. (AS 1105.10)

## Issuer D – Consumer Discretionary

### Type of audit and related areas affected

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

### Description of the deficiencies identified

The firm used certain information produced by the issuer in (1) its substantive testing of revenue and leases and (2) evaluating whether management's plans alleviated the substantial doubt about the issuer's ability to continue as a going concern. The firm did not perform procedures to test, or test controls over, the accuracy and/or completeness of this information. (AS 1105.10)

With respect to **Revenue**:

The firm did not perform procedures to (1) evaluate the appropriateness of the issuer's classification of deferred revenue associated with certain contracts as a current or non-current liability and (2) test the issuer's disclosure of revenue recognized in the reporting period that was reported as deferred revenue at the beginning of the period. (AS 2301.08)

With respect to **Going Concern:**

The firm used certain issuer-prepared forecasted financial information in its evaluation of the issuer's ability to continue as a going concern and concluded that the substantial doubt was alleviated by management's plans. The firm did not perform procedures to evaluate this information, beyond gaining an understanding of the issuer's process for forecasting this information. (AS 2415.03, .08, and .09)

## Issuer E

### Type of audit and related area affected

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

### Description of the deficiencies identified

The issuer reported an investment in an entity with assets primarily consisting of oil and gas properties. The issuer engaged a specialist to estimate the oil and gas reserves that were used to determine the fair value of the issuer's investment in this entity. The firm's approach for substantively testing the oil and gas reserves was to test the issuer's process. The following deficiencies were identified:

- The firm did not (1) perform procedures to test, or test controls over, the accuracy and completeness of certain data produced by the issuer and used by the company's specialist and

(2) evaluate the relevance and reliability of certain external information used by the company's specialist. (AS 1105.A8a)

- The firm did not perform procedures to evaluate the reasonableness of certain significant assumptions developed by the company's specialist or by the issuer. (AS 1105.A8b; AS 2501.16)
- The firm did not sufficiently evaluate the reasonableness of certain other significant assumptions developed by the issuer related to future production volumes, beyond observing that the forecasted production was consistent with industry information. (AS 2501.16)
- The firm did not evaluate whether the methods used by the company's specialist were appropriate under the circumstances. (AS 1105.A8c)

## Audits with a Single Deficiency

### Issuer F

#### Type of audit and related area affected

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

#### Description of the deficiency identified

The issuer engaged a specialist to determine the fair value of the issuer's investment in an entity using cash-flow forecasts developed by the issuer. The firm's approach for substantively testing the fair value of this investment was to test the issuer's process. The firm did not sufficiently evaluate the reasonableness of the significant assumptions related to forecasted expenditures because its procedures were limited to (1) inquiring of management, (2) evaluating the reasonableness of a component of one of these assumptions, and (3) evaluating the consistency of certain of these assumptions with the issuer's subsequent forecasts of these expenditures. (AS 2501.16)

### Issuer G

#### Type of audit and related area affected

In our review, we identified a deficiency in the financial statement audit related to a **Derivative Liability**. This was the firm's initial audit of this issuer.

#### Description of the deficiency identified

The issuer reported a convertible debt agreement that included embedded features; the issuer accounted for these features as a derivative liability. The firm did not sufficiently evaluate the reasonableness of certain significant assumptions the issuer used to determine the fair value of the derivative liability because its procedures were limited to inquiring of management and the issuer's audit committee and reading certain documents. (AS 2501.16)

## Issuer H

### Type of audit and related area affected

In our review, we identified a deficiency in the financial statement audit related to **Acquisitions**. This was the firm's initial audit of the issuer.

### Description of the deficiency identified

In connection with certain acquisitions completed during the year, the issuer acquired certain agreements and concluded that these agreements did not represent an intangible asset. The firm did not perform sufficient procedures to test the issuer's conclusion because it did not evaluate whether the issuer (1) performed procedures to determine whether a market participant would be able to enter into similarly termed agreements and (2) for certain of these agreements, evaluated the terms and conditions in effect at the acquisition date or perform procedures to determine whether certain terms were consistent with current market conditions. (AS 2301.08)

## Issuer I – Health Care

### Type of audit and related area affected

In our review, we identified a deficiency in the financial statement audit related to **Revenue**. This was the firm's initial audit of this issuer.

### Description of the deficiency identified

The issuer recognized certain revenue based on payroll costs it incurred. The firm used certain issuer-produced payroll information in its substantive testing of this revenue but did not perform procedures to test, or test controls over, the accuracy of this information. (AS 1105.10)

## Issuer J – Real Estate

### Type of audit and related area affected

In our review, we identified a deficiency in the ICFR audit related to **Long-Lived Assets**.

### Description of the deficiency identified

The firm identified a control deficiency related to the issuer's control over the review of long-lived assets for possible impairment. In determining whether the deficiency represented a material weakness, the firm did not sufficiently evaluate the severity of this deficiency because it did not perform procedures to evaluate (1) the magnitude of the potential misstatement; and (2) whether there was a reasonable possibility that the issuer's controls would fail to prevent or detect a misstatement, beyond concluding that the possibility of a misstatement was low without performing procedures to support that conclusion. (AS 2201.62)

# 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 one of six audits reviewed, the firm, as lead auditor in a multi-tiered audit, did not retain documentation that identified the scope of work to be performed by a second other auditor. In this instance, the firm was non-compliant with AS 1201, *Supervision of the Audit Engagement*.

