

July 8, 2013

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. 038,  
Proposed Auditing Standard—Related Parties, Proposed Amendments to Certain PCAOB Auditing Standards Regarding Significant Unusual Transactions, and Other Proposed Amendments to PCAOB Auditing Standards

Office of the Secretary:

Crowe Horwath LLP appreciates the opportunity to comment on the Public Company Accounting Oversight Board's "Proposed Auditing Standard—Related Parties, Proposed Amendments to Certain PCAOB Auditing Standards Regarding Significant Unusual Transactions, and Other Proposed Amendments to PCAOB Auditing Standards" (Proposed Standard or Proposed Amendments, as applicable). We also appreciate the Board's consideration of comments previously provided regarding the prior proposed related party standard and amendments.

We support the Board's efforts to improve audit quality by enhancing existing auditing standards, and are pleased to provide our observations regarding areas where we believe the Proposed Standard and Proposed Amendments could be clarified.

Proposed Standard, *Related Parties*

Paragraph 14 provides a requirement for the auditor to evaluate whether a company has properly identified its related parties and relationships and transactions with related parties. This paragraph further states that, in making that evaluation, the auditor should take into account the information gathered during the audit. However, we believe the provisions of paragraph 14, combined with the examples in Appendix A and the text in footnote 14, could be interpreted as requiring the auditor to perform significant procedures to test the accuracy and completeness of the related parties and relationships and transactions with related parties identified by the company without regard to the assessment of risk of material misstatement. We recommend modifying the standard to clarify that the evaluation and testing for the proper identification of related parties and relationships and transactions with related parties should be determined by the auditor based on risk assessment procedures.

Paragraph 16 contains a number of required procedures to be applied to each previously undisclosed related party or relationship or transaction with a related party, without regard to materiality. We believe there may be instances where previously undisclosed related party transactions may not have been disclosed by company management due simply to their inconsequential nature. We believe it is critical that paragraph 16 provide for auditor judgment in determining the extent of procedures necessary for testing previously undisclosed transactions with related parties. Changing the lead in sentence in this paragraph to: – "The auditor should consider the following:" will provide the ability for the auditor to exercise that judgment.

Paragraph 19, item a, requires communication to the audit committee if the auditor identifies related parties or relationships or transactions with related parties that were previously undisclosed to the auditor. Consistent with the approach to items b. and c. of paragraph 19, we suggest modifying item a. to require communication of transactions with related parties that were previously undisclosed when such transactions are considered by the auditor to be significant .

Effective Date of Proposed Standard and Proposed Amendments

PCAOB Release No. 2013-004 indicates that the proposed standard and amendments would be effective, subject to approval by the SEC, for audits of financial statements for fiscal years beginning on or after December 15, 2013. The time and effort necessary to incorporate the proposed standard and amendments into audit methodologies, guidance and audit programs, and to train staff, is anticipated to be significant. Additionally, the proposed standard and amendments would impact audit planning and quarterly review procedures that are performed earlier in the year. As a result, in the event that the proposed standard and amendments are not finalized and approved by the SEC by the end of the third quarter of 2013, we suggest deferring the effective date for fiscal years beginning on or after December 15, 2014.

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Crowe Horwath LLP supports the Board's efforts to improve its auditing standards for the benefit of investors and other stakeholders. We appreciate the opportunity to comment on the Proposed Standard and Proposed Amendments, and would be pleased to respond to any questions regarding the comments we have provided. If you have any questions, please contact Mike Yates or Clarence Ebersole.

Sincerely,

*Crowe Horwath LLP*

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