

---

# 2020 Inspection Crowe LLP

(Headquartered in Chicago, Illinois)

December 16, 2021

THIS IS A PUBLIC VERSION OF A PCAOB INSPECTION REPORT

PORTIONS OF THE COMPLETE REPORT ARE OMITTED FROM  
THIS DOCUMENT IN ORDER TO COMPLY WITH SECTIONS 104(g)  
(2) AND 105(b)(5)(A) OF THE SARBANES-OXLEY ACT OF 2002

PCAOB RELEASE NO. 104-2022-002



# EXECUTIVE SUMMARY

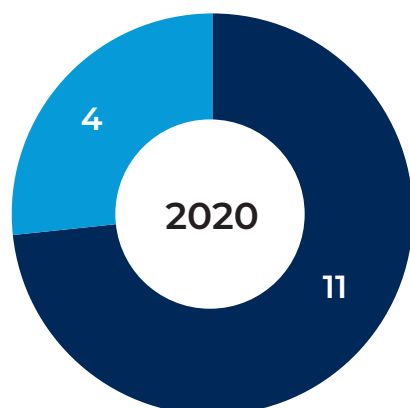
Our 2020 inspection report on Crowe LLP provides information on our inspection to assess the firm's compliance with Public Company Accounting Oversight Board (PCAOB) standards and rules and other applicable regulatory and professional requirements. This executive summary offers a high-level overview of:

- Part I.A of the report, which discusses deficiencies (“Part I.A deficiencies”) in certain issuer audits that were of such significance that we believe the firm, at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion on the issuer’s financial statements and/or internal control over financial reporting (ICFR); and
- Part I.B of the report, which discusses deficiencies that do not relate directly to the sufficiency or appropriateness of evidence the firm obtained to support its opinion(s) but nevertheless relate to instances of non-compliance with PCAOB standards or rules.

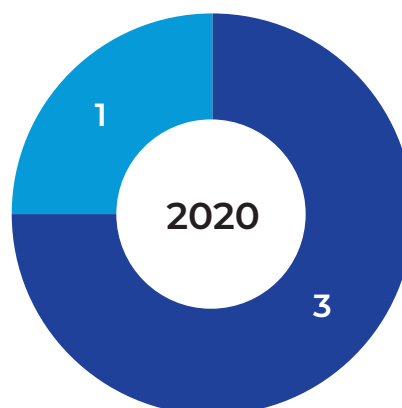
If we include a deficiency in this report — other than those deficiencies for audits with incorrect opinions on the financial statements and/or ICFR — it does not necessarily mean that the issuer’s financial statements are materially misstated or that undisclosed material weaknesses in ICFR exist. If we include a deficiency in Part I.A or Part I.B of this report, it does not necessarily mean that the firm has not addressed the deficiency.

## Overview of the 2020 Deficiencies Included in Part I

Four of the 15 audits we reviewed in 2020 are included in Part I.A of this report due to the significance of the deficiencies identified. The identified deficiencies related to the firm’s testing of controls over and/or substantive testing of the allowance for loan losses and revenue.



- Audits without Part I.A deficiencies
- Audits with Part I.A deficiencies



- Deficiencies in both financial statement and ICFR audits
- Deficiencies in the financial statement audit only
- Deficiencies in the ICFR audit only

The Part I.A deficiencies in 2020 related to evaluating significant assumptions or data that the issuer used in developing an estimate and testing the design or operating effectiveness of controls selected for testing.

In the 2020 inspection, we did not identify any Part I.B deficiencies related to other instances of non-compliance with PCAOB standards or rules.

---

# TABLE OF CONTENTS

2020 Inspection	4
Overview of the 2020 Inspection and Historical Data by Inspection Year	5
Part I: Inspection Observations	14
Part I.A: Audits with Unsupported Opinions	14
Part I.B: Other Instances of Non-Compliance with PCAOB Standards or Rules	16
Part II: Observations Related to Quality Control	17
Appendix A: Firm's Response to the Draft Inspection Report	A-1

# 2020 INSPECTION

In the 2020 inspection of Crowe LLP, the PCAOB assessed the firm's compliance with laws, rules, and professional standards applicable to the audits of public companies.