- In one of 29 audits reviewed, the firm did not include all relevant work papers in the final set of audit documentation for retention by the required documentation completion date. In addition, in one other audit reviewed, the firm provided certain services to the issuer but did not document that the audit committee had approved the engagement before the issuer engaged the firm to provide the services. In these instances, the firm was non-compliant with AS 1215, *Audit Documentation.*

- In nine of 29 audits reviewed, the firm did not make certain required communications to the audit committee related to (1) the firm's evaluation of the issuer's ability to continue as a going concern, (2) the extent to which the auditor planned to use the work of internal auditors, (3) uncorrected and/or corrected misstatements, (4) certain critical policies and practices, and/or (5) the firm's evaluation of the quality of the issuer's financial reporting. In one of these audits, the firm did not make another required communication 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 29 audits reviewed, the firm did not make all required inquiries of the audit committee, management, and/or the internal audit function about fraud risks. In these instances, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*.

- In one of 18 audits reviewed, the firm did not communicate to management, in writing, all control deficiencies identified during the audit prior to the issuance of the auditor's report. In this instance, the firm was non-compliant with AS 2201, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*.

- In one of 29 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 two of 22 audits reviewed, the firm's communication of a critical audit matter in the audit report included a description of certain audit procedures that the firm did not perform. 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*.
- In one of 28 audits reviewed, the year the firm began serving consecutively as the company's auditor that was included in the firm's audit report was incorrect. In this instance, the firm was non-compliant with AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*.
- In one of 29 audits reviewed, the firm did not describe, in writing, to the audit committee the scope of certain permissible tax services and the fee structure for these services. In addition, in one other audit reviewed, the firm did not discuss with the audit committee the potential effects of permissible tax services on the independence of the firm. In these instances, the firm was non-compliant with PCAOB Rule 3524, *Audit Committee Pre-Approval of Certain Tax Services*.
- In two of 29 audits reviewed, the firm did not affirm to the audit committee, in writing, that, as of the date of the communication, the firm was independent in compliance with PCAOB Rule 3520, *Auditor Independence*. In these instances, the firm was non-compliant with PCAOB Rule 3526, *Communication with Audit Committees Concerning Independence*.

# PART I.C: INDEPENDENCE

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

This section of our report discusses identified instances of apparent non-compliance with PCAOB Rule 3520. An instance of apparent non-compliance with PCAOB Rule 3520 does not necessarily mean that the Board has concluded the firm was not objective and impartial throughout the audit and professional engagement period. Although this section includes instances of apparent non-compliance with PCAOB Rule 3520 that we identified and the firm brought to our attention, there may be other instances of non-compliance with rules related to independence that were not identified through our procedures or the firm's monitoring activities.

## PCAOB-Identified

We identified the following instances of apparent non-compliance with PCAOB Rule 3520:

Under Rule 2-01(c)(7), an accountant is not independent if it is engaged to render audit or non-audit services to an issuer or its subsidiaries without that engagement having been pre-approved by the audit committee. In 29 audits reviewed, we identified four instances across three issuers in which certain services were not pre-approved by the audit committee as is necessary to satisfy the independence criteria.

## 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, 11 instances across seven issuers,[3] representing approximately 3% of the firm's total reported issuer audits, in which the firm may not have complied with Rule 2-01(c) 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 those issuers. Therefore, we caution against making any comparison of these firm-identified instances of apparent non-compliance across firms.

[3] The firm-identified instances of apparent non-compliance do not necessarily relate to the issuer audits that we selected for review.

The firm reported 11 instances of apparent non-compliance with Rule 2-01(c)(7) regarding audit committee pre-approval. Six of these instances related to services provided by non-U.S. associated firms without those engagements having been pre-approved by the audit committee.

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.

Tel: 312-856-9100
Fax: 312-856-1379
www.bdo.com

330 North Wabash, Suite 3200
Chicago, IL 60611

February 13, 2026

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 Part I of the Draft Report on the 2025 Inspection of BDO USA, P.C.**

Dear Ms. Gunia:

On behalf of BDO USA, P.C., we are pleased to provide our response to Part I of the Public Company Accounting Oversight Board's ("PCAOB" or the "Board") Draft Report on the 2025 Inspection of BDO USA, P.C. (the "Report"). The Board's inspection process plays an integral role in enhancing audit quality. We continue to support the PCAOB's mission of protecting investors and furthering the public interest in the preparation of informative, accurate, and independent audit reports.

We have evaluated each of the matters described in Part I of the Report and have taken appropriate actions in accordance with PCAOB standards, AS 2901, *Consideration of Omitted Procedures After the Report Date*, and where applicable, AS 2905, *Subsequent Discovery of Facts Existing at the Date of the Auditor's Report.*

We recognize the important role we play in protecting the interest of investors and the integrity of the capital markets and are therefore steadfast in our commitment to audit quality as our highest priority. We detail the numerous investments we are making to improve the quality of our audits in our most recent audit quality report available at: https://www.bdo.com/insights/assurance/bdo-usa-audit-quality-journey.

The PCAOB's inspection process, including dialogue with the staff, assists us in improving our audit performance, our underlying quality control system, and ultimately the reliability of financial reporting. We look forward to continuing our dialogue with the PCAOB and its staff and would be happy to address any questions you may have.

Sincerely,

Wayne Berson
CEO

Demetrios Frangiskatos
National Managing Principal of Assurance