
2021 Inspection Cohen & Company, Ltd.

(Headquartered in Cleveland, Ohio)

November 16, 2022

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. 104-2023-001



EXECUTIVE SUMMARY

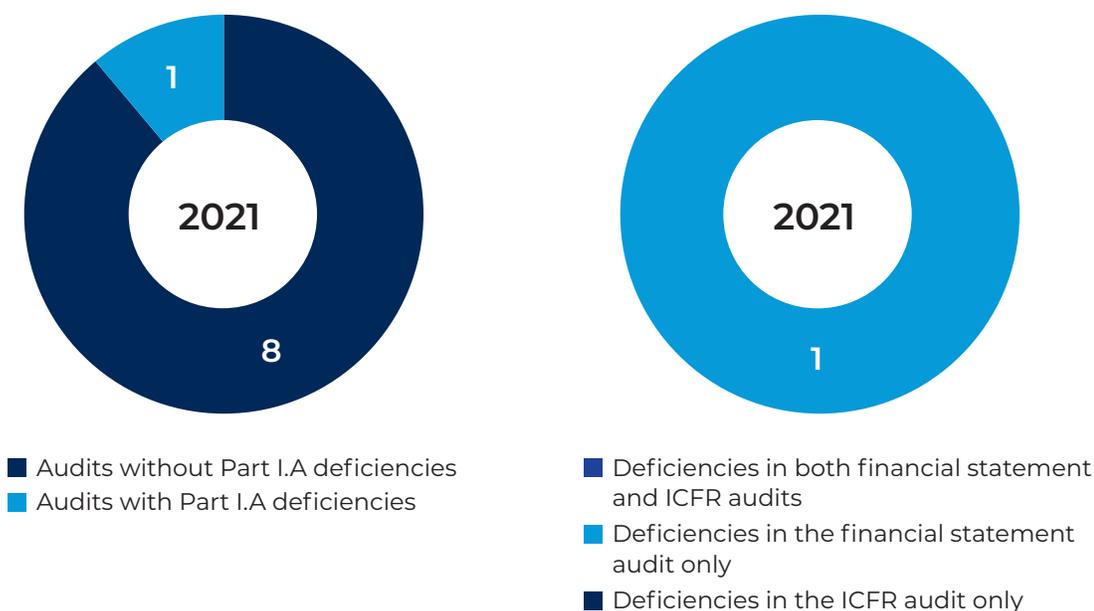
Our 2021 inspection report on Cohen & Company, Ltd. provides information on our inspection to assess the firm’s compliance with Public Company Accounting Oversight Board (PCAOB) standards and rules and other applicable regulatory and professional requirements. This executive summary offers a high-level 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

One of the nine audits we reviewed in 2021 is included in Part I.A of this report due to the significance of the deficiencies identified. The identified deficiencies related to the firm’s substantive testing of investment securities.



The Part I.A deficiencies in 2021 related to evaluating significant assumptions that the issuer used in developing an estimate.

An additional deficiency identified during the 2021 inspection that does not relate directly to the sufficiency or appropriateness of evidence the firm obtained to support its opinion(s), which appears in Part I.B, related to critical audit matters.

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2021 INSPECTION

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

We selected for review nine audits of issuers with fiscal years generally ending in 2020. 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 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.

View the details on the [scope of our inspections and our inspections procedures](#).

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 | 9 | 9 | 9 |
| Selection method | | | |
| Risk-based selections | 5 | 7 | 7 |
| Random selections | 4 | 2 | 2 |
| Total audits reviewed | 9 | 9 | 9 |
| Principal auditor | | | |
| Audits in which the firm was the principal auditor | 9 | 9 | 9 |
| Audits in which the firm was not the principal auditor | 0 | 0 | 0 |
| Total audits reviewed | 9 | 9 | 9 |
| Audit type | | | |
| Integrated audits of financial statements and ICFR | 0 | 0 | 0 |
| Financial statement audits only | 9 | 9 | 9 |
| Total audits reviewed | 9 | 9 | 9 |

Part I.A Deficiencies in Audits Reviewed

In 2021, the audit appearing in Part I.A was selected for review using risk-based criteria.

