November 6, 2017

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, NW
Washington, DC 20006-2803

Electronically submitted: comments@pcaobus.org

Re: PCAOB Rulemaking Docket Matter No. 042: Supplemental Request For Comment: Proposed Amendments Relating To The Supervision Of Audits Involving Other Auditors And Proposed Auditing Standards—Dividing Responsibility For The Audit With Another Accounting Firm

Dear Ms. Brown:

The Accounting Principles and Auditing Standards Committee (the Committee) of the Florida Institute of Certified Public Accountants (FICPA) respectfully submits its comments on the referenced proposal. The Committee is a technical committee of the FICPA and has reviewed and discussed the above referenced proposed amendment and proposed standard issued by the Public Company Accounting Oversight Board (the PCAOB). The FICPA has more than 20,000 members, with its membership comprised primarily of CPAs in public practice and industry. The Committee is comprised of approximately 23 members, of whom 48% are from local or regional firms, 26% are from large multi-office firms, 13% are sole practitioners, 9% are in international firms, and 4% are in education.

The Committee fully agrees with the Board's objectives to strengthen the existing requirements and impose a more uniform approach to the lead auditor's supervision of other auditors, as described in the proposed standard and appreciate the Board's efforts in this area. Overall there was general agreement with the proposed auditing standard; however, the Committee would also like to include responses to the questions.

Inspection Deficiency Rates

During the review of the Supplemental Request and initially released PCAOB Release No. 2016-002 dated April 12, 2016, the Committee discussed the circumstances resulting in the Proposed Amendments and Revisions. One of those cited in the original proposal is that over the past several years, PCAOB Inspections Staff have observed significant audit deficiencies in the work performed by other auditors. For example, in 2013, PCAOB Inspections Staff identified significant audit deficiencies in more than 40 percent of the inspected work performed for lead auditors by non-U.S. Global Network Firms. One Committee member commented that the aforementioned deficiency rate has not been markedly different from the deficiency rate found on all PCAOB inspections.

In *Inspection Observations Related to PCAOB "Risk Assessment" Auditing Standards (No. 8 through No.15)*, PCAOB Release No. 2015-007 October 15, 2015, it is reported that audit deficiencies were found by PCAOB Inspections Staff in 227 (or 27 percent) of the 848 audits inspected in 2013 and in 165 (or 26 percent) of the 632 audits inspected in 2012. Although, the deficiency rate in all audits is somewhat less than the deficiency rate in audit work performed for lead auditors by other auditors, the results are comparable.

Implementation Costs
The Committee discussed the implementation costs whereby several Committee members who are from large national and global accounting firms noted that although there could be some implementation costs, the expected incremental cost and effort to implement the proposed amendments and revisions would not be significant since their firms were already performing and documenting the procedures consistent with the new requirements.

1) Response to Question 1

The Committee believes the revised requirement for determining the sufficiency of participation to serve as lead auditor, based on risk and importance of the locations is appropriate and clear.

2) Response to Question 2

This question is a supplemental request for comment related to the *Proposed Auditing Standard—Dividing Responsibility for The Audit With Another Accounting Firm.* In the original PCAOB Release No. 2016-002 April 12, 2016 (Page 9), the PCAOB states "Those 'divided responsibility' situations are relatively uncommon." Also in the original release, footnote 42 indicates that there were 50-60 audits in each of fiscal years 2014 and 2013 in which the lead auditor divided responsibility. Footnote 7 of the original release indicates that there were 8,606 public companies trading in the U.S. in 2015. These figures indicate that the situation of divided responsibility occurs in less than 1% of public company audits. The Committee's experience mirrors the PCAOB's observation that divided responsibility is uncommon. None of the Committee members have been on an engagement team that "divided responsibility on a public company audit" and as such the Committee has declined comment to this question.

3) Response to Question 3

a. The Committee believes the revised requirements relating to the other auditors' compliance with the independence and ethics requirements is appropriate.

b. The Committee also believes there are no practical challenges associated with the revised amendments.

c. Since the Committee believes there are no practical challenges associated with the revised amendments, the Committee also believes that no further revisions of the proposed requirements are necessary.

4) Response to Question 4

a. The Committee believes the proposed amendments relating to the knowledge, skill, and ability of the other auditor, revised by this release, are appropriate.

b. The Committee also believes there are no practical challenges associated with the revised amendments.

c. Since the Committee believes there are no practical challenges associated with the revised amendment, the Committee also believes that no further modification of the proposed requirements are necessary.

