

August 31, 2015

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street N.W.
Washington, D.C. 20006-2803

Re: PCAOB Rulemaking Docket Matter No. 029
Supplemental Request for Comment: Rules to
Require Disclosure of Certain Audit Participants
on a New PCAOB Form, PCAOB Release No. 2015-004

Office of the Secretary:

Crowe Horwath LLP appreciates the opportunity to comment on the Public Company Accounting Oversight Board's (PCAOB or Board) *Supplemental Request for Comment: Rules to Require Disclosure of Certain Audit Participants on a New PCAOB Form* (Proposal) and commends the Board for its additional outreach to gather information about auditors and the audit process.

The Board's proposal focuses on the requirements to disclose the identity of the engagement partner, the identification of other audit firms through use of the proposed PCAOB Form AP - *Auditor Reporting of Certain Audit Participants* and also removes the previously proposed disclosure related to nonaccounting firm participants. As described in our letter to the Board dated February 12, 2014, regarding the initial PCAOB Rulemaking Docket Matter No. 029 *Improving The Transparency of Audits: Proposed Auditing Standards to Provide Disclosure in the Auditor's Report of Certain Participants in the Audit*, we recognize that some financial statement users may find value in the disclosure of the engagement partner, however, we continue to have concerns that this information may be interpreted to imply that audit quality resides with the engagement partner as opposed to representing the collective efforts of the engagement team and the firm, through all of its quality assurance processes.

In relation to the other key objectives in the Proposal, we support the disclosure of other auditors used in the course of the audit, as we agree the information is meaningful to financial statement users when the percentage of that effort represents a significant amount of the overall audit effort, and we support the Board's decision to eliminate the previously proposed disclosures related to nonaccounting firm participants.

If the Board concludes that disclosure of the identification of the audit partner as described in the Proposal is necessary, we support Form AP as the mechanism for this disclosure. We support the use of this proposed form as it removes the consent requirements for the engagement partner, as well as other auditors involved in the audit, and removes the other implications and consequences associated with providing consents. The approach described in the Proposal also eliminates the logistical challenges of obtaining consents, and it may reduce potential litigation matters that could arise when compared to including this information in the auditor's report. In addition, providing the proposed disclosures on Form AP achieves virtually the same level of transparency as disclosure in the audit report. By providing Form AP in a centralized location on the PCAOB's website, investors and users have access to the same information, in one primary location, enhancing the usability of the data. While we support the proposed form AP, we offer the following considerations:

- Increase the threshold for disclosure of other auditors from 5% to 20% to align with current definitions of “substantial role” as defined in PCAOB Rule 1001.
- Extend the deadline for filing Form AP for all audits to address practical challenges related to compliance with the proposed requirements.
- Change the triggering date for reporting Form AP from the auditor’s report date to a month end date and allow for one Form AP for multiple audits.
- Remove the requirement to file Form AP for reissuance of the auditor’s report unless the date of the auditor’s report changes, there is a new engagement partner, or there is a significant change to the percentage of other auditor’s hours.
- Remove the requirement to file Form AP for non-issuer brokers and dealers.
- Extend the effective date beyond the proposed date of June 30, 2016.
- Consider the SEC’s project on Possible Revisions to Audit Committee Disclosures; and
- Provide implementation guidance.

The above observations are discussed in further detail below and are based in part on the belief that the new disclosures will not be immediately useful upon filing, as multiple data points on audit partners and other audit firms involved in the audit will need to be accumulated over time to identify trends. This belief is consistent with the Board’s belief as described on page A-2 of the Proposal “...over time, these and other efforts may provide additional information that may allow investors and other financial statement users to better evaluate audit quality...” Accordingly, we believe the timing of the disclosures can be extended beyond what is included in the Proposal.

Align other auditor disclosures to current definitions

As indicated above, we agree that the disclosure of other auditors used in the course of an audit is meaningful information to users of the financial statements when the percentage of that effort represents a significant amount of the overall audit effort. We believe utilizing existing PCAOB definitions will allow for consistency between PCAOB rules and more efficient implementation of the requirements with an appropriate balance between benefit and cost. Specifically, we believe the threshold for disclosure of other auditors should be aligned with the PCAOB’s existing definition of “substantial role” resulting in an increase in the proposed threshold from 5% to 20%. Information provided at a level below 20% would consist of information below the threshold for “material services” as defined by PCAOB Rule 1001 and may result in disclosures that would no longer provide an appropriate balance between cost and benefit.

