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February 12, 2014

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
Improving The Transparency of Audits: Proposed Auditing Standards to Provide Disclosure in the Auditor's Report of Certain Participants in the Audit

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 Standards to Provide Disclosure in the Auditor's Report of Certain Participants in the Audit (Proposal).

We support the Board's outreach in understanding the views of users and investors and looking for ways to respond to their requests for further information about auditors and the audit process. It is a difficult task to balance the needs of users with the costs and consequences of changes to any standard, especially ones that have been in existence for many years. The Board's Proposal focuses on three specific changes to the auditor's report that are intended to address the information users have indicated would be useful as part of their overall assessment and evaluation of an issuer's financial statements and auditor's report thereon. While we understand the Board's desire to be responsive to the requests of users, we are concerned that certain of the proposed solutions do not address the objectives outlined in the Proposal.

Summary Comments

The first change described in the Proposal is the identification of the engagement partner. We do not believe there is sufficient objective data and research to support such a significant change to the audit standards in this regard. A change of this nature should be supported by conclusive evidence that identification of the engagement partner will in fact improve audit quality. We are also concerned about the potential litigation implications and recommend further analysis of this aspect prior to finalizing the standard. We also note that there are other practical and logistical concerns that will be difficult to resolve in practice, which are discussed later in our response.

The Proposal also requires identification in the auditor's report of other auditors used in the audit when their level of participation exceeds 5% of the audit hours. We understand the issues regarding others participating in the audit and are supportive of expanded transparency regarding the use of other auditors, however, in most situations we do not believe this information should be included in the auditor's report, rather we believe the appropriate location for this information is in Form 2. We believe there are logistical and practical challenges that would be difficult to overcome if the identification was included in the auditor's report under all circumstances. However, we believe that when other auditors represent substantially all or a significant majority of the total audit hours that identification in the auditor's report

would be meaningful and useful information that outweighs the concerns that we have for disclosing this information in all circumstances.

The Proposal's final change is to disclose in the auditor's report whether the auditor used other persons not employed by the auditor in the conduct of the audit. It is not apparent how this data provides meaningful information to users, and whether a consistent outcome can be achieved by disclosure of this information. The auditor's decision regarding whether to maintain or utilize certain expertise within a firm or to contract for such expertise on a specific engagement basis can be based on many factors. As written, the change described in the Proposal might incorrectly imply that an outside expert is less qualified than an expert residing within a firm. Without knowing the specific end objective for disclosing this type of information, it appears that this disclosure results in just providing more information; not data necessary to a user's decision making process, which could lead to incorrect assumptions regarding audit quality.

Basis for Our Conclusions

Disclosure of the Name of the Engagement Partner

The Proposal indicates that naming the audit engagement partner in the audit report will further the objective of improving audit quality. The audit engagement partner plays a critical role in delivering audit services and is ultimately responsible for signing the firm's name on the opinion delivered to the issuer. However, when the audit engagement partner signs an opinion, it is on behalf of the firm, and is based on the work performed by the entire engagement team following the firm's audit processes and methodologies, and therefore presents the collective efforts of the firm and not any one person. Further, almost all firms have specific quality control processes that outline the firm's approach to conducting an audit that must be followed before signing an audit report. While an individual partner exercises his or her judgment throughout an audit, those judgments are subject to the firm's overall audit methodologies and quality control processes that require significant involvement from others prior to signing an audit report. For example, engagement quality reviewers are required to review all of the significant areas of the audit and concur with the conclusions by the engagement team. In addition, many firms require some level of national office involvement, whether on specific matters or as part of an overall quality assessment.

Firms are also required to perform monitoring of engagement partner performance as a method of verifying the engagement partner's performance adheres to the firm's standards and processes as well as PCAOB standards and SEC rules. Most firms hold their partners accountable for adherence to the aforementioned standards and rules. We believe identifying the engagement partner in the audit report can portray the wrong message to the public.

We believe the Board's proposal is a major change to audit standards and would have a significant impact to the identified partners. Such a change warrants sufficient research and data that supports such a view. We understand the Board has considered the limited research that exists; however, we note that the existing research at this time does not present a compelling basis or consistent results for warranting such a significant change to the audit report.

The Board notes that identification of the engagement partner could result in additional exposure under Section 11 and possibly Section 10(b), of the Securities Exchange Act of 1934 to the individual partner; however, that the increased transparency of the engagement partner justify this additional cost. We are concerned that the litigation implications are far-reaching and are not minimal. The Proposal appears to justify this additional cost to situations where misconduct was concluded upon, versus the broad breadth of litigation that is initiated often to all potential parties, including those with no culpability, as well as subjecting the named audit engagement partner to additional frivolous cases. We believe significant unintended consequences could result from this Proposal. We strongly recommend the Board consider specific outreach to the legal profession and others related to this aspect of the Proposal if the Board continues to move forward with this approach.