We selected for review 15 audits of issuers with fiscal years generally ending in 2019. For each issuer audit selected, we reviewed a portion of the audit. We also evaluated elements of the firm's system of quality control.

## What's Included in this Inspection Report

This report includes the following sections:

- **Overview of the 2020 Inspection and Historical Data by Inspection Year:** Information on our inspection, historical data, and common deficiencies.
- **Part I – Inspection Observations:**
  - o **Part I.A:** Deficiencies that were of such significance that we believe the firm, at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion(s) on the issuer's financial statements and/or ICFR.
  - o **Part I.B:** Deficiencies that do not relate directly to the sufficiency or appropriateness of evidence the firm obtained to support its opinion(s) but nevertheless relate to instances of non-compliance with PCAOB standards or rules.
- **Part II – Observations Related to Quality Control:** Criticisms of, or potential defects in, the firm's system of quality control. Section 104(g)(2) of the Sarbanes-Oxley Act ("Act") restricts us from publicly disclosing Part II deficiencies unless the firm does not address the criticisms or potential defects to the Board's satisfaction no later than 12 months after the issuance of this report.
- **Appendix A – Firm's Response to the Draft Inspection Report:** The firm's response to a draft of this report, excluding any portion granted confidential treatment.

## 2020 Inspection Approach

In selecting issuer audits for review, we use both risk-based and random methods of selection. We make most selections based on (1) our internal evaluation of audits we believe have a heightened risk of material misstatement, including those with challenging audit areas, and (2) other risk-based characteristics, including issuer and firm considerations. We also select audits randomly to provide an element of unpredictability.

When we review an audit, we do not review every aspect of the audit. Rather, we generally focus our attention on audit areas we believe to be of greater complexity, areas of greater significance or with a heightened risk of material misstatement to the issuer's financial statements, and areas of recurring deficiencies. We may also select some audit areas for review in a manner designed to incorporate unpredictability.

Our selection of audits for review does not constitute a representative sample of the firm's total population of issuer audits. Additionally, our inspection findings are specific to the particular portions of the issuer audits reviewed. They are not an assessment of all of the firm's audit work nor of all of the audit procedures performed for the audits reviewed.

View the details on the [scope of our inspections and our inspections procedures](#).

# OVERVIEW OF THE 2020 INSPECTION AND HISTORICAL DATA BY INSPECTION YEAR

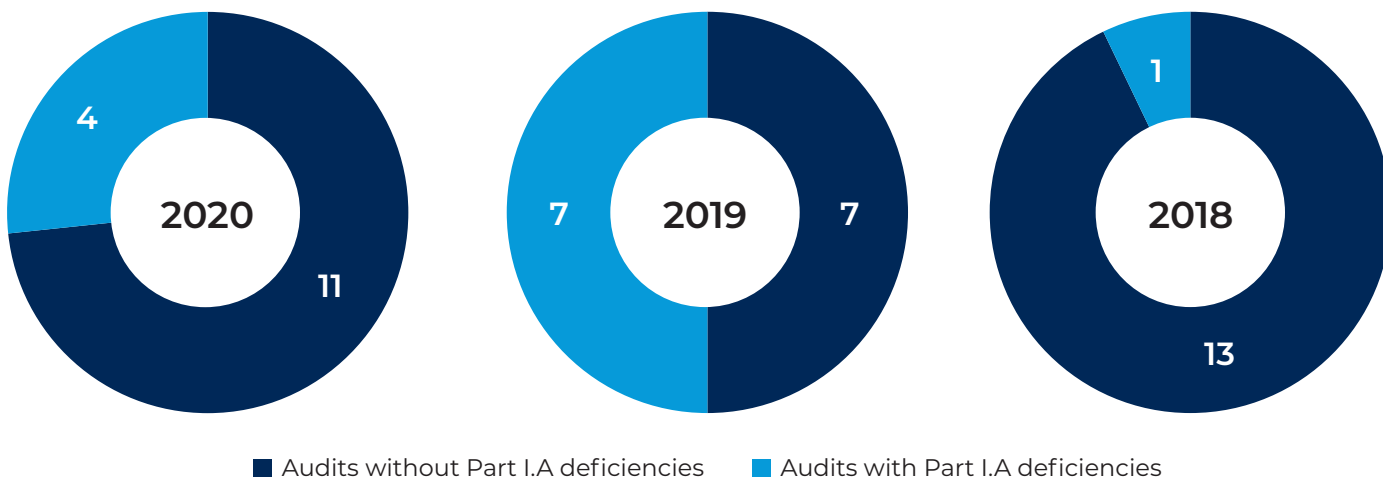
The following information provides an overview of our 2020 inspection as well as data from the previous two inspections. We use a combination of risk-based and random methods to select audits for review and to identify areas on which we focus our review. Because our inspection process evolves over time, it can, and often does, focus on a different mix of audits and audit areas from year to year and firm to firm. As a result of this variation, we caution that our inspection results are not necessarily comparable over time or among firms.