5) Response to Question 5

a. The Committee believes the proposed new addition to AS 1015 *Due Professional Care in the Performance of Work*, and revision to AS 1201 *Supervision of the Audit Engagement* relating to the other auditors' responsibility are appropriate and clear.

b. This question is related to audits that divide responsibility. The Committee declines to comment on this question for the reasons provided in our response to Question 2.

6) Response to Question 6

a. The Committee believes the proposed new additions to AS 1201.B2, *Reviewing the Other Auditor's Work* are appropriate and clear.

b. The Committee also believes it is clear that the necessary level of detail of the other auditor's audit documentation that the lead auditor obtains and the necessary extent of the lead auditor's review according to requirements in proposed Appendix B of AS 1201 are scalable based on the factors in the existing standard regarding the necessary extent of supervision.

7) Response to Question 7

a. The Committee believes the revised proposed requirements for situations in which the lead auditor directs another auditor to perform supervisory procedures with respect to a second other auditor on behalf of the lead auditor is clear.

b. Since the Committee believes the revised proposed requirements are clear, there is no need for further revisions.

8) Response to Question 8

a. This question is related to audits that divide responsibility. The Committee declines to comment on it for the reasons provided in the response to Question 2.

9) Response to Question 9

a. The Committee declines to comment on whether or not it is clear how the proposed amendments and new standard (as revised by this release) relate to other amendments to auditing standards proposed or adopted by the Board since the 2016 Proposal given limited involvement of sufficient Committee members with other proposed or adopted standards to permit adequate dialogue and comment.

10) Response to Question 10

a. The Committee believes that the revisions the Board is considering for adoption do not affect the scalability of PCAOB standards in this area since the proposal and revisions use a risk-based supervisory approach.

b. The Committee believes that the revisions the Board is considering for adoption will not have a significant effect on the competitiveness of smaller audit firms because, in general, the requirements of the proposal and revision are not expected to be restrictively time consuming and that smaller firms rely on practice aids that will incorporate the new requirements and allow the practitioner to perform an efficient and cost-effective audit.

c. The Committee believes the revisions will not significantly change the costs and benefits associated with the proposed changes discussed in the 2016 Proposal.

d. The Committee believes that an unintended consequence that the Board should consider is that there may be an increase in "divided responsibility" audits. Firms may decide after studying the voluminous proposal (202 pages), the revisions (94 pages), the original 26 comments, and additional comments submitted for the revisions, that it is more efficient for the firm to divide responsibility (Proposed AS 1206), which has fewer requirements and may be expected to take less effort, than to supervise the other auditor and take responsibility for the other auditor's work (AS 1201).

e. The Committee believes there are no other matters not addressed in this release that the Board should consider in its economic analysis.

Response to Question Regarding Emerging Growth Companies (EGCs)

a. The Committee is not aware of any available empirical data related to the revisions discussed in this release and the potential impact on EGCs.

b. The Committee believes that the revised proposal would not have an impact on protecting investors and promoting efficiency, competition, and capital formation since many EGC investment decisions are made based on information outside of historical audited financial statements such as: patents pending expected to be approved; successful clinical trials; expected introduction of breakthroughs in software, hardware, and mobile applications; recruitment of senior executives from other successful firms; and hedge funds and financial institutions obtaining a major stake or increasing their holdings in the EGC. In addition, as noted in the Committee's response to Question 2 as well as in the previously issued PCAOB Release No. 2016-002 April 12, 2016 (Page 50), "EGCs – a majority of which are smaller companies – are significantly less likely to operate in multiple countries" and as such the Committee would expect both the division of responsibility as well as supervision of other auditors to be even more limited with EGCs.

Response to Question Regarding Broker Dealers

a. The Committee declines to comment on this question with respect to audits of brokers and dealers because, although, several of the Committee members perform broker dealer audits, none of these audits involve other auditors, and therefore, the Committee does not have relevant experience to form the basis for a response.

Effective Date

a. The Committee believes that one year is sufficient for the proposed new auditing standard and amendments to become effective, if adopted by the Board and approved by the SEC.

b. The Committee also believes that the adopted standard and amendments should be required for audits of fiscal years beginning in the year after approval by the SEC (or for audits of fiscal years beginning two years after the year of SEC approval if that approval occurs in the fourth quarter).

The Committee appreciates this opportunity to respond to the proposed auditing standards. Members of the Committee are available to discuss any questions or concerns raised by this response.

Respectfully submitted,
Steven Bierbrunner, CPA
Chair, FICPA Accounting Principles and Auditing Standards Committee

Committee members coordinating this response:
Bruce H. Nearon, CPA