We are also concerned about the practical implications, and in some cases restrictions, in obtaining consents from individual audit engagement partners that would be required to comply with SEC requirements if named in audit reports. Having individual partner consent is charting new regulatory ground and all of the implications of that process have not been identified. We have the following concerns based on expected outcomes that we believe would likely result. In this context, it would be reasonable to expect a partner signing a consent, to request to perform sufficient subsequent events and other procedures, similar to the procedures a firm providing a consent would perform under current rules, guidelines and processes. We believe there could be significant practical challenges in obtaining individual partner consents when the consenting partner is no longer the engagement partner or remains with the firm. There are multiple situations that could impact a firm's ability to obtain the required consent from a former engagement partner, including the following examples:

- Issuers often raise capital subsequent to its year end audit that incorporates the most recent 10-K by reference. In years where the engagement partner associated with that 10-K is required to rotate off the engagement to maintain a firm's independence it is not clear whether the partner would be able to review subsequent events and other information in order to provide a consent and not violate SEC independence rules.
- Assuming the same timing of the capital raising scenario above; the following situations could also impact the ability to obtain a consent.
    - Partner retirements;
    - Partners that become disabled, or incapacitated and unable to sign a consent;
    - Partners changing firms – this example could provide unique challenges given client confidentiality and access to information issues

The above examples are fact patterns that would not be isolated or infrequent, but would happen regularly; and likely have a significant adverse impact on the timing and cost of capital raising efforts. The above concerns also do not address the fundamental issue of requiring a partner to consent to an issuers filing when the partner believes the risk profile of the specific engagement presents an undue risk to him or her personally, such that they are unwilling to sign a consent. While this is more likely when it is a former partner situation, there is no certainty that even the current engagement partner would be willing to sign a consent in all situations.

Based on our comments described above, we do not believe there is sufficient support that identification of the engagement partner would improve audit quality. However, should the Board continue to pursue this concept, there are other alternatives where the information could be disclosed. We believe the PCAOB's Form 2 would be the most practical and efficient place to provide this information. The Proposal notes concerns with the timing of Form 2, however, we believe providing selected information in Form 2, such as the identification of the partner, could be accelerated to a specified time after completion of the audit in order to provide this information more timely. Alternatively, the PCAOB could create another form that would provide this information on a timelier basis, such as prior to the proxy statement.

There may also be merit to requiring this information to be disclosed by audit committees in the audit committee report or included in the proxy statement. We recognize these alternatives would involve rulemaking by the SEC, however, note that public remarks by the SEC have indicated they would not be opposed to consideration of such an approach.

Disclosure About Certain Other Participants in the Audit

Other Auditors

We agree that disclosure of other auditors used in the course of the audit is meaningful information to users, when the percentage of that effort represents a significant amount of the overall audit effort. However, similar to the practical challenges of obtaining consents related to the identification of the audit engagement partner, we believe there are also challenges as it relates to disclosure of other auditors in

the audit report. While the percentages of audit hours varies greatly from engagement to engagement, often times the other auditors are performing substantially less than fifty percent of the overall audit. Their role is often limited to certain procedures on divisions, plants or subsidiaries (referred to as subsidiary) and often times the other auditors have no knowledge of the operations of the issuer as a whole and the overall engagement risks, complexities and issues at the consolidated level, outside of the issues directly related to the subsidiary they are auditing. The other auditors currently issue a report or acknowledgement that they have completed their procedures, often at the direction of the issuer auditor, with no or limited knowledge outside of that subsidiary. We believe the legal implications of providing information on these auditors and requiring them to agree to provide a consent will have significant challenges and costs that do not exist today.

We believe another auditor providing a consent will require additional procedures beyond what these other auditors do in today's environment. As mentioned above, currently other auditors do not perform subsequent events procedures outside of their specific audit, since almost all are not mentioned by name in current audit reports; thus they do not review registration statements or other periodic filings that require a consent under today's rules. Should they be required to consent to their firm being included in a filing, we expect the firm would desire to review the registration statement or periodic filing in which it is being named and would require additional procedures at the issuer level in order to better understand the risk profile of the issuer, and based on that risk assessment may or may not provide a consent.

While firms may be able to obtain consents from many network firms (though this assumption has not been validated), it is more likely that non-network firms and firms that do not belong to a network may be unwilling to provide a consent.