In addition, we believe other auditors included in the firm’s network provides valuable information as to the relationship between the firm and the other network auditors. Most networks have standards for audit quality and controls to monitor compliance with these standards resulting in less differentiation in the audit process between network firms as compared to out of network firms. Based on the modest differentiation in the audit process between the firm and a network auditor, if the Board does not raise the threshold for all auditors to 20% to align with current definitions of substantial role and material services, we suggest increasing the threshold to 20% for network firms and 10% for out-of-network firms.

Practical challenges

Regardless of the threshold for disclosing other auditors, there are practical challenges impacting the accumulation of the data and thus necessitating a time frame greater than the proposed 30 days for non-initial public offering audits and an even greater challenge for the proposed 10 days for initial public offering (IPO) audits. For instance, after the issuance of the auditor’s report, hours may continue to be incurred up and through the 45-day window allowed under the audit documentation standards. The time incurred during the 45-days is generally insignificant to the overall audit, however, it will result in inaccurate reporting if it is not included. Furthermore, the issuing firm will be dependent on the hourly information received from the other auditors. Systems of capturing hours are different among firms. Some firms have a sophisticated time tracking system while others have a less robust system which could lead to delays in other auditors providing this information. As a result, 30 days would not be sufficient to

obtain the data, review it and submit Form AP; and even less sufficient for the 10-day requirement for IPOs. We suggest increasing the timing for non-IPO filings to 60-days to allow for sufficient time to compile the data after the 45-day requirement has concluded under the audit documentation standards.

We recognize the above recommendation does not accommodate IPOs, and therefore acknowledge that the date may need to be triggered from the IPO filing date in many circumstances, though we believe the considerations discussed above and throughout this letter should be considered when concluding on the appropriate number of days. In addition, for some IPOs, the audits are concluded shortly before filing, as such we recommend the Board reconsider the 10-day requirement to file Form AP, and at a minimum extend the requirement to report other auditors used to be consistent with the recommendation described above, or alternatively allow for an amendment to Form AP within 60 days of the initial filing to add the other auditor information.

Monthly reporting and one Form AP for multiple audits

In addition to extending the timing of filing Form AP described above; as proposed a separate Form AP is required to be filed for each issuance of the auditor's report (though the Proposal does allow for a minimal amount of combining). Basing the filing requirement on the auditor's report date and requiring a separate form for each issuance of the auditor's report creates additional compliance costs. The timing of each Form AP will commence at different points in time and occur primarily during peak audit times. Building an environment where each form has the possibility of being filed at a different time will increase the frequency of submissions; create a need to develop a more complex monitoring system; and increase the risk of compliance failure. We recognize the embedded functionality of the PCAOB submission process to include multiple forms in one submission, however, this ability only provides modest administrative burden relief as the data for each issuance of an audit report will not be available in a similar timeframe to review.

As an alternative, we suggest the Board consider developing a system that would allow for 1) the filing deadline to be driven by a month-end date as opposed to the audit report date and 2) one Form AP to be submitted for multiple audit reports. This system would be similar to the current PCAOB process for reporting changes in licenses. For example, assume 50 audit reports were issued in the month of March. Using the filing deadline based on the auditor's report date, the firm representative needs to individually review 50 Form APs, physically sign each one and accumulate the individual Form APs for submission. Alternatively, based on our proposed method, the firm representative submits one report for all 50 audits 60 days after March 31. We acknowledge this alternative method results in information for some audits taking 91 days to reach the market assuming an audit report was issued on March 1. However, allowing for a month end filing deadline and including multiple audits in one Form AP will reduce the administrative burden.

As described in the section on Practical Challenges, we recognize that IPOs may need different consideration, however, would encourage the Board to consider whether the multiple report option could also be used for IPOs.

We believe the proposed approach is an acceptable reporting alternative for all firms. However, recognizing that not all firms have the same volume of audit reports issued during a year and the same related administrative burden, the Board may want to consider whether the proposed alternative should be applied based on the number of audit reports issued by the firm. To the extent volume is a consideration, we suggest using a threshold consistent with the frequency of PCAOB inspections or 100 audit reports.

