



June 15, 2020

By email: [comments@pcaobus.org](mailto:comments@pcaobus.org)

Office of the Secretary  
PCAOB  
1666 K Street, NW  
Washington, DC 20006-2803

**Re: Interim Analysis No. 2020-01, Critical Audit Matter Requirements**

Dear Office of the Secretary:

Mazars USA LLP (Mazars) welcomes the opportunity to provide feedback on our initial experiences with Critical Audit Matters (CAMs), from the first stage of adoption of AS 3101, *The Auditors Report on an Audit of Financial Statements When the Auditor Express an unqualified Opinion*. Mazars appreciates the PCAOB's efforts to gain an understand of our experiences, by performing an interim analysis before the second phase of CAM implementation begins.

Mazars USA is a U.S. registered public accounting firm with over 100 partners and 800 professionals across the United States and is an independent member firm of the Mazars Group, an organization with more than 1,000 partners and 24,000 professionals in 91 countries around the world, and a member of Praxity, a global alliance of independent firms. The views we share on our experience with CAMs are driven by our position in the U.S. marketplace as a Top 25 accounting firm servicing mostly small to mid-size public and private businesses in a variety of industries. While only a small number of our clients were subject to the first stage of reporting on CAMs, we have invested substantial effort into the adoption and implementation of this auditing standard. We are not aware of any unintended consequences nor do we believe CAMs ultimately provided significant new information to stakeholders. We applaud the PCAOB efforts in conducting this preliminary analysis on the implementation of CAMs.

Please see our responses below to the questions that are specifically asked of auditors.

Questions for preparers, audit committee members, and auditors:

4. Have preparers and audit committees experienced any changes in the financial reporting process as a consequence of CAM communications in the auditor's report? For example, has the communication of CAMs led to changes in controls or practices around financial reporting and disclosure? Did CAM communications result in any reconsideration of, or changes to, disclosures management made in company filings (e.g., notes to the financial statements, critical accounting estimates, MD&A, or risk factors)?

N/A, we are not preparers or audit committee members.

5. Have CAM communications had any impact on how audit committees approach their role and responsibilities?

N/A, we are not audit committee members.

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6. Have auditors or preparers experienced any changes in a specific audit because of CAM requirements? For example, were there changes to the nature, timing, or extent of audit procedures performed on matters identified as CAMs, not because of changes in circumstances but because of CAM requirements?

There were insignificant changes in the nature, timing or extent of audit procedures performed on matters identified as CAMs. Closer attention was focused on determining how matters that were identified as CAMs would be audited and making sure our audit procedures aligned up with the procedures described in the CAMs reported. Accordingly, slightly more time was incurred on reviews and consultations of the CAM related audit areas. However, our audit procedures planned and performed were considered appropriate in the circumstances and no changes in procedures were necessary.

7. Did CAM requirements lead to changes in communications between auditors, audit committees, or preparers? For instance, were there changes in the nature or frequency of communications during the audit process? Did audit committee members ask more or different types of questions? Was there more focus on matters that were identified as CAMs?

Yes, several additional meetings were held with management including the “dry-run” to provide them with the sample report, provide them with additional information about our audit procedures and discuss any questions they may have had. While the frequency of our meetings with the Audit Committees did not change, our meetings included CAM communications and provided Audit Committee members with an opportunity to discuss the CAMs. Since prior audits have consistently identified the CAMs as a significant risk area, the Audit Committees were not surprised and did not have too many incremental questions or concerns. Consequently, there was only slightly more focus on the matters identified as CAMs. The Audit Committees were in agreement with our CAM decisions.

8. Based on your experience as a preparer or auditor, what were the most significant activities that led to CAM-related costs? First, please describe each activity, including any preparatory activities (e.g., pilots or dry runs). Next, please estimate the total costs related to CAM requirements in hours (and external spend, if applicable) for each of those activities for each calendar year from 2017-2019 and the period January-April 2020, distinguishing, to the extent possible, between costs related to preparatory activities and costs related to recurring activities. Finally, for any activities that will be recurring, state whether you believe the costs will increase, decrease, or not change for each activity in future years.

Costs to audit firms may include:

- Development and implementation of audit policies, procedures, methodology, tools, guidance, review processes, and other infrastructure directly related to CAMs
- Development and delivery of training directly related to CAMs, including time spent by individuals attending the training
- Designing and conducting pilot or dry-run programs
- Labor costs to identify, draft, and review CAMs; prepare documentation related to the determination of whether a matter is a CAM; draft communications related to CAMs; and engage in CAM-related discussions with national office resources, preparers, and audit committees
- Other incremental labor costs directly related to CAM communications
- External spend directly related to CAM communications



We spent significant time relating to CAMs initial implementation. The costs incurred related primarily to preparing and conducting trainings, executing dry-runs, and creating templates. There were also costs added to each engagement, which are recurring in nature such as, identifying and documenting what will be a CAM and what did not rise to the level of a CAM, documentation for explaining circumstances when there is no CAM, preparation of Audit Committee presentations, drafting the CAMs, and additional levels of review and consultation. This additional time was incurred by senior members of the engagement team with higher billing rates. We were not able to pass on all the incremental time to our clients, as the CAM requirement was not a result of any changes in their business. We believe the recurring cost will remain fairly consistent year over year for each recurring client.

The estimated cost to our firm from 2017-April 2020 is as follows:

<b>Preparatory activities cost</b>	2017	2018	2019	2020 (through April)	Totals
Developing implementation materials		\$5,000	\$10,000		\$15,000
Developing and delivering training		10,000	40,000		50,000
External professional engagement			5,000		5,000
Designing and directing dry-runs			5,000		5,000
<b>Total preparatory costs</b>		<b>\$15,000</b>	<b>\$60,000</b>		<b>\$75,000</b>

<b>Recurring activities- cost for one engagement one CAM</b>	2017	2018	2019	2020 (through April)	Totals
Labor costs to identify, draft and review CAMs			\$20,000		\$20,000
External CAM communications			5,000		5,000
<b>Total recurring costs</b>			<b>\$25,000</b>		<b>\$25,000</b>

9. From your perspective as an auditor or preparer, at which stages of the audit process did most of your activities related to CAMs occur? Did the majority of your effort occur before or after the company’s fiscal year end? What factors contributed to the timing of your efforts related to CAMs?

As auditors, most of our effort occurred before the company’s fiscal year end. Our procedures started in the first quarter of the fiscal year where we began identifying the CAMs, documenting our process and having conversations with the client. By the third quarter of the fiscal year, we were able to share a draft of the CAMs with the clients and the Audit Committees.

Overall, the first phase implementation of CAMs was a smooth process but was a substantial time investment for our firm. Significant effort was focused on training our teams, preparing implementation materials, and conducting dry runs. As noted in our introduction, we do not believe the CAM disclosures are providing any new information to investors or adding additional benefits as it relates to our client base. We appreciate the PCAOB’s exercise in conducting interim analysis and for providing us with the opportunity to share our views.



We would be pleased to discuss our responses with you at your convenience.

Please direct any questions to:

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- Toby Akrab, Senior Manager, Quality & Risk Management, at (347)-377-2959 [toby.akrab@mazarsusa.com](mailto:toby.akrab@mazarsusa.com) , or
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Very truly yours,

*Mazars USALLP*

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