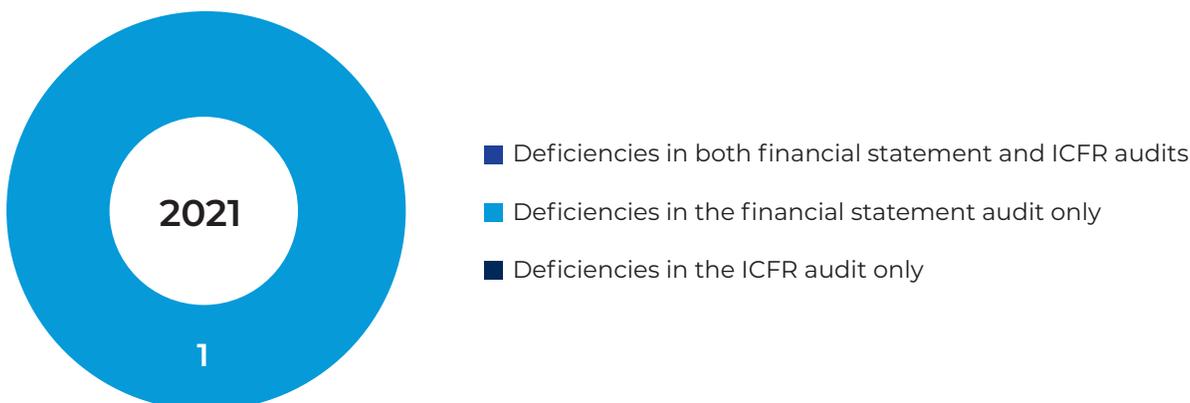


If we include a deficiency in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In many cases, the firm has performed remedial actions after the deficiency was identified. Depending on the circumstances, remedial actions may include performing additional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



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 significant assumptions that the issuer used in developing an estimate | 1 | 0 | 0 |

Audit Areas Most Frequently Reviewed

This table reflects the three 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 |
| Investment securities | 9 | 1 | Investment securities | 9 | 0 | Investment securities | 9 | 0 |
| Cash and cash equivalents | 3 | 0 | Capital share transactions | 3 | 0 | Capital share transactions | 3 | 0 |
| Capital share transactions | 2 | 0 | Investment income | 3 | 0 | Investment income | 3 | 0 |

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 |
| Investment securities | 1 | 9 | 0 | 9 | 0 | 9 |
| Capital share transactions | 0 | 2 | 0 | 3 | 0 | 3 |
| Investment income | 0 | 2 | 0 | 3 | 0 | 3 |

Investment securities: The deficiencies in 2021 related to substantive testing of the valuation of 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 |
|---|------|------|------|
| <i>AS 2502, Auditing Fair Value Measurements and Disclosures (effective for fiscal years ending before December 15, 2020)</i> | 1 | 0 | 0 |

Issuer Industry Information

All of the issuers whose audits were inspected in 2021, 2020, and 2019 were registered management investment companies in the financials industry sector.

The majority of industry sector data is based on Global Industry Classification Standard (GICS) data obtained from Standard & Poor's (S&P).

