2021 Inspection Marcum LLP

(Headquartered in Melville, New York)

November 21, 2022

PCAOB RELEASE NO. 104-2023-003

PCAOB

PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

EXECUTIVE SUMMARY

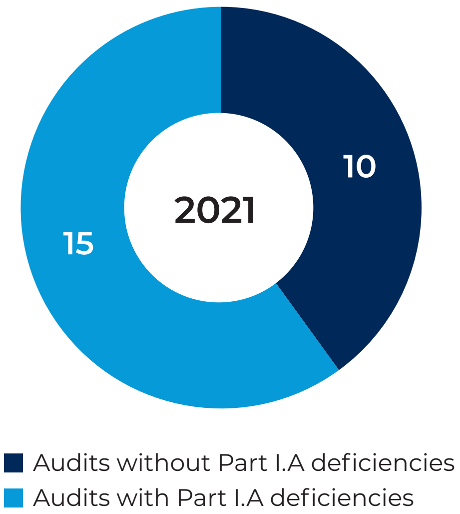
Our 2021 inspection report on Marcum LLP provides information on our inspection to assess the firm's compliance with Public Company Accounting Oversight Board (PCAOB) standards and rules and other applicable regulatory and professional requirements. This executive summary offers a high-level overview of:

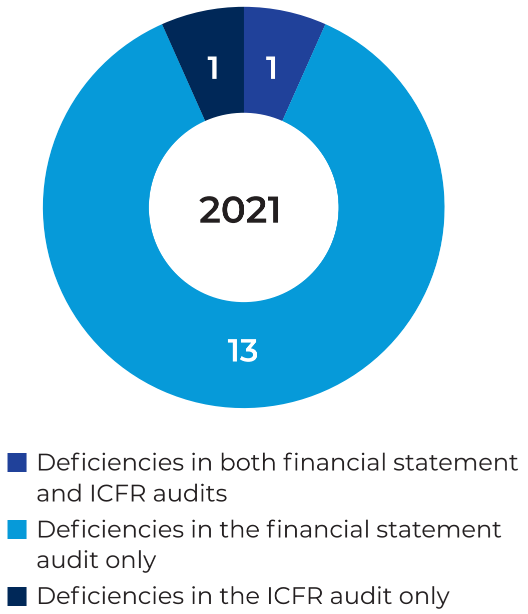
- Part I.A of the report, which discusses deficiencies ("Part I.A deficiencies") in certain issuer audits that were of such significance that we believe the firm, at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion(s) on the issuer's financial statements and/or internal control over financial reporting (ICFR); and
- Part I.B of the report, which discusses deficiencies that do not relate directly to the sufficiency or appropriateness of evidence the firm obtained to support its opinion(s) but nevertheless relate to instances of non-compliance with PCAOB standards or rules.

If we include a 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 deficiency in Part I.A or Part I.B of this report, it does not necessarily mean that the firm has not addressed the deficiency.

Overview of the 2021 Deficiencies Included in Part I

Fifteen of the 25 audits we reviewed in 2021 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 equity and equity-related transactions and revenue and related accounts. The firm significantly increased its number of issuer audits in the past two years by accepting a large number of special purpose acquisition companies (SPACs). During the year under inspection, the firm audited 463 SPACs or issuers that were formed by mergers between non-public operating companies and SPACs ("de-SPACs"), and many of these issuers restated their financial statements to correct misstatements related to warrants and/or certain redeemable shares. Ten of the 25 audits we reviewed in 2021 were SPACs or de-SPACs, and all of these audits are included in Part I.A.





The most common Part I.A deficiencies in 2021 related to evaluating the appropriateness of the issuer's accounting method or disclosure, testing data or reports used in substantive testing, identifying controls related to a significant account or relevant assertion, and testing the design or operating effectiveness of controls selected for testing.

Other deficiencies identified during the 2021 inspection that do not relate directly to the sufficiency or appropriateness of evidence the firm obtained to support its opinion(s), which appear in Part I.B, related to retention of audit documentation, audit committee communications, critical audit matters, Form AP, and reviews of interim financial information.

TABLE OF CONTENTS

2021 INSPECTION

In the 2021 inspection of Marcum LLP, the PCAOB assessed the firm's compliance with laws, rules, and professional standards applicable to the audits of public companies.

We selected for review 25 audits of issuers with fiscal years generally ending in 2020. Of these issuer audits, we selected six audits of SPACs and four audits of de-SPACs to gain a timely understanding of emerging financial reporting and auditing risks related to these types of issuers. For each issuer audit selected, we reviewed a portion of the audit. We also evaluated elements of the firm's system of quality control.

We also selected for review one review of interim financial information ("interim review") of a de-SPAC. We identified an instance of non-compliance with PCAOB standards, which appears in Part I.B.

What's Included in this Inspection Report

This report includes the following sections:

- **Overview of the 2021 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:** Deficiencies that do not relate directly to the sufficiency or appropriateness of evidence the firm obtained to support its opinion(s) but nevertheless relate to instances of non-compliance with PCAOB standards or rules.
- **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 Sarbanes-Oxley Act ("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.

2021 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 2021, our target team focused primarily on audit areas affected by COVID-19, such as fraud and going concern, and on interim reviews of de-SPACs.[1]

For the interim reviews, similar to our approach for reviewing audits, our target team did not review every aspect of the interim review. Rather, its review procedures focused on a portion of the firm's procedures.

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

[1] Refer to Observations From the Target Team's 2021 Inspections for observations from the target team reviews.