## Audits Selected for Review

	2020	2019	2018
<b>Total audits reviewed</b>			
Total audits reviewed	15	14	14
<b>Selection method</b>			
Risk-based selections	13	12	14
Random selections	2	2	0
Total audits reviewed	15	14	14
<b>Principal auditor</b>			
Audits in which the firm was the principal auditor	15	14	14
Audits in which the firm was not the principal auditor	0	0	0
Total audits reviewed	15	14	14
<b>Audit type</b>			
Integrated audits of financial statements and ICFR	13	11	11
Financial statement audits only	2	3	3
Total audits reviewed	15	14	14

## Part I.A Deficiencies in Audits Reviewed

In 2020, three of the four audits appearing in Part I.A were selected for review using risk-based criteria. In 2019, six of the seven audits appearing in Part I.A were selected for review using risk-based criteria. In 2018, the audit appearing in Part I.A was selected for review using risk-based criteria.

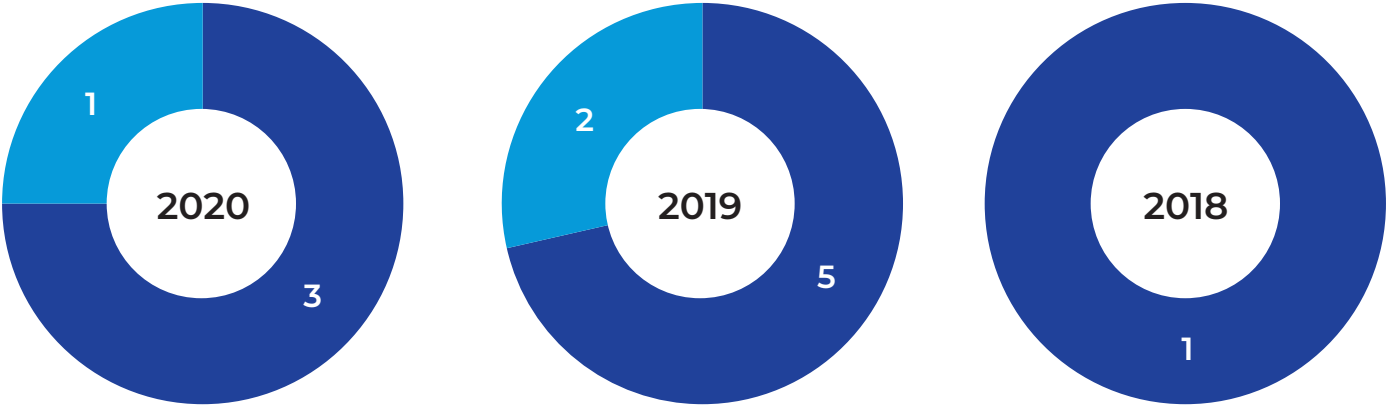


If we include a deficiency in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In many cases, the firm has performed remedial actions after the issue was identified. Depending on the circumstances, remedial actions may include performing additional audit procedures, informing management of the issuer of the need for changes to the financial statements or reporting on ICFR, or taking steps to prevent reliance on prior audit reports.