Re-issuance of the auditor's report

The Form AP instructions state that a Form AP is to be filed "for each audit report issued pursuant to PCAOB standards for the audit of an issuer or broker dealer...", and we understand that the requirement

extends to the reissuance of the auditor's report. We support refiling a Form AP with the reissuance of the auditor's report when the information in the Form AP has significantly changed, such as a new engagement partner, a significant change in the percentage of the other auditor's hours, or a change to the audit report date. However, we recognize there are many situations such as shelf offerings or subsequent amendments to a registration statement filing in which the required information would not significantly change or change at all. We recommend the Board only require a new Form AP when there is a significant change in information in the original filed Form AP upon reissuance of the auditor's report.

Remove requirement for non-issuer brokers and dealers

As proposed, the Form AP requirements will apply not only to issuer brokers and dealers but also non-issuer brokers and dealers. Non-issuer brokers and dealers are generally closely-held organizations or subsidiaries of another entity (parent company). In these situations, we do not believe the users of the financial statements would find the disclosures of Form AP relevant. Investors generally do not invest directly in a broker and dealer but rather in the parent company, to the extent the parent company is also a public entity. Additionally, if a parent company does not exist, there is generally no market to trade the stock of non-issuer brokers and dealers. We recommend the Board exclude non-issuer brokers and dealers from the filing requirements of Form AP.

Extend the effective date

The Proposal currently includes an effective date for audit reports issued or reissued on or after June 30, 2016. We believe there are a number of issues that need to be resolved and/or clarified by the Board before firms can begin to establish processes to track, compile and monitor the data, as well as perform quality assurance on the data, therefore we believe the effective date should be at a minimum one year beyond the proposed effective date.

Consideration of the SEC project on Audit Committee disclosures

The SEC has also issued a concept release on "Possible Revisions to Audit Committee Disclosures", which includes possible disclosures of similar information contained within the PCAOB's proposal. We believe the PCAOB should coordinate with the SEC on determining the best location for these disclosures. Should the outcome of that analysis result in the information to be reported by both the auditor and the audit committee, we recommend consistency of the information and in the manner it is determined, for example as it relates to other auditors.

Implementation Guidance

We believe there are certain areas within the Proposal where additional implementation guidance would be helpful. The following describes those areas.

- It is unclear as to the signing firm's responsibility to ensure the accuracy of the hours reported by the other auditors. This information will be directly obtained from the other auditors, and the signing firm is dependent on the accuracy of the other auditors' reporting. This is an area that has not been subject to oversight by the signing auditor in the past, and it would be difficult for a firm to be able to verify the accuracy of the systems and information from other auditors. We request the PCAOB address this matter in the final document.
- There are situations in which tracking and accumulating hours becomes more complex and general guidelines would be beneficial. For example, during an IPO there may be re-audits of prior periods to change the prior audits from AICPA standards to PCAOB standards. In Part IV of Form AP the instructions indicate "...the calculations should be based on the percentage of audit hours attributable to the audits or audit procedures performed by such firms in relation to the total audit hours for the periods identified in Item 3.1.c." It is not clear from the instructions if the hours

from the prior period audits include the hours from the AICPA audit or just the additional procedures performed to change from the AICPA standards to PCAOB standards.

- Hours incurred with respect to other registration statements can also become convoluted as the most recent audit report is reissued in connection with the registration statement, and audit procedures performed with the reissuance may have been performed concurrently with a current period interim review performed under AU 722. It is unclear how to separate the procedures to reissue the prior period audit report from the current period review procedures.
- Certain engagements include combined financial statement and statutory audits, whereby hours will be difficult to monitor and track separately as generally the audits are performed as a single audit, and therefore hours would be very difficult to allocate to the respective effort.
- While there are a number of implementation questions related to the Proposal and the request for further guidance, we recommend the Board consider whether the ability to provide for amended filings of Form AP could be a possible solution in some situations. While we would not recommend amendments to address many issues, as that could also create further administrative costs, the ability to amend filings would be helpful to include in the final standard.

Given the wide range of potential scenarios that will be encountered during the Form AP reporting process, we ask the Board to consider developing general guidelines on computing, tracking and monitoring hours and responsibility for accuracy over hours reported by other auditors.

Crowe Horwath LLP supports the PCAOB's efforts to improve public company auditing standards and the due process to ensure proposed standards result in such improvement, mindful of cost benefit considerations and the avoidance of unintended consequences. We would be pleased to respond to any questions regarding our comments. Should you have any questions please contact James A. Dolinar at (630) 574-1649 or Michael Yates at (575) 236-7644.

Sincerely,

A handwritten signature in cursive script that reads "Crowe Horwath LLP".

Crowe Horwath LLP