OVERVIEW OF THE 2021 INSPECTION AND HISTORICAL DATA BY INSPECTION YEAR

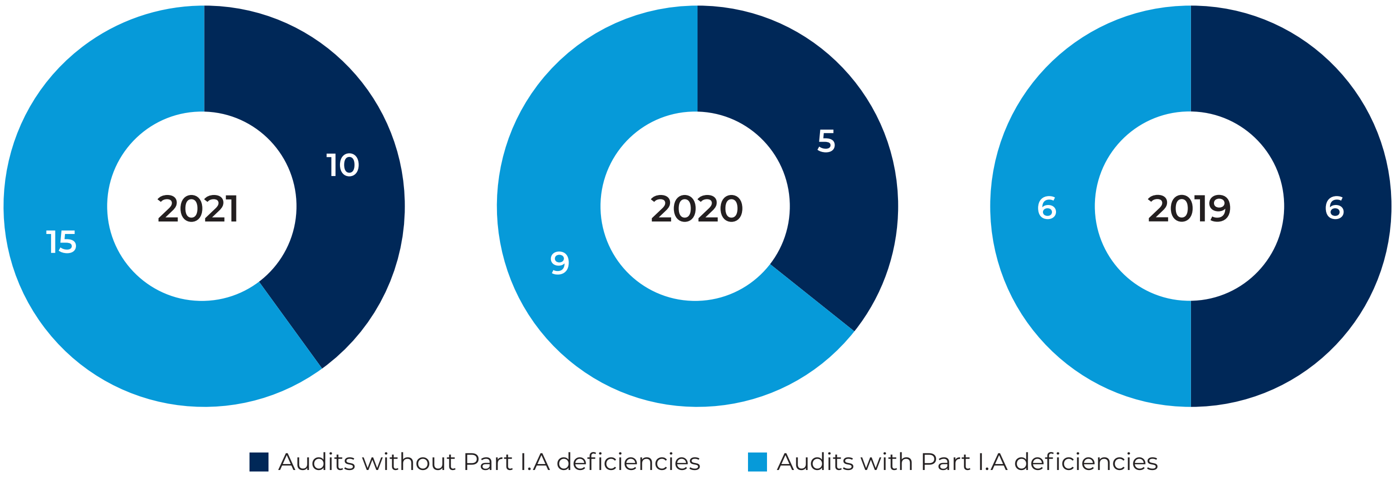
The following information provides an overview of our 2021 inspection as well as data from the previous two inspections. We use a combination of risk-based and random methods to select audits for review and to identify areas on which we focus our review. Because our inspection process evolves over time, 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

	2021	2020	2019
Total audits reviewed			
Total audits reviewed	25	14	12
Selection method			
Risk-based selections	19	12	10
Random selections	4	2	2
Target team selections	2	0	0
Total audits reviewed	**25**	**14**	**12**
Principal auditor			
Audits in which the firm was the principal auditor	25	14	12
Audits in which the firm was not the principal auditor	0	0	0
Total audits reviewed	**25**	**14**	**12**
Audit type			
Integrated audits of financial statements and ICFR	2	7	7
Financial statement audits only	23	7	5
Total audits reviewed	**25**	**14**	**12**

Part I.A Deficiencies in Audits Reviewed

In 2021, 14 of the 15 audits appearing in Part I.A were selected for review using risk-based criteria. In 2020, eight of the nine audits appearing in Part I.A were selected for review using risk-based criteria. In 2019, four of the six audits appearing in Part I.A were selected for review using risk-based criteria.

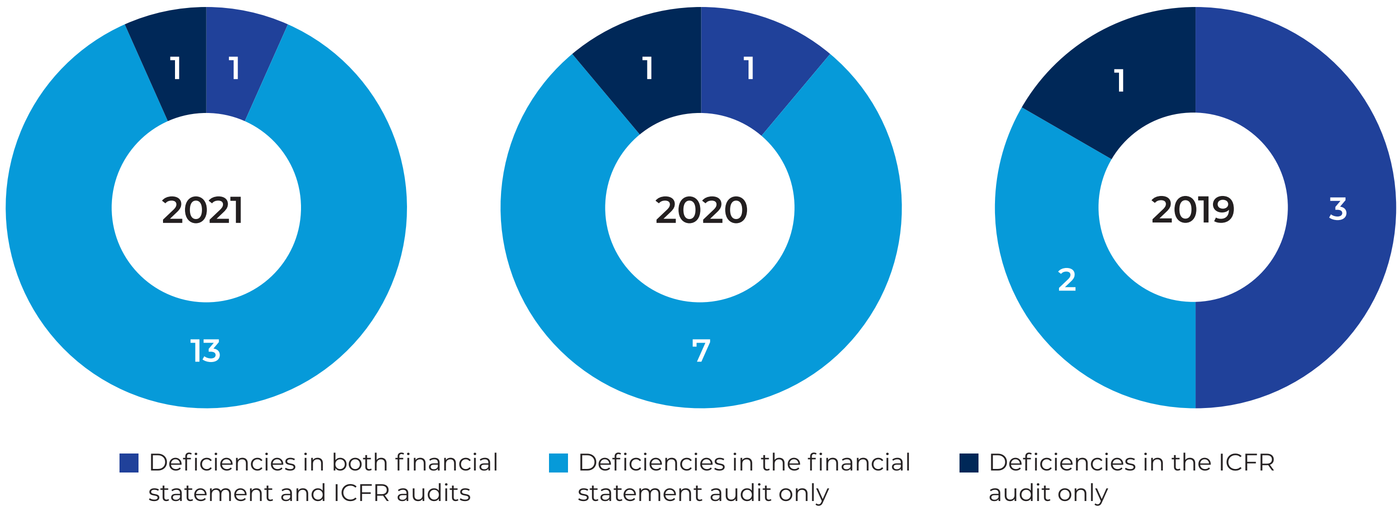


If we include a deficiency in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In many cases, the firm has performed remedial actions after the deficiency was identified. Depending on the circumstances, remedial actions may include performing additional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



Our 2021 inspection procedures involved seven audits, all of which were audits of SPACs or de-SPACs, for which each issuer, unrelated to our review, restated its financial statements to correct one or more misstatements and the firm revised and reissued its report on the financial statements.