Our inspection normally includes a review, on a sample basis, of the adequacy of a firm's remedial actions, either with respect to previously identified deficiencies or deficiencies identified during the current inspection. If a firm does not take appropriate actions to address deficiencies, we may criticize its system of quality control or pursue a disciplinary action.

If we include a deficiency in our report — other than those deficiencies for audits with incorrect opinions on the financial statements and/or ICFR — it does not necessarily mean that the issuer's financial statements are materially misstated or that undisclosed material weaknesses in ICFR exist. It is often not possible for us to reach a conclusion on those points based on our inspection procedures and related findings because, for example, we have only the information that the auditor retained and the issuer's public disclosures. We do not have direct access to the issuer's management, underlying books and records, and other information.

# Audits Affected by the Deficiencies Identified in Part I.A



■ Deficiencies in both financial statement and ICFR audits

■ Deficiencies in the financial statement audit only

■ Deficiencies in the ICFR audit only



The following tables and graphs summarize inspection-related information, by inspection year, for 2020 and the previous two inspections. We caution against making any comparison of the data provided without reading the descriptions of the underlying deficiencies in each respective inspection report.

## Most Frequently Identified Part I.A Deficiencies

Deficiencies in audits of financial statements	Audits with Part I.A deficiencies		
	2020	2019	2018
Did not sufficiently evaluate significant assumptions or data that the issuer used in developing an estimate	4	4	0

Deficiencies in ICFR audits	Audits with Part I.A deficiencies		
	2020	2019	2018
Did not perform sufficient testing of the design and/or operating effectiveness of controls selected for testing	3	4	0

## Audit Areas Most Frequently Reviewed

This table reflects the five audit areas we have selected most frequently for review in each inspection year (and the related Part I.A deficiencies). For the issuer audits selected for review, we selected these areas because they were generally significant to the issuer's financial statements, may have included complex issues for auditors, and/or involved complex judgments in (1) estimating and auditing the reported value of related accounts and disclosures and (2) implementing and auditing the related controls.

2020			2019			2018		
Audit area	Audits reviewed	Audits with Part I.A deficiencies	Audit area	Audits reviewed	Audits with Part I.A deficiencies	Audit area	Audits reviewed	Audits with Part I.A deficiencies
Allowance for loan losses	10	3	Allowance for loan losses	9	2	Allowance for loan losses	9	0
Investment securities	6	0	Investment securities	4	2	Business combinations	5	0
Revenue and related accounts	4	1	Revenue and related accounts	4	1	Revenue and related accounts	4	0
Business combinations	3	0	Loans and related accounts	4	0	Investment securities	3	0
Deposit liabilities	2	0	Business combinations	3	3	Deposit liabilities	2	1

## Audit Areas with Frequent Part I.A Deficiencies

This table reflects the audit areas with the most frequently identified Part I.A deficiencies in each inspection year with the corresponding results for the other two years presented.

Audit area	2020		2019		2018	
	Audits with Part I.A deficiencies	Audits reviewed	Audits with Part I.A deficiencies	Audits reviewed	Audits with Part I.A deficiencies	Audits reviewed
Allowance for loan losses	3	10	2	9	0	9
Revenue and related accounts	1	4	1	4	0	4
Business combinations	0	3	3	3	0	5
Investment securities	0	6	2	4	0	3
Deposit liabilities	0	2	0	3	1	2

**Allowance for loan losses:** The deficiencies in 2020 related to substantive testing of, and testing controls over, the qualitative reserve component of the allowance for loan losses. The deficiencies in 2019 primarily related to testing controls over the allowance for loan losses, including controls that included a review element, and the resulting overreliance on controls when performing substantive testing.

