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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. 025, *Engagement Quality Review*, PCAOB Release No. 2009-01**

Office of the Secretary:

Crowe Horwath LLP appreciates the opportunity to comment on the Public Company Accounting Oversight Board's ("PCAOB" or "Board") Proposed Auditing Standard, (the "Proposed Standard").

The concurring reviewer responsibility included in the PCAOB's interim standards provides a meaningful periodic objective review of audit process performance and client financial reporting. The concurring review process adds some assurance to audit quality control. We applaud the Board's objective of providing greater clarity to the requirement for such engagement reviews, and believe that one result of clarity will be greater consistency in application both within firms and throughout the profession. The proposed requirement that all registered firms that perform audits of issuers conduct engagement quality reviews is a needed enhancement to the interim standards.

We believe the Board has been responsive to the letters of comment on the previous proposal, and that this Proposed Standard is improved and more appropriate than the previous proposal. However, we believe the Proposed Standard can be further improved.

Objective, paragraph 2

The Proposed Standard indicates that the "...*engagement quality reviewer is to perform an evaluation of the significant judgments made by the engagement team and the conclusions reached in forming...*" We believe insertion of "related" prior to the word "conclusions" in that statement would add clarity to the objective that the engagement quality reviewer is evaluating significant conclusions reached and not all conclusions reached.

Engagement Quality Review for an Audit

The above observation is also applicable in paragraph nine (9) when referring to “conclusions reached” in the first and second sentences. We would recommend inserting “related” in front of “conclusions” thereby clarifying that this only pertains to these significant conclusions and not all conclusions.

In addition, the last sentence in paragraph 9 appears to indicate that the engagement quality reviewer is to “identify” significant judgments by reviewing documentation. It should not be the engagement quality reviewer’s responsibility to identify significant judgments as this would imply a complete review of the working papers. In the release section of this document, the Board indicated several changes were made to this section and as noted on page 17, the new proposal requires the “reviewer to evaluate the significant judgments made by the engagement team”. There is no mention of the responsibility to “identify through review of documentation” significant judgments made by the engagement team. The proposal as drafted would cause significant cost to an engagement for the reviewer to review all documentation to identify significant decisions, therefore, we recommend the deletion of the words “identify and” in the last sentence of paragraph 9.

We would recommend adding to the end of paragraph nine (9) the following for clarity – “as deemed appropriate”, thus the engagement quality reviewer would use their judgment to determine what documentation should be reviewed. As currently drafted, it could be interpreted to be all documentation and we don’t believe that is appropriate.

Paragraphs 10e and 10f require the engagement quality reviewer to “determine” if appropriate matters have been communicated and “determine” if appropriate consultations have taken place. These requirements would assume full knowledge of all the working papers in an audit, because without full knowledge, a reviewer could not determine if the appropriate matters were communicated or if the appropriate consultations have taken place. Clarity can be provided to these steps as follows: “Based on the procedures performed above, evaluate if appropriate matters have been communicated...” We believe the same change could be made to item 10f. In addition, we recommend moving these two procedures to items 10g and 10h, therefore “procedures performed above” would refer to all the procedures in paragraph 10 except the current paragraph 10i that we believe is appropriate to be last.

Documentation of an Engagement Quality Review

Several steps provided in paragraph 19 would add significant cost to the review process without significant benefit. We recommend several changes for clarity which we do not believe reduces the quality of the process. Step b – we recommend inserting “significant” prior to “documents” thus the step would read “The significant documents reviewed by the engagement quality reviewer and others who assisted the reviewer.” In addition, step c – should be deleted as this does not add quality but it will add time. In paragraph 10, the engagement quality reviewer is concluding on various aspects of the engagement based on review of certain documents and discussions with the engagement team. They should be allowed to use their judgment in documenting how they reached their conclusions and what

would be appropriate to document based on AS-3. Step 19c is an unnecessary documentation step to the defined process.

Effective Date

We believe the effective date provided in the Proposed Standard should be changed. Most issuer audit engagements for the current year will have substantial services performed prior to a final standard becoming effective. The changed responsibilities of the engagement quality reviewer would be in effect for services already performed (planning, risk assessments, interim procedures). Firms also need time to implement the new requirements, including training, review of and potentially changing assignment of engagement quality reviewers to be compliant with new requirements. We suggest that the effective date be for periods beginning on or after six months after a final standard is approved by the SEC and in no event earlier than fiscal years beginning on or after December 15, 2009.

Release, item E Concurring Approval of Issuance – “know or should have known”

Though the Board removed “know, or should have known” from the revised proposed standard text, the Board’s conclusion in the release document that the requirement to exercise due professional care imposes on a reviewer essentially the same requirement as know, or should have known, suggests a new standard of performance for an engagement quality reviewer. Such a new standard requiring “know or should have known” would be a significant increase in the level of responsibility for a reviewer. To perform at this level the reviewer will need to develop knowledge and judgment comparable to a second engagement partner.

The focus of an engagement quality review standard should be on reviewing the significant judgments made and conclusions reached by the engagement team, not on developing a second set of independent conclusions. The expansion of the definition of “due professional care” by the Board noted above to a “know or should have known” level of performance changes the nature of the review from negative assurance to positive assurance by the reviewer. The focus on independent evaluations and positive assurance turns the focus of the audit to the engagement quality review rather than on the conclusions and judgments of the engagement team.

The engagement partner must have the ultimate responsibility for the audit. The engagement quality reviewer should not become an integral part of the engagement team, and should not have a level of responsibility comparable to the engagement partner, including overall responsibility for the audit. Unlike the engagement team members, the engagement quality reviewer's access to client records is limited, and they likely do not have routine interaction with the client. The need for independence and objectivity in this function, as well as the practical limitations on the scope of the engagement quality review, prevent the reviewer from forming the necessary judgments and conclusions to re-perform many of the evaluations and decisions made during the audit.

We recommend that the Board eliminate this concept of “know or should have known” as inclusion adds a new concept and reduces clarity.

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Crowe Horwath LLP supports the Board's efforts to improve its auditing standards with the objective of furthering the public interest. We hope that our comments and observations will assist the Board in its consideration of the Proposed Standard. We would be pleased to discuss our comments with members of the Public Company Accounting Oversight Board or its staff. If you have any questions on our comments, please contact Wes Williams or Mike Yates.

Cordially,

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

Crowe Horwath LLP