The following tables and graphs summarize inspection-related information, by inspection year, for 2021 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		
	2021	2020	2019
Did not sufficiently evaluate the appropriateness of the issuer's accounting method or disclosure for one or more transactions or accounts	11	2	1
Did not perform sufficient testing of data or reports used in the firm's substantive testing	3	4	3
Did not perform sufficient testing related to an account or significant portion of an account or to address an identified risk	1	3	3

Deficiencies in ICFR audits	Audits with Part I.A deficiencies		
	2021	2020	2019
Did not identify and test any controls that addressed the risks related to a significant account or relevant assertion	2	1	3
Did not perform sufficient testing of the design and/or operating effectiveness of controls selected for testing	2	2	3
Did not identify and/or sufficiently test controls over the accuracy and completeness of data or reports that the issuer used in the operation of controls	1	1	2

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.

2021			2020			2019		
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	15	4	Revenue and related accounts	12	5	Revenue and related accounts	11	5
Equity and equity-related transactions	9	9	Inventory	6	2	Inventory	4	0
Investment securities	8	0	Going concern	3	0	Long-lived assets	3	1
Inventory	6	0	Investment securities	2	2	Equity and equity-related transactions	2	1
Business combinations	4	1	Leases	2	1	Investment securities	1	1

Audit Areas with Frequent Part I.A Deficiencies

This table reflects the audit areas with the most frequently identified Part I.A deficiencies in each inspection year with the corresponding results for the other two years presented.

Audit area	2021		2020		2019	
	Audits with Part I.A deficiencies	Audits reviewed	Audits with Part I.A deficiencies	Audits reviewed	Audits with Part I.A deficiencies	Audits reviewed
Equity and equity-related transactions	9	9	0	1	1	2
Revenue and related accounts	4	15	5	12	5	11
Inventory	0	6	2	6	0	4
Investment securities	0	8	2	2	1	1

Equity and equity-related transactions: The deficiencies in 2021 primarily related to evaluating the appropriateness of the issuer's accounting method for certain warrants and certain redeemable shares. The deficiencies in 2019 related to testing controls over stock-based compensation.

Revenue and related accounts: The deficiencies in 2021, 2020, and 2019 primarily related to substantive testing of, and testing controls over, revenue.

Inventory: The deficiencies in 2020 related to the accuracy and completeness of data or reports used in substantive testing and testing controls over inventory, including cycle-count controls.

Investment securities: The deficiencies in 2020 related to substantive testing of the valuation and existence of investment securities. The deficiencies in 2019 related to the substantive testing of, and testing controls over, investment securities.

Auditing Standards Associated with Identified Part I.A Deficiencies

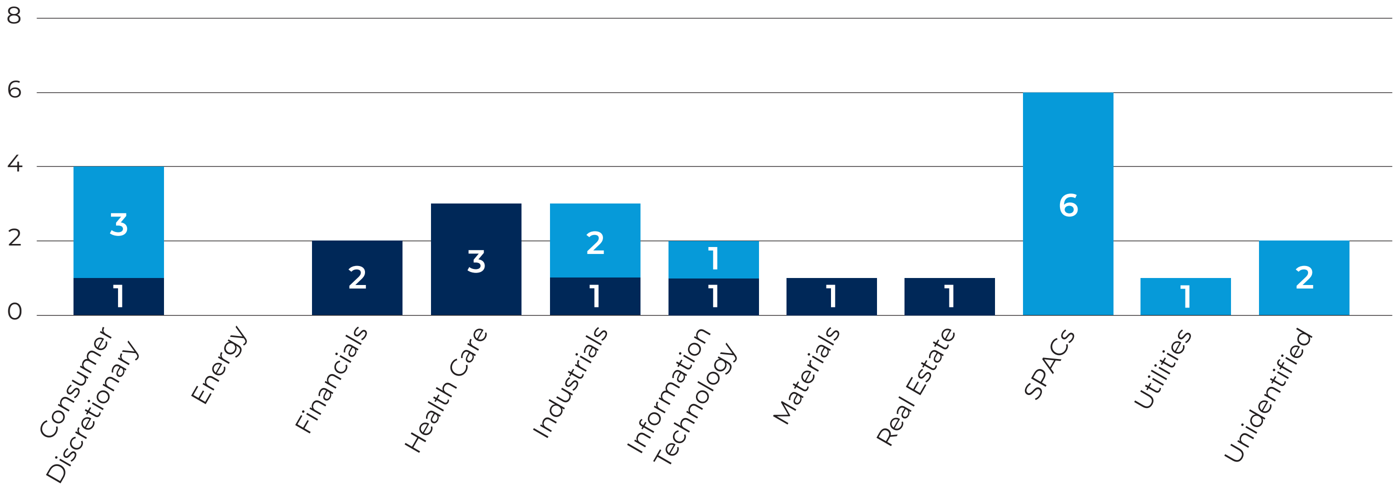
The following lists the auditing standards referenced in Part I.A of the 2021 and the previous two inspection reports, and the number of times that the standard is cited in Part I.A.

