



October 26, 2022

Public Company Accounting Oversight Board
comments@pcaobus.org

Re: Request for Information and Comment - The Application and Use of the PCAOB's Interim Attestation Standards

PCAOB,

CohnReznick appreciates the opportunity to comment on the above-mentioned matter. CohnReznick is the 14th largest accounting firm in the U.S., with its origins dating back to 1919.

We support the PCAOB in its overall mission to protect investors and further the public interest in the preparation of informative, accurate, and independent audit reports. While our domestic and international capabilities (including through our Nexia International membership) allow us to serve a broad array of clients, we are a significant provider of services to the smaller and middle market. Our desire is that our response to the request for information and comment will give you perspective into the unique impact these changes might have on small and medium size entities and their ability to attract capital.

Our responses to the specific questions the PCAOB is seeking comment are included in the attachment to this letter.

If you have any questions concerning our comments or would like to discuss any of our responses or recommendations in more detail, please feel free to contact Steven Morrison, Partner, National Director of Audit, at 646-601-7740 or steven.morrison@cohnreznick.com.

Yours truly,

A handwritten signature in black ink that reads "CohnReznick LLP". The signature is written in a cursive, flowing style.

OVERALL RESPONSE

While we believe an update to PCAOB interim attestation standards is appropriate, we believe the PCAOB's finite time and resources would better be served with other activities than the attestation standards. We note the International and AICPA attestation standards are robust and have been updated and are widely accepted and quality focused. We have specific responses to the PCAOB's questions below. We also offer an "alternative path forward" below in the public interest.

SPECIFIC RESPONSES

Current Practice

- 5. What types of attest engagements are currently performed under PCAOB attestation standards? Please describe the circumstances under which these engagements are performed and the type of attestation provided (e.g., examination, review, or agreed-upon procedures).**

We note the following engagements are currently performed:

AT 101, Attest Engagements*

AT 201, Agreed-Upon Procedures Engagements*

AT 601, Compliance Attestation*

*Many of these engagements are compliance attest engagements and relate to, for example:

- i. examinations of securities and similar investments held by an investment company subject to the requirements of Rule 17f 2 under the Investment Company Act of 1940 or
- ii. for asset-backed security issuers, the assessment of compliance with the servicing criteria of SEC Regulation AB. As another example, some firms issue agreed-upon procedures reports pursuant to Securities Investor Protection Corporation (SIPC) requirements, in connection with broker-dealer contribution calculations

- 6. Are attest engagements being performed pursuant to AT 301, AT 401, or AT 701? If so, please describe the circumstances under which these engagements are performed, including the attestation standard used and the type of attestation provided (e.g., examination, review, or agreed-upon procedures). Are attest engagements being performed that apply the interpretations in AT 9101? If so, please describe the circumstances and nature of work performed.**

We are not aware of a significant amount of such engagements performed under PCAOB attest standards.

7. As described above, some regulators require attestation reports to be issued under PCAOB attestation standards. Do other organizations or entities require attestation reports issued under PCAOB attestation standards? If so, please provide relevant details, including the subject matter and the specific standards applied. Alternatively, are there specific circumstances in which firms have chosen to voluntarily perform attest engagements under PCAOB attestation standards? If so, please provide relevant details.

Other than the regulators referenced above, we are not aware of organizations or entities that require attestation reports issued under PCAOB attestation standards. Also, we are not aware of specific circumstances in which firms have chosen to voluntarily perform attest engagements under PCAOB attestation standards.

Potential Updates to Requirements

8. Are specific improvements needed to PCAOB attestation standards, including as currently used or for anticipated future uses? If so, please describe the needed improvements.

We point to the high-quality nature and market acceptance of AICPA attestation standards and the limited focused nature of current usage of PCAOB attestation standards. Given the PCAOB's overall standard-setting agenda, we recommend that the PCAOB deprioritize updating the attestation standards and instead focus on auditing standards. Please refer to the "Alternate Path Forward" section below.

9. Is the work of others, including that of specialists and internal auditors, commonly used in performing attest engagements? If so, please describe the relevant circumstances, the nature of the work performed, and how it is used.

In some circumstances, specialists and/or internal auditors can be used in the performance of attest engagements, therefore we recommend the attestation standards address the use of specialists and internal auditors. Due to the wide amounts of assertions and subject matters that attestation standards can be applied to, the use of specialists and internal auditors is a reasonable possibility.

10. Are other accountants (e.g., other audit firms) used in performing attest engagements? If so, please describe the relevant circumstances, the nature of the work performed, and how it is used.

In our experience, we have not seen the use of other accountants in our attestation engagements; however, we recommend that the attestation standards address the use of other accountants. Due to the wide amounts of assertions and subject matters that attestation standards can be applied to, the use of other accountants is a reasonable possibility.