**Revenue and related accounts:** The deficiencies in 2020 and 2019 related to substantive testing of revenue.

**Business combinations:** The deficiencies in 2019 primarily related to substantive testing of, and testing controls over, assumptions used by the issuer to determine the fair values of acquired assets.

**Investment securities:** The deficiencies in 2019 primarily related to substantive testing of, and testing controls over, the valuation of investment securities.

**Deposit liabilities:** The deficiencies in 2018 related to testing controls over the accuracy and completeness of data and reports used in the performance of controls over deposit liabilities and the resulting overreliance on controls when performing substantive testing.

## Auditing Standards Associated with Identified Part I.A Deficiencies

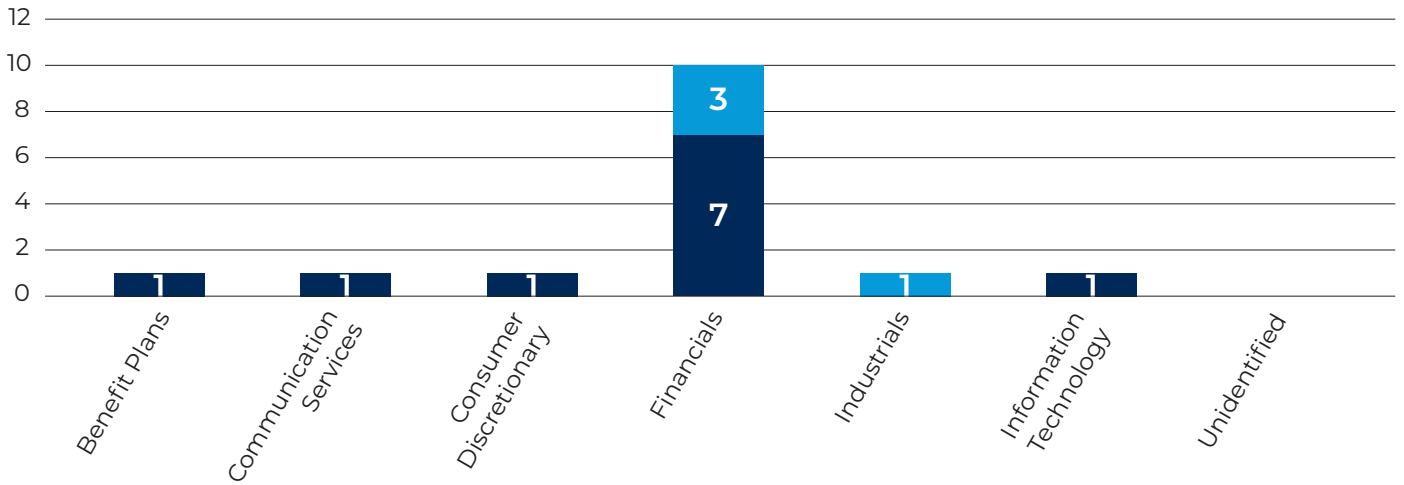
The following lists the auditing standards referenced in Part I.A of the 2020 and the previous two inspection reports and the number of times that the standard is cited in Part I.A.

PCAOB Auditing Standards	2020	2019	2018
<i>AS 1105, Audit Evidence</i>	0	1	0
<i>AS 1210, Using the Work of a Specialist</i>	0	6	0
<i>AS 2201, An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements</i>	3	11	1
<i>AS 2301, The Auditor's Responses to the Risks of Material Misstatement</i>	0	2	1
<i>AS 2305, Substantive Analytical Procedures</i>	0	2	0
<i>AS 2315, Audit Sampling</i>	0	3	1
<i>AS 2501, Auditing Accounting Estimates</i>	4	0	0
<i>AS 2502, Auditing Fair Value Measurements and Disclosures</i>	0	3	0