PCAOB Auditing Standards	2021	2020	2019
AS 1105, *Audit Evidence*	2	7	4
AS 2201, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*	7	7	18
AS 2301, *The Auditor's Responses to the Risks of Material Misstatement*	3	1	2
AS 2501, *Auditing Accounting Estimates, Including Fair Value Measurements* (effective for fiscal years ending on or after December 15, 2020)	2	-	-
AS 2501, *Auditing Accounting Estimates* (effective for fiscal years ending before December 15, 2020)	0	1	0
AS 2502, *Auditing Fair Value Measurements and Disclosures* (effective for fiscal years ending before December 15, 2020)	0	2	1
AS 2503, *Auditing Derivative Instruments, Hedging Activities, and Investments in Securities* (effective for fiscal years ending before December 15, 2020)	0	1	0
AS 2510, *Auditing Inventories*	0	2	0
AS 2810, *Evaluating Audit Results*	18	2	2

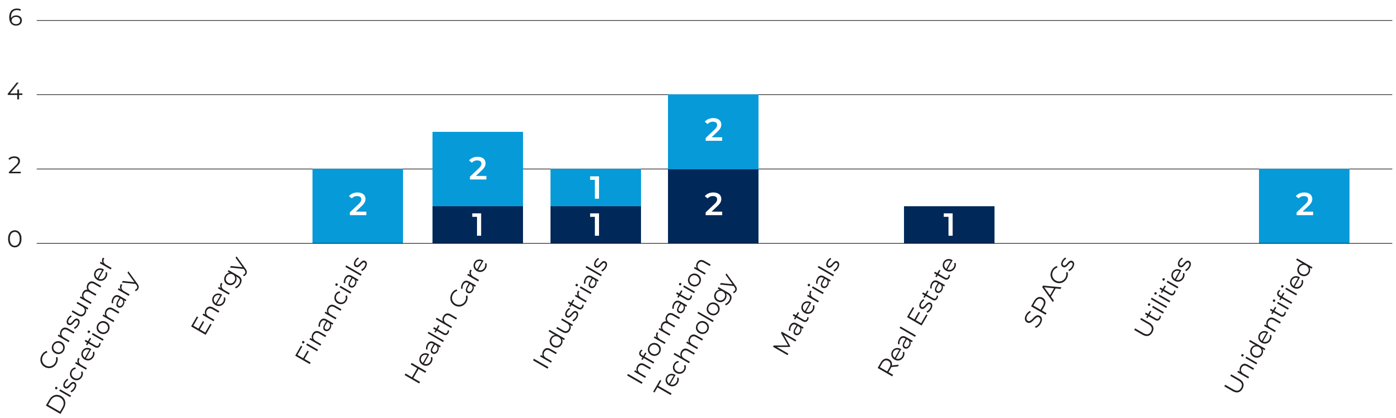
Inspection Results by Issuer Industry Sector

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."