- 11. Are service organizations commonly used in relation to the subject matter of attest engagements? If so, please describe the relevant circumstances.**

We are unaware of service organizations being used in relation to the subject matter of attest engagements; however, we recommend the attestation standards address the use of service organizations. Due to the wide amounts of assertions and subject matters that attestation standards can be applied to, the use of a service organization is a reasonable possibility.

- 12. Are there circumstances in which accountants are engaged to perform agreed-upon procedures over an assertion rather than over subject matter? If so, please describe these circumstances.**

Regardless of whether an AUP over an assertion or a subject matter is common or not, we recommend the attestation standards address this matter, similar to how AICPA attestation standards address. Due to the wide amounts of assertions and subject matters that attestation standards can be applied to, an AUP over an assertion is a reasonable possibility.

- 13. Are engagement quality reviewers used in attest engagements performed under PCAOB attestation standards as they are under AT No. 1 and AT No. 2? If so, please describe the circumstances in which they are used. What challenges or unintended consequences might arise if PCAOB attestation standards required an engagement quality review? Please describe specific concerns, if any, with such a requirement.**

We use an engagement quality reviewer on substantially all attest engagements performed under PCAOB attestation standards.

Economic Implications

- 14. Is data or other information on current practices available that would help to inform the staff's analysis? If so, please provide such data and other relevant information.**

We are not aware of any data or other information that would help to inform the staff's analysis.

- 15. What economic implications (including potential benefits and costs) may be associated with updating PCAOB attestation standards, such as unintended consequences from the possible consolidation or elimination of certain standards? Please provide data and other relevant information.**

We point to the high-quality nature and market acceptance of AICPA attestation standards and the limited focused nature of current usage of PCAOB attestation standards. Given the PCAOB's overall standard-setting agenda, we recommend

that the PCAOB deprioritize updating the attestation standards and instead focus on auditing standards. Please refer to the “Alternate Path Forward” section below.

16. Is there ongoing research or additional information that the staff should consider in evaluating the likely economic aspects of changes to PCAOB attestation standards? If so, please provide relevant details.

We are not aware of any ongoing research. As far as additional information, we call attention to the Alternative Path Forward below.

ALTERNATIVE PATH FORWARD

Consideration

We recommend the PCAOB consider that the dual standard setter structure in the United States creates two issues that could erode quality:

- The difficulties encountered and resources used by firms in complying with PCAOB standards, AICPA AT-Cs, and IAASB ISAEs. All are high-quality standards and are widely accepted. By having to maintain different or overlapping methodologies, the resources of firms, from staff through partner level, both at the engagement team and in national office level, are pulled away from the pure concept of performing high-quality audits.
- The lack of robust collaboration between standard setters (the PCAOB and the AICPA Auditing Standards Board (ASB)) prevents brainstorming and information sharing that would benefit quality. Many of the same risks of material misstatement in private companies affect public companies and vice versa.

In order to serve the public interest, we recommend the PCAOB consider:

- (1) converging PCAOB attestation standards with IAASB/AICPA attestation standards, or even reimplementing recently updated AICPA attestation standards as promulgated by the ASB for attestation engagements for public companies, and
- (2) seeking a board seat on the ASB to maintain appropriate continuing involvement in standard setting and continue serving the public interest by contributing its knowledge and observations to standard setting

Benefits of a Reimplementation of AICPA attestation standards for the US public company and broker-dealer environment

We believe quality and the public interest are served by the reimplementation of AICPA attestation standards for the US public company and broker-dealer environment, including the following benefits:

- **Robust and focused PCAOB involvement**
Without the need to write and maintain new PCAOB attestation standards, the PCAOB would be able to focus its efforts on facilitating quality (1) as a board member of the ASB, and (2) having additional resources to use for research, analysis, and other quality-oriented matters.
- **Updated and fit-for-purpose standards**
Public company audits would gain the benefit of a robust set of updated standards geared for both a US and international environment at a time of growing globalization and cross border financial reporting. Much of AICPA attestation standards are fit-for-purpose for attestation engagements for public entities (and did so for many decades). As such, extensive conforming updates to AICPA attestation standards would not be anticipated and SEC independence standards could easily still continue to be applied.
- **Increasing quality time**
By removing time spent by firms of all sizes addressing nuanced differences between PCAOB and AICPA attestation standards that ultimately are not core to quality, more resources are available to facilitate high-quality attestation engagements.
- **Increase in talent mobility**
With convergence, or a reimplementation of recently updated AICPA attestation standards, there would be more opportunities for inter-firm mobility and firms serving issuers would be able to recruit, train and deploy talented auditors more readily. Such would contribute to quality, particularly in this era of declining numbers of CPAs.

Overall

We believe convergence of PCAOB standards with International/AICPA attestation standards, or a reimplementation of recently updated AICPA attestation standards, with continuing involvement of the PCAOB as a board member of the ASB will improve quality and be in the public interest.