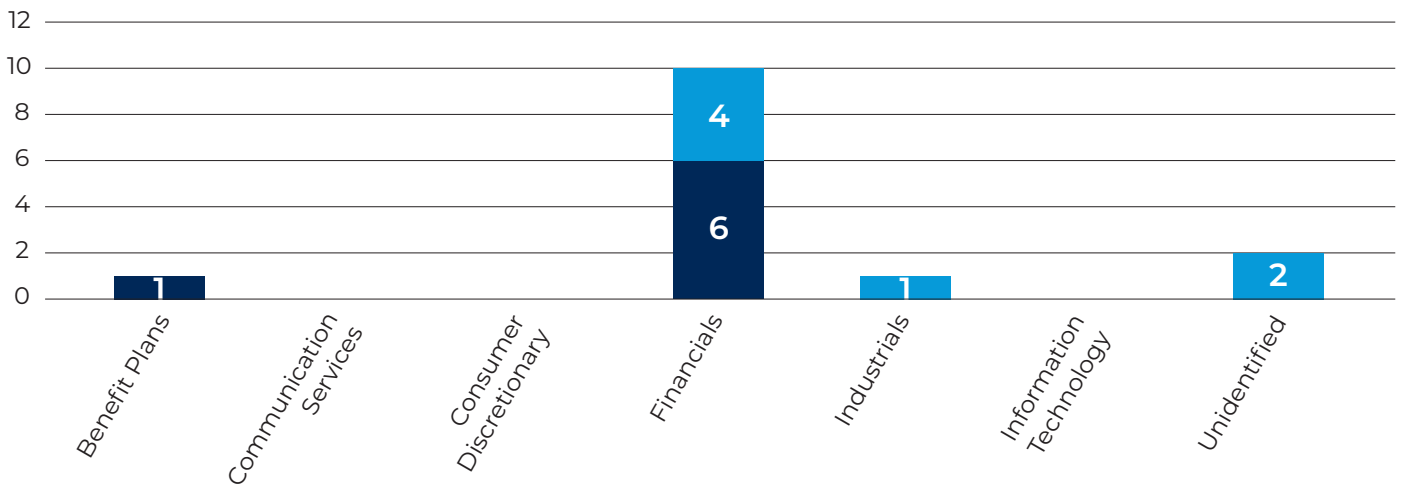
# Inspection Results by Issuer Industry Sector

The majority of industry sector data is based on Global Industry Classification Standard (GICS) data obtained from Standard & Poor's (S&P). In instances where GICS data for an issuer is not available from S&P, classifications are assigned based upon North American Industry Classification System data. In instances where classifying an issuer using its industry sector could make an issuer identifiable, we have instead classified such issuer(s) as "unidentified."