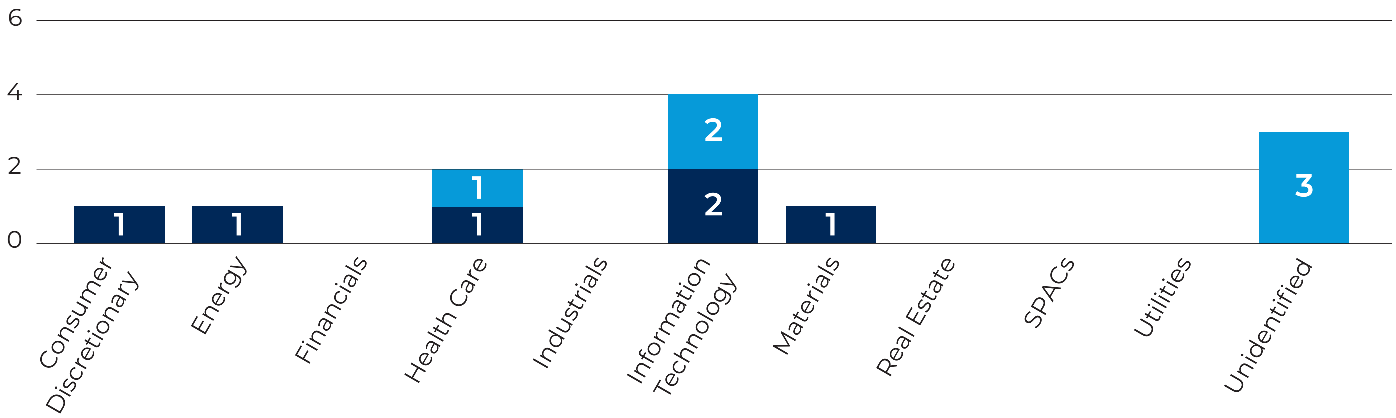
2021



2020



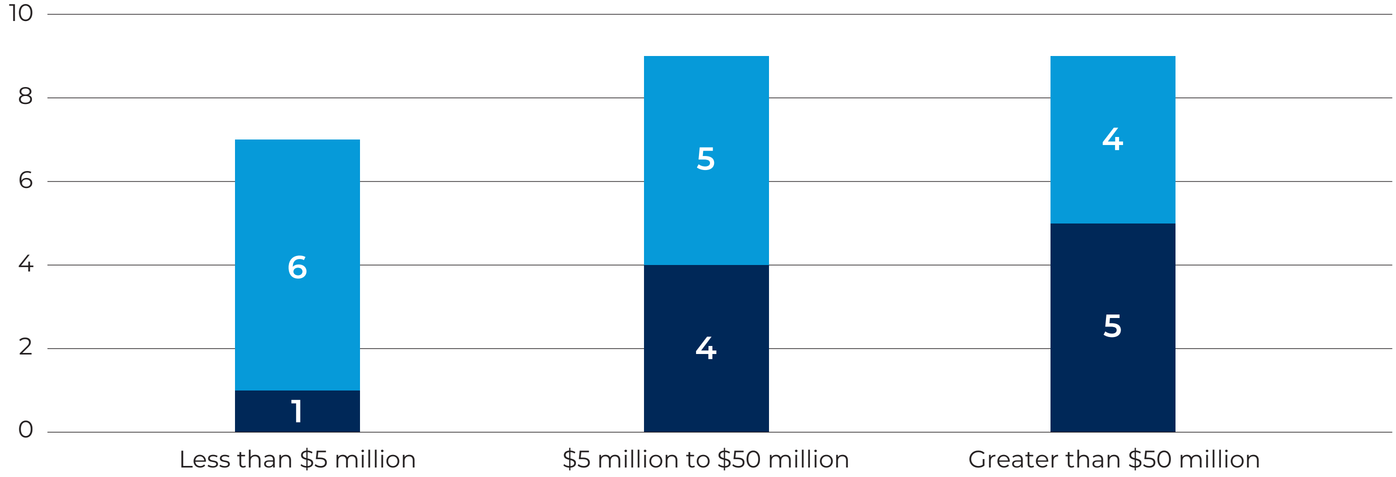
2019



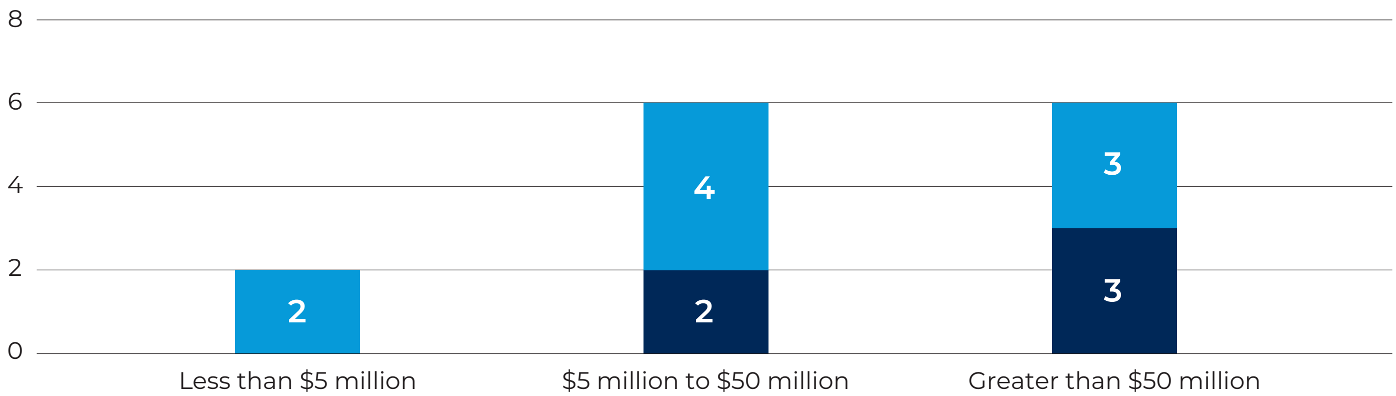
■ Audits without Part I.A deficiencies ■ Audits with Part I.A deficiencies

Inspection Results by Issuer Revenue Range

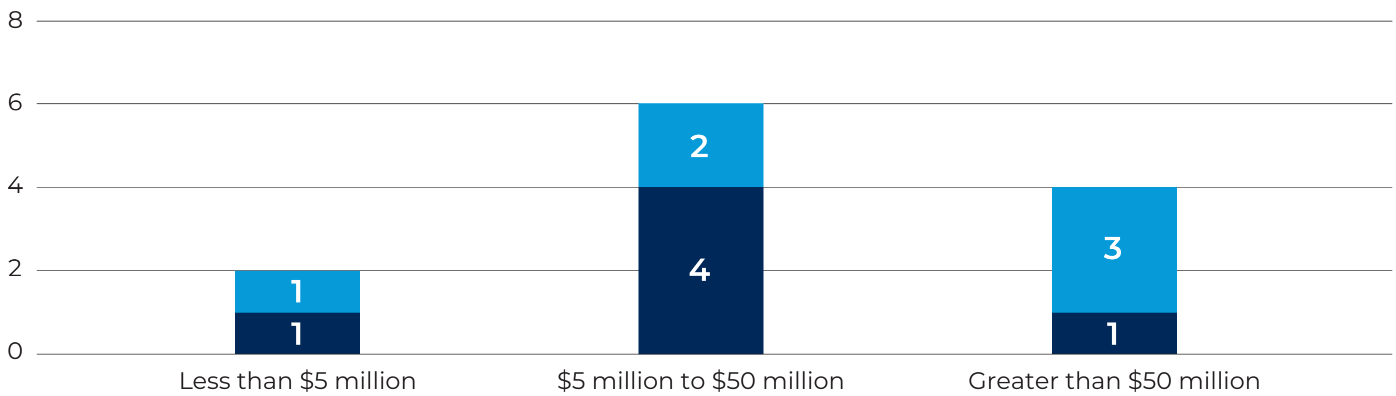
2021



2020



2019



■ 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.

