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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. 042
Supplemental Request for Comment: Proposed Amendments Relating to the Supervision of Audits Involving Other Auditors and Proposed Auditing Standard – Dividing Responsibility for the Audit with Another Accounting Firm

Dear Office of the Secretary:

Crowe Horwath LLP appreciates the opportunity to comment on the Public Company Accounting Oversight Board's Proposed Amendments Relating to the Supervision of Audits Involving Other Auditors and Proposed Auditing Standard – Dividing Responsibility for the Audit with Another Accounting Firm.

We support the Board's effort to improve audit quality by enhancing an existing standard that has been part of audit standards since the 1970's. We also agree with the Board's decision to provide a new specific standard for when the auditor divides responsibility for an audit with another accounting firm. We are pleased to provide our observations regarding areas where we believe the Proposed Amendments or the Proposed Standard could be modified to provide clarity for the auditor as well as observations related to risk-based concepts.

Our observations are cross-referenced to specific paragraph language within the Proposed Amendments or Proposed Standard.

AS 2101 – *Audit Planning*, Appendix B - "Other Auditors' Compliance with Independence and Ethics": we acknowledge that compliance with independence and ethics are key elements of an audit and key reasons the public has trust in the work that auditors perform. The way in which Paragraph B4 is written, it applies to *all* other auditors utilized, without scalability. We believe scalability can be achieved without jeopardizing independence, ethics or public trust. Paragraph B4a should be written to be scalable between other auditors who are registered with and subject to inspection by the PCAOB and other auditors who are not periodically inspected by the PCAOB. If a firm is using another auditor that is registered with the PCAOB and inspected by the PCAOB at least triennially, including their independence processes and quality control systems, then paragraph B4a should be optional for the lead auditor. Our recommendation for scalability is rooted in our anticipated audit response to another element of the standard on *Audit Planning*. As a response to paragraph AS 2101, B6.b.2 regarding the qualifications of other auditors, the lead auditor may obtain the other auditors' most recent PCAOB inspection report. Based on evaluation of that inspection report and procedures performed in response to paragraph B4b, the lead auditor should determine if additional understanding of the other auditors' independence and ethics processes is warranted. Thereby, paragraph B4a would be required only for other auditors not subject to inspection by the PCAOB and would be optional based on risk, when other auditors are registered with and subject to inspection by the PCAOB.

As noted above, we also believe the requirements within paragraph B6 regarding “Qualifications of and Communication with Other Auditors” should be scalable based on whether or not the other auditor is registered with and subject to inspection by the PCAOB. Specifically, paragraph B6a, steps 1 and 2 should be required for other auditors who are not registered with the PCAOB and optional based on risk, for other auditors that are registered with and subject to inspection by the PCAOB. We believe that this scalability does not negatively affect audit quality and that it supports a risk-based approach to understanding other auditors’ qualifications.

AS 1206, Appendix B, Paragraph B1, *Example 1* provides language to be used when the lead auditor audits the conversion adjustments, when the financial statements audited by the referred-to auditor were prepared using a financial reporting framework that differs from the framework used to prepare the financial statements audited by the lead auditor. The last sentence in this example paragraph indicates the following: “We have audited the adjustments to the financial statements of B Company to conform those financial statements to accounting principles generally accepted in the United States of America.” As noted, the PCAOB clearly wants the users to understand which firm audited the conversion adjustments when different financial frameworks are used. However, this example report also refers to the audit of internal control over financial reporting. We believe the sentence noted above should also be modified, or that another sentence should be added, to identify which firm audited the internal controls over the conversion adjustments to the financial statements, in order to be fully transparent to the users.

Lead audit firms will need to develop and implement training and effective quality control processes in order to implement these proposed amendments and the new proposed standard. In order for firms to appropriately execute these changes within networks as well as enhance communications with other auditors outside of their network, we believe lead audit firms need at least 24 months to implement the new requirements, from the date the SEC approves the changes.

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 improvements, mindful of cost benefit considerations and avoidance of unintended consequences. We would be pleased to respond to any questions regarding our observations noted within this letter. This is a complex subject and if there are any other questions regarding this subject, please contact Michael G. Yates at (574) 236-7644.

Sincerely,

Crowe Horwath LLP

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