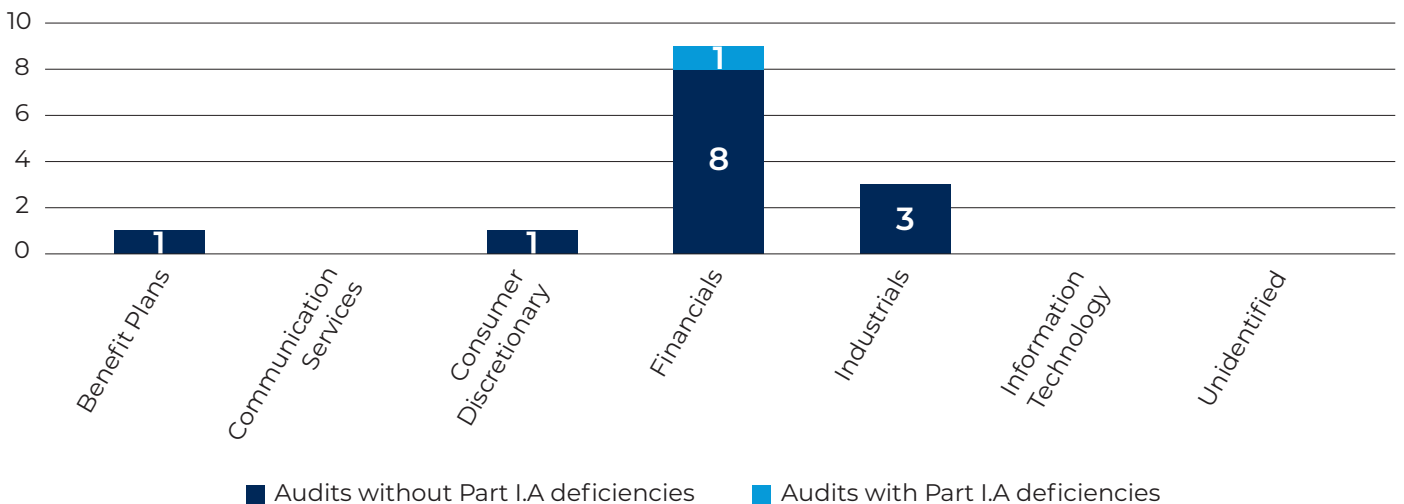
## 2020



## 2019



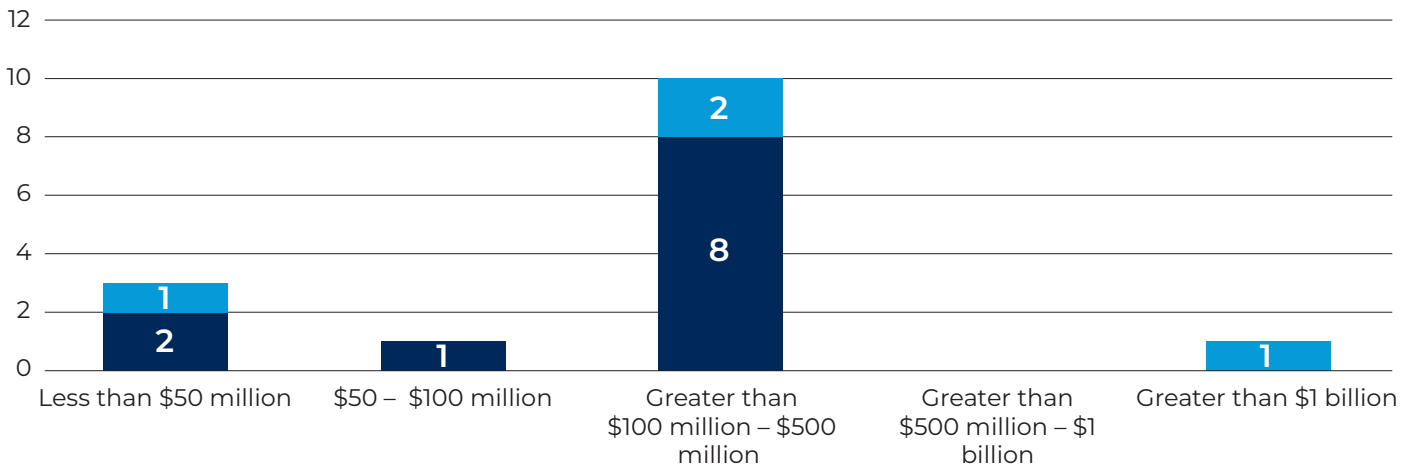
## 2018



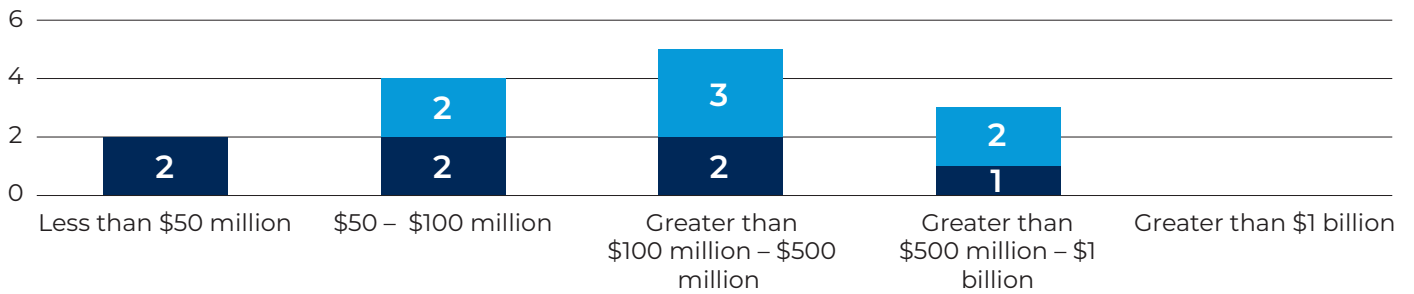
■ Audits without Part I.A deficiencies    ■ Audits with Part I.A deficiencies