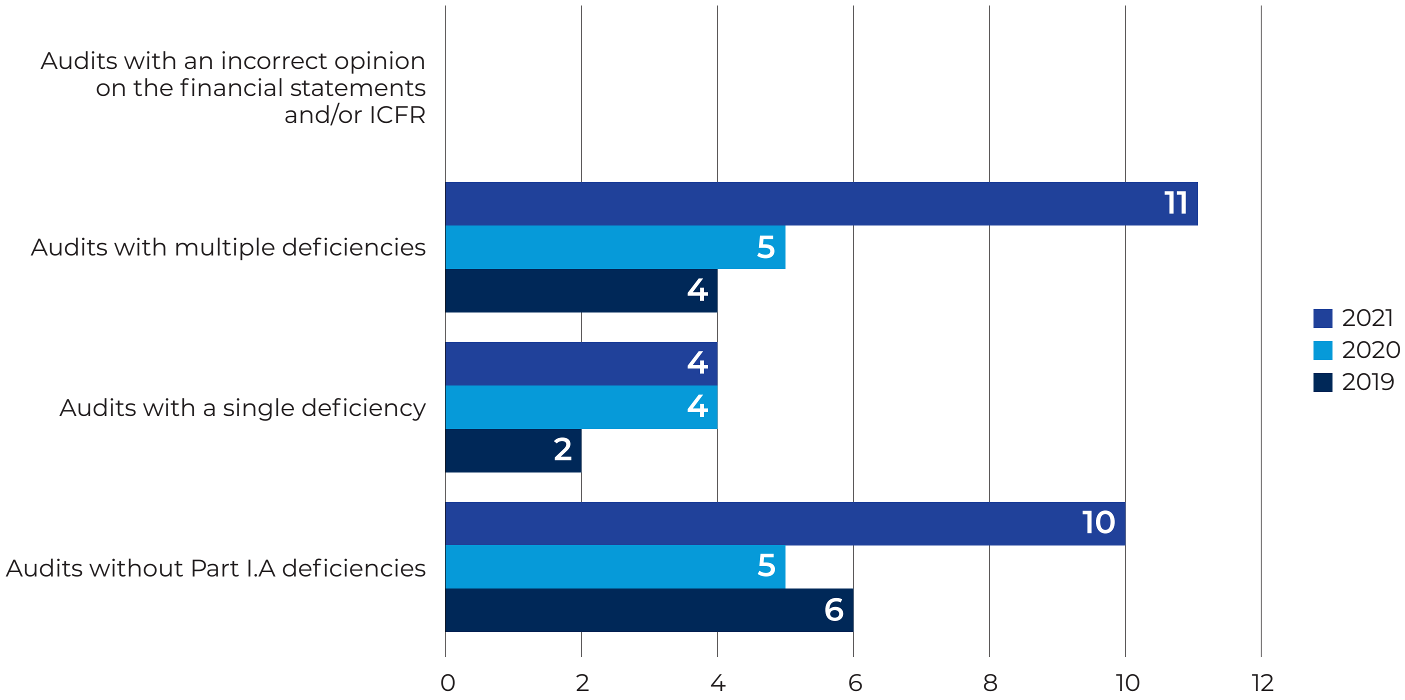
Audits with Multiple Deficiencies

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 deficiencies that do not relate directly to the sufficiency or appropriateness of evidence the firm obtained to support its opinion(s) but nevertheless relate to instances of non-compliance with PCAOB standards or rules.

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

PART I.A: AUDITS WITH UNSUPPORTED OPINIONS

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

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

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

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

None

Audits with Multiple Deficiencies

Issuer A

Type of audit and related areas affected

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

Description of the deficiencies identified

The firm did not identify and test any controls over information that the issuer manually entered into the revenue systems and used to record service revenue and deferred revenue. (AS 2201.39)

The firm selected for testing a control that consisted of a quarterly comparison of financial results, including revenue, to the results of the prior quarters. The firm did not identify and test any controls over the accuracy and completeness of information used in the operation of this control. (AS 2201.39) In addition, the firm did not evaluate the specific review procedures that the control owner performed to investigate identified variances and determine whether items identified for follow up had been appropriately resolved. (AS 2201.42 and .44)

The firm did not identify and test any controls over the accounting implications and disclosure requirements related to certain modifications made to existing contracts that resulted in a change in the time frame for a performance obligation to be satisfied under FASB ASC Topic 606, *Revenue from Contracts with Customers*. (AS 2201.39)

The firm did not identify, and evaluate the significance to the financial statements of, the issuer's omission of a disclosure of a change in the time frame for a performance obligation to be satisfied. Such disclosure is required under FASB ASC Topic 606. (AS 2810.30 and .31)

Issuer B

Type of audit and related areas affected

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

Description of the deficiencies identified

With respect to **Revenue**:

The issuer used information-technology (IT) systems to initiate, process, and record transactions related to certain revenue. The following deficiencies were identified:

- The firm selected for testing an automated control but its testing of a sample of only one item was not sufficient because the firm did not test the configuration or programming of the automated control, or perform other procedures that would have provided sufficient appropriate audit evidence that the automated control was designed and operating effectively. (AS 2201.42 and .44)
- The firm did not identify and test any controls over the accuracy and completeness of the shipment information that was entered into one of the IT systems and that the issuer used to record this revenue. (AS 2201.39)

With respect to **Intangible Assets**:

The issuer incurred costs related to certain intangible assets. The firm selected for testing a control that consisted of the issuer's review of such costs. The firm did not evaluate the specific review procedures that the control owners performed to assess the reasonableness of certain inputs and assumptions used in the valuation of such assets. (AS 2201.42 and .44)

Issuer C – SPACs

Type of audit and related areas affected

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

Description of the deficiencies identified

With respect to **Warrants** and **Forward Purchase Agreements**:

During the audit, the firm did not identify, and appropriately address, that the issuer's accounting for warrants and forward purchase agreements as equity was not in conformity with FASB ASC Topic 815, *Derivatives and Hedging*. (AS 2810.30)

Unrelated to our review, the issuer reevaluated its accounting for these warrants and forward purchase agreements and concluded that material misstatements existed that had not been previously identified. The issuer subsequently corrected these misstatements in a restatement of its financial statements, and the firm revised and reissued its report on the financial statements.