We expect there will also be considerable logistical issues if the other auditors are willing to provide consents. Registration statements and periodic filings requiring consent are often time-sensitive and market sensitive, and even with the best planning, coordination of all of the procedures necessary in order to provide a consent timely can be challenging. Adding the requirement to obtain consents from all other auditors meeting the requirements contained in the Proposal will clearly present challenges and we are concerned that such challenges will affect the auditing professions ability to complete the necessary steps timely in order to provide consents and possibly impact capital raising efforts negatively. We also believe this would add significant cost to audits and to registration statements.

We also acknowledge that the Board raised the percentage of reporting from 3% to 5% in the Proposal. While we agree that 5% is an improvement from the previous threshold, we believe 10% would represent a threshold that is more meaningful to users and consistent with other thresholds for measuring significance.

As previously stated, we support identification of other auditors used in the audit (at the 10% threshold), however, based on the above comments believe that the auditor's report for that information presents too many practical issues to effectively meet this requirement. As a result we support including such information in Form 2. We believe this information could be provided on an accelerated basis if the Board believes that information needs to be timelier than the information required in Form 2 currently.

We understand the Board noted that in some instances other auditors represented a majority of the hours incurred in connection with an audit, some approaching almost 100% of the engagement hours. We agree there is merit to identifying the other auditors in the audit report in these extreme situations, and that the difficulties and challenges of obtaining a consent from them do not outweigh the benefits of knowing the other auditors involved in these circumstances. We recommend further analysis to determine the appropriate percentage of when the other auditor's involvement in the audit reaches a level of significance that this information becomes critical to understanding the firm that performed the majority of the audit work.

Other Persons Not Employed by the Auditor

The Proposal also requires disclose in the auditor's report whether the auditor used other persons not employed by the auditor in the conduct of the audit. It is not apparent from the Proposal how this data provides meaningful information to users, and whether an appropriate and consistent conclusion about the use of such persons can be achieved by disclosure of this information. For example should an audit firm engage a specialist to assist with auditing hard to value investments, it is not clear what benefit this provides to a user, and specifically how this information impacts their decision making. Audit firms consider many factors when deciding whether to bring or use specialized skills in-house or contract them externally. These decisions are not intended to, and do not detract from audit quality. We believe an outside expert can be as equally qualified as an internal expert. Without knowing the specific end objective for disclosing this type of information, it appears that this disclosure results in simply providing more information; not information that is necessary to a user's decision making process and could result in incorrect assumptions regarding audit quality. To illustrate this point, consider the following example:

An auditor conducts audits of several companies where the expertise of an actuary is necessary to form the proper audit conclusions. The firm maintains an actuary on staff who is a specialist in property and casualty insurance reserve developments and this actuary performs audit work on the firm's clients in the property and casualty insurance industry. The firm is engaged to audit a life insurance company. The firm's actuary is familiar with the concepts of life insurance reserve setting but has not worked in that setting for several years. In this instance, the firm decides to engage an actuary specializing in life insurance reserve setting to assist with the audit. Under the Proposal the firm would disclose the engagement of this specialist as an Other participant. However, if the firm elected to use its employee actuary, who may be sufficiently qualified but is less qualified than the third party, there would be no requirement to disclose. It is unclear how the financial statement user would interpret the disclosure of the use of the external life insurance reserve expert. The very nature of the requirement to disclose could lead the user to assume that naming an Other participant means that the firm is less qualified than a firm that would not name such an expert. This could also create the unintended incentive, in our example, for the firm to use the less experienced employee actuary to avoid naming the use of an Other in the audit report. We strongly believe disclosure of Others without clear objectives and a disclosure framework could lead to unwarranted, and perhaps factually opposite assumptions regarding audit quality.

Should the PCAOB continue to pursue disclosure of this information; similar to our views on the disclosures of other auditors, we believe the requirement to disclose other persons not employed by the auditor, for example: valuation specialists, would best be presented in Form 2, using a similar recommended threshold of 10%. In addition, arrangements with others not employed by the firm (others) are often based on a negotiated fee, versus billable hours, and the audit firm may not have the ability to negotiate identification of information by hours from Others. We believe the negotiated fee as a percentage of the total audit fee would be as informative as a percentage based on hours. Accordingly, we recommend the proposed rule allow for either method (hours or dollars) of calculating the percentage that Others participated in the audit, or allow for the dollar approach when hours information is not available.

Crowe Horwath LLP supports the PCAOB's efforts in striving 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 Dolinar at (630) 574-1649 or Michael Yates at (574) 236-7644.

Sincerely,

Crowe Horwath LLP

Crowe Horwath LLP