# Inspection Results by Issuer Revenue Range

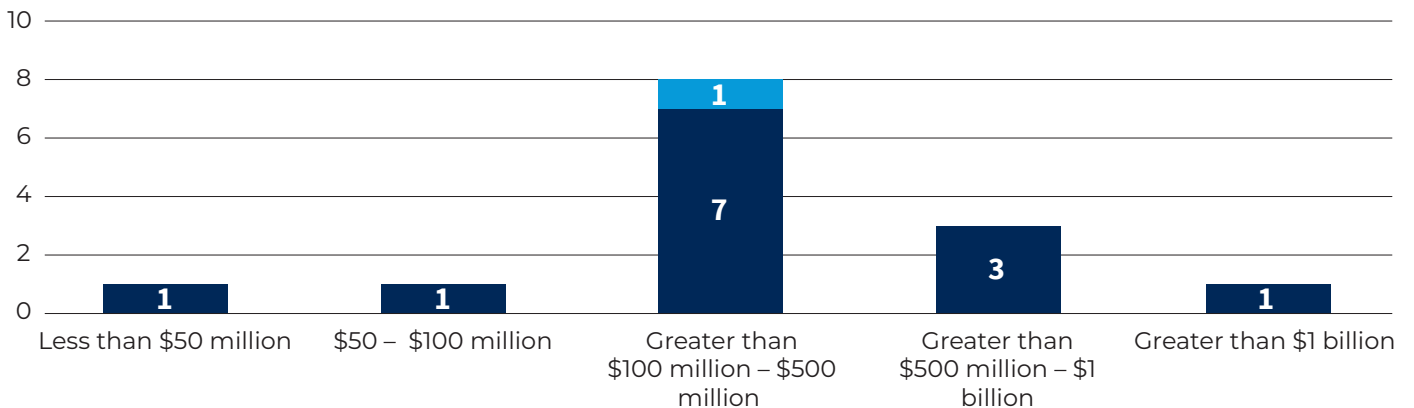
## 2020



## 2019



## 2018



■ Audits without Part I.A deficiencies
 ■ Audits with Part I.A deficiencies

## Classification of Audits with Part I.A Deficiencies

Within Part I.A of this report, we classify each issuer audit in one of the categories discussed below based on the Part I.A deficiency or deficiencies identified in our review.

The sole purpose of this classification system is to group and present issuer audits by the number of Part I.A deficiencies we identified within the audit as well as to highlight audits with an incorrect opinion on the financial statements and/or ICFR.

### Audits with an Incorrect Opinion on the Financial Statements and/or ICFR

This classification includes instances where a deficiency was identified in connection with our inspection and, as a result, an issuer's financial statements were determined to be materially misstated, and the issuer restated its financial statements. It also includes instances where a deficiency was identified in connection with our inspection and, as a result, an issuer's ICFR was determined to be ineffective, or there were additional material weaknesses that the firm did not identify, and the firm withdrew its opinion, or revised its report, on ICFR. This classification does not include instances where, unrelated to our review, an issuer restated its financial statements and/or an issuer's ICFR was determined to be ineffective. We include any deficiencies identified in connection with our reviews of these audits in the audits with multiple deficiencies or audits with a single deficiency classification below.