With respect to **Equity**:

During the audit, the firm did not identify, and appropriately address, that the issuer's accounting for certain redeemable shares as permanent equity was not in conformity with FASB ASC Topic 480, *Distinguishing Liabilities from Equity*. (AS 2810.30)

Unrelated to our review, the issuer reevaluated its accounting for these shares 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.

Issuer D – SPACs

Type of audit and related areas affected

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

Description of the deficiencies identified

With respect to **Warrants**:

During the audit, the firm did not identify, and appropriately address, that the issuer's accounting for warrants as equity was not in conformity with FASB ASC Topic 815. (AS 2810.30)

Unrelated to our review, the issuer reevaluated its accounting for these warrants 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.

With respect to **Equity**:

During the audit, the firm did not identify, and appropriately address, that the issuer's accounting for certain redeemable shares as permanent equity was not in conformity with FASB ASC Topic 480. (AS 2810.30)

Issuer E – SPACs

Type of audit and related areas affected

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

Description of the deficiencies identified

With respect to **Warrants**:

During the audit, the firm did not identify, and appropriately address, that the issuer's accounting for certain warrants as equity was not in conformity with FASB ASC Topic 815. (AS 2810.30)

Unrelated to our review, the issuer reevaluated its accounting for these warrants 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.

In addition, the firm did not identify, and evaluate the significance to the restated financial statements of, the omission of, and a misstatement in, certain required disclosures under FASB ASC Topic 820, *Fair Value Measurement*. (AS 2810.30 and .31)

With respect to **Equity**:

During the audit, the firm did not identify, and appropriately address, that the issuer's accounting for certain redeemable shares as permanent equity was not in conformity with FASB ASC Topic 480. (AS 2810.30)

Issuer F – SPACs

Type of audit and related areas affected

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

Description of the deficiencies identified

With respect to **Warrants**:

During the audit, the firm did not identify, and appropriately address, that the issuer's accounting for warrants as equity was not in conformity with FASB ASC Topic 815. (AS 2810.30)

Unrelated to our review, the issuer reevaluated its accounting for these warrants 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.

With respect to **Equity**:

During the audit, the firm did not identify, and appropriately address, that the issuer's accounting for certain redeemable shares as permanent equity was not in conformity with FASB ASC Topic 480. (AS 2810.30)

Issuer G – SPACs

Type of audit and related areas affected

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

Description of the deficiencies identified

With respect to **Warrants**:

During the audit, the firm did not identify, and appropriately address, that the issuer's accounting for warrants as equity was not in conformity with FASB ASC Topic 815. (AS 2810.30)

Unrelated to our review, the issuer reevaluated its accounting for these warrants 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.

With respect to **Equity**:

During the audit, the firm did not identify, and appropriately address, that the issuer's accounting for certain redeemable shares as permanent equity was not in conformity with FASB ASC Topic 480. (AS 2810.30)

Issuer H – Consumer Discretionary

Type of audit and related areas affected

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

Description of the deficiencies identified

With respect to **Revenue**:

The issuer recognized certain revenue based on electronic activity that was processed by a third-party service provider and the firm used certain reports produced by the third-party service provider in its substantive testing. The firm did not sufficiently test the accuracy and completeness of the data included in such reports because its procedures were limited to testing only a small number of revenue types, and for those revenue types selected for testing, it tested only one of multiple types of transactions. (AS 2301.08)

In addition, the firm relied on an outside source to provide reasonable assurance that the transactions processed by the third-party service provider were accurate. The firm, however, did not perform any procedures to determine whether it was appropriate to place such reliance on the outside source. (AS 1105.04)

With respect to **Warrants**:

During the audit, the firm did not identify, and appropriately address, that the issuer's accounting for warrants as equity was not in conformity with FASB ASC Topic 815. (AS 2810.30)

Unrelated to our review, the issuer reevaluated its accounting for these warrants 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.

Issuer I – SPACs

Type of audit and related areas affected

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

Description of the deficiencies identified

With respect to **Warrants**:

During the audit, the firm did not identify, and appropriately address, that the issuer's accounting for warrants as equity was not in conformity with FASB ASC Topic 815. (AS 2810.30)

With respect to **Equity**:

During the audit, the firm did not identify, and appropriately address, that the issuer's accounting for certain redeemable shares as permanent equity was not in conformity with FASB ASC Topic 480. (AS 2810.30)

Issuer J – Consumer Discretionary

Type of audit and related areas affected

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

Description of the deficiencies identified

With respect to **Payroll Expenses**:

The issuer used a service organization to process and record transactions related to payroll expense and the firm used certain reports produced by the service organization in its substantive testing. The firm did not test the completeness and accuracy of the data that the issuer submitted to the service organization. Although the firm obtained and read the service auditor's report, it did not identify and test any necessary complementary user controls that were described in the service auditor's report. (AS 2301.08)