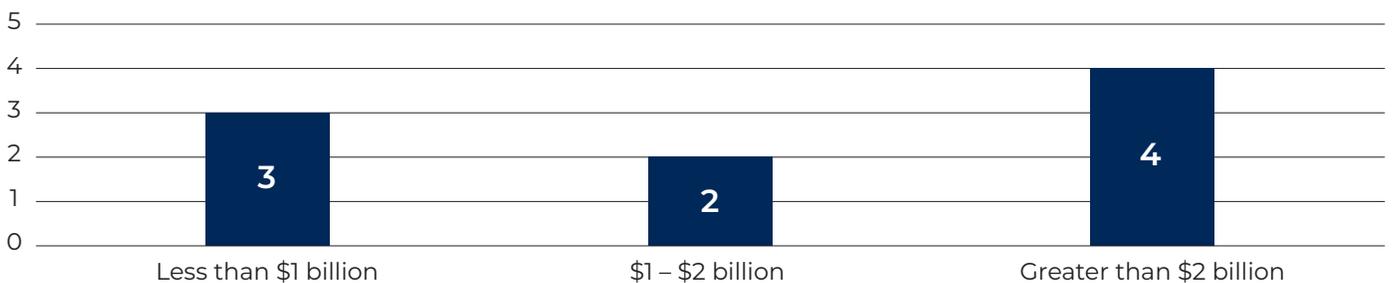
Inspection Results by Issuer Net Asset Range

The charts below categorize, based upon net assets, the inspection results for the issuers whose audits were reviewed in 2021, 2020, and 2019. Because all of the issuers inspected are registered management investment companies, net asset data is used to provide information about the size of the issuers whose audits were reviewed.

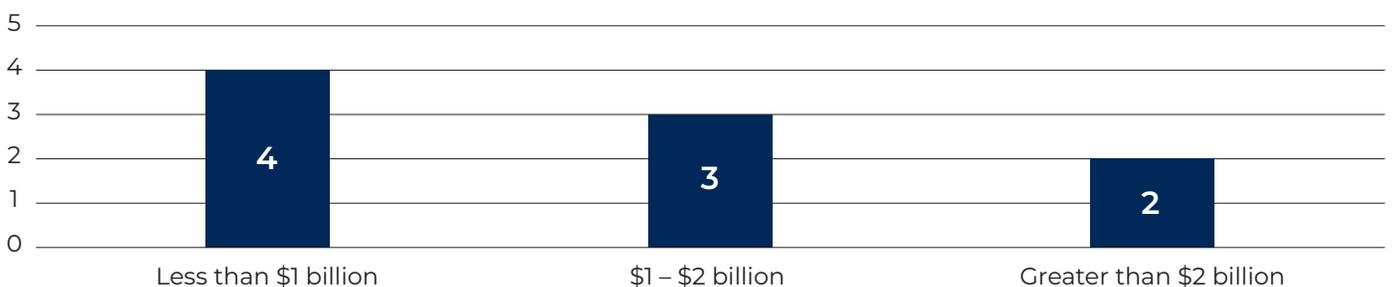
2021



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.

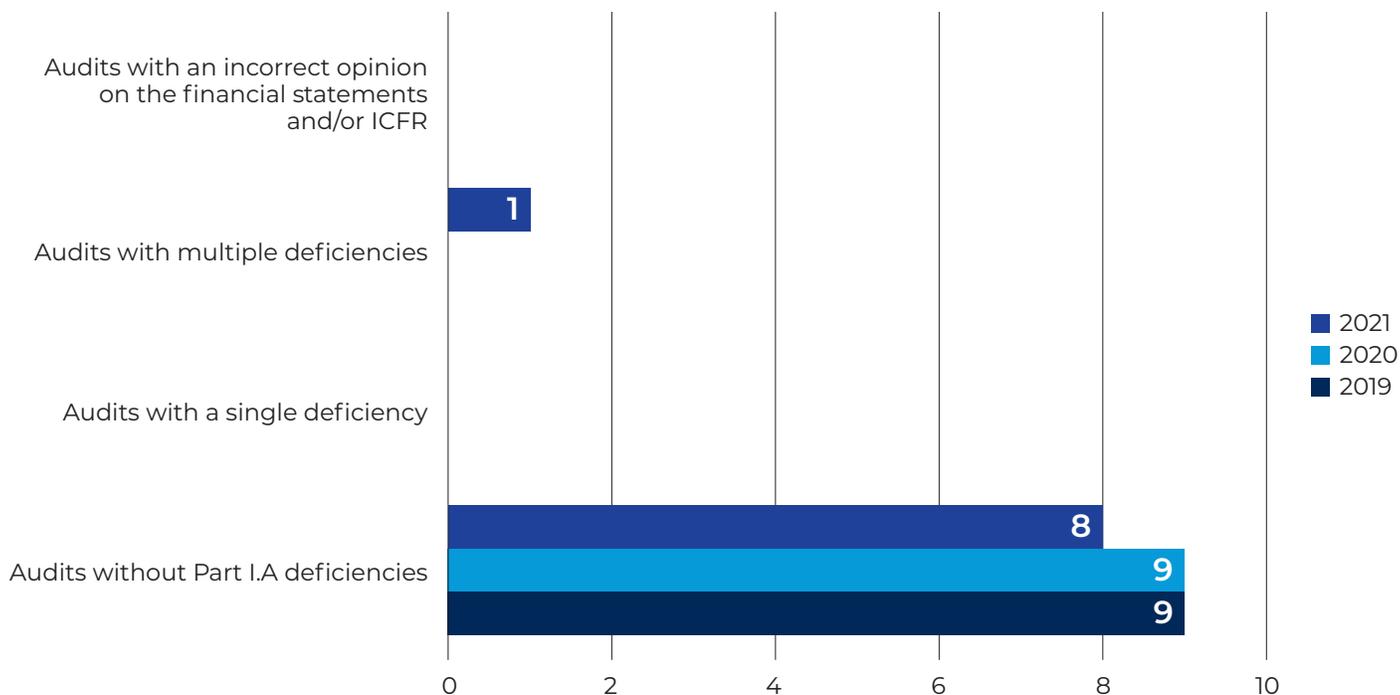
Audits with Multiple Deficiencies

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) and industry sector. 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 – Financials

Type of audit and related area affected

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

Description of the deficiencies identified

The issuer held certain investments that were categorized as level 3 within the fair value hierarchy as set forth in FASB ASC Topic 820, *Fair Value Measurement*. The firm's approach for substantively testing the valuation of these investments was to develop independent estimates. The firm did not evaluate the relevance of the pricing information and the appropriateness of another input the firm used in developing its fair value estimates of these investments. (AS 2502.40)

Audits with a Single Deficiency

None

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

This section of our report discusses 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 area below was 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.

We identified the following deficiency:

In one audit, 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 to the issuer's audit committee and that related to accounts or disclosures that were material to the financial statements. In this instance, the firm was non-compliant with AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*. This instance of non-compliance does not necessarily mean that other critical audit matters should have been communicated in the auditor's report.

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.



October 13, 2022

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

Re: Response to Part I of Draft Report on 2021 Inspection of Cohen & Company, Ltd.

Dear Mr. Botic:

We are pleased to provide our response to Part I of the Public Company Accounting Oversight Board's (PCAOB) Draft Report on the 2021 Inspection of Cohen & Company, Ltd.

We believe the inspection process provides a valuable opportunity to improve the quality of our audits and we fully support the PCAOB in their inspection process each year. We continue to adhere to the highest standards of audit quality and appreciate the opportunities to continue to strengthen our audit quality through the inspection process.

We have thoroughly evaluated the observations described in Part I: Inspection Observations of the Draft Report and have taken appropriate actions to fulfill our responsibilities under AS 2901, *Consideration of Omitted Procedures after the Report*.

We remain committed to making audit quality our top priority and continue to embrace our responsibility to investors and the public interest. We appreciate the ongoing dialogue and professionalism exhibited by the PCAOB and their inspection team, and we continue to make investments in our audit processes, policies, and overall quality control system.

Very truly yours,

A handwritten signature in dark blue ink that reads "Cohen & Company, Ltd." in a cursive script.

COHEN & COMPANY, LTD.

COHEN & COMPANY, LTD.
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Registered with the Public Company Accounting Oversight Board