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

The firm did not perform any procedures to test the additions made to long-lived assets during the year. (AS 2301.08)

Issuer K – Information Technology

Type of audit and related area affected

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

Description of the deficiencies identified

The issuer recorded at fair value intangible assets that it acquired as part of a current-year business combination. The firm's approach for testing the fair value of one of the acquired intangible assets was to develop an independent estimate of the fair value using forecasted revenue growth rates produced by the issuer. The firm did not evaluate the reasonableness of these revenue growth rates. (AS 2501.24) The firm did not perform any procedures to test the fair value of the other acquired intangible assets. (AS 2501.07)

Audits with a Single Deficiency

Issuer L – Industrials

Type of audit and related area affected

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

Description of the deficiency identified

During the audit, the firm did not identify, and appropriately address, that the issuer's accounting for certain warrants as equity was not in conformity with FASB ASC Topic 815. (AS 2810.30)

Issuer M – Consumer Discretionary

Type of audit and related area affected

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

Description of the deficiency identified

During the audit, the firm did not identify, and appropriately address, that the issuer's accounting for warrants as equity was not in conformity with FASB ASC Topic 815. (AS 2810.30)

Unrelated to our review, the issuer reevaluated its accounting for these warrants 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.

Issuer N – Utilities

Type of audit and related area affected

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

Description of the deficiency identified

The issuer recognized a certain type of revenue based on the volume of product it delivered to its customers. The firm used volume data in its substantive testing of this revenue, but did not perform any procedures to test, or in the alternative, identify and test any controls that addressed, the accuracy and completeness of the volume data. (AS 1105.10)

Issuer O – Consumer Discretionary

Type of audit and related area affected

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

Description of the deficiency identified

During the audit, the firm did not identify, and evaluate the significance to the financial statements of, a misstatement in certain required disclosures under FASB ASC Topic 820. (AS 2810.30 and .31)

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

This section of our report discusses any deficiencies we identified that do not relate directly to the sufficiency or appropriateness of evidence the firm obtained to support its opinion(s) but nevertheless relate to instances of non-compliance with PCAOB standards or rules.

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 25 audits reviewed, the firm did not include all relevant work papers in the final set of audit documentation it was required to assemble. In addition, in another audit reviewed, the firm did not assemble a complete and final set of audit documentation for retention within 45 days following the report release date. In these instances, the firm was non-compliant with AS 1215, *Audit Documentation*.
- In five of 25 audits reviewed, the firm did not communicate to the issuer's audit committee changes to the significant risks that had been initially identified and communicated to the audit committee and the reasons for those changes. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committee*.
- In 10 of 25 audits reviewed, the firm did not make a required communication to the issuer's audit committee related to the issuer's critical accounting policies and practices and/or critical accounting estimates. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.
- In one of 25 audits reviewed, the firm did not make a required communication to the issuer's audit committee related to the basis for its conclusion that substantial doubt about the issuer's ability to continue as a going concern was alleviated. In this instance, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.
- In two of 25 audits reviewed, the firm did not make a required communication to the issuer's audit committee related to uncorrected misstatements. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.
- In one of 25 audits reviewed, the firm did not document its communication to the issuer's audit committee related to certain matters arising from the audit that were significant to the oversight of the issuer's financial reporting process. In this instance, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.
- In two of 25 audits reviewed, the firm did not provide a copy of the management representation letter to the issuer's audit committee. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*, and AS 2805, *Management Representations*.
- In nine of 10 audits reviewed, the engagement team performed procedures to determine whether or not matters were critical audit matters but did not include in those procedures certain matters that were communicated, or required to be communicated, to the issuer's audit committee and that related to accounts or disclosures that were material to the financial statements. In these instances, the firm

was non-compliant with AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*. These instances of non-compliance do not necessarily mean that other critical audit matters should have been communicated in the auditor's report.

- In two of seven audits reviewed, the firm's report on Form AP contained inaccurate information regarding the office of the firm issuing the audit report or the date of the financial statements identified in the audit report. In these instances, the firm was non-compliant with PCAOB Rule 3211, *Auditor Reporting of Certain Audit Participants*.
- In one of seven audits reviewed, the firm did not file its report on Form AP by the relevant deadline. In this instance, the firm was non-compliant with PCAOB Rule 3211, *Auditor Reporting of Certain Audit Participants*.
- In one interim review reviewed, the firm did not identify, when performing its inquiries and review procedures, a misstatement in the issuer's interim financial information related to the issuer's disclosures of certain warrants. In this instance, the firm was non-compliant with AS 4105, *Reviews of Interim Financial Information*.

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.

MARCUM
ACCOUNTANTS ▲ ADVISORS

November 2, 2022

Mr. George Botic
Director
Division of Registration and Inspections
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, DC 20006

Re: Response to the Draft Report on 2021 Inspection of Marcum LLP

Dear Mr. Botic:

Marcum LLP (the "Firm") is pleased to provide this response to Part I of the Public Company Accounting Oversight Board's (the "PCAOB") draft report on the 2021 inspection of Marcum LLP (the "Draft Report").

The Firm respects and values the PCAOB's inspection process, which through formal communications and through interactions with PCAOB staff helps us identify areas where we can continue to improve and strengthen audit quality to the benefit of investors, other stakeholders and the capital markets in general. As we have after every inspection, we carefully considered the matters brought to our attention in connection with the 2021 inspection and have taken actions to enhance our policies and procedures as part of our commitment to the highest standards of audit quality.

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

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

Very truly yours,

Marcum LLP

Marcum LLP

MARCUMGROUP
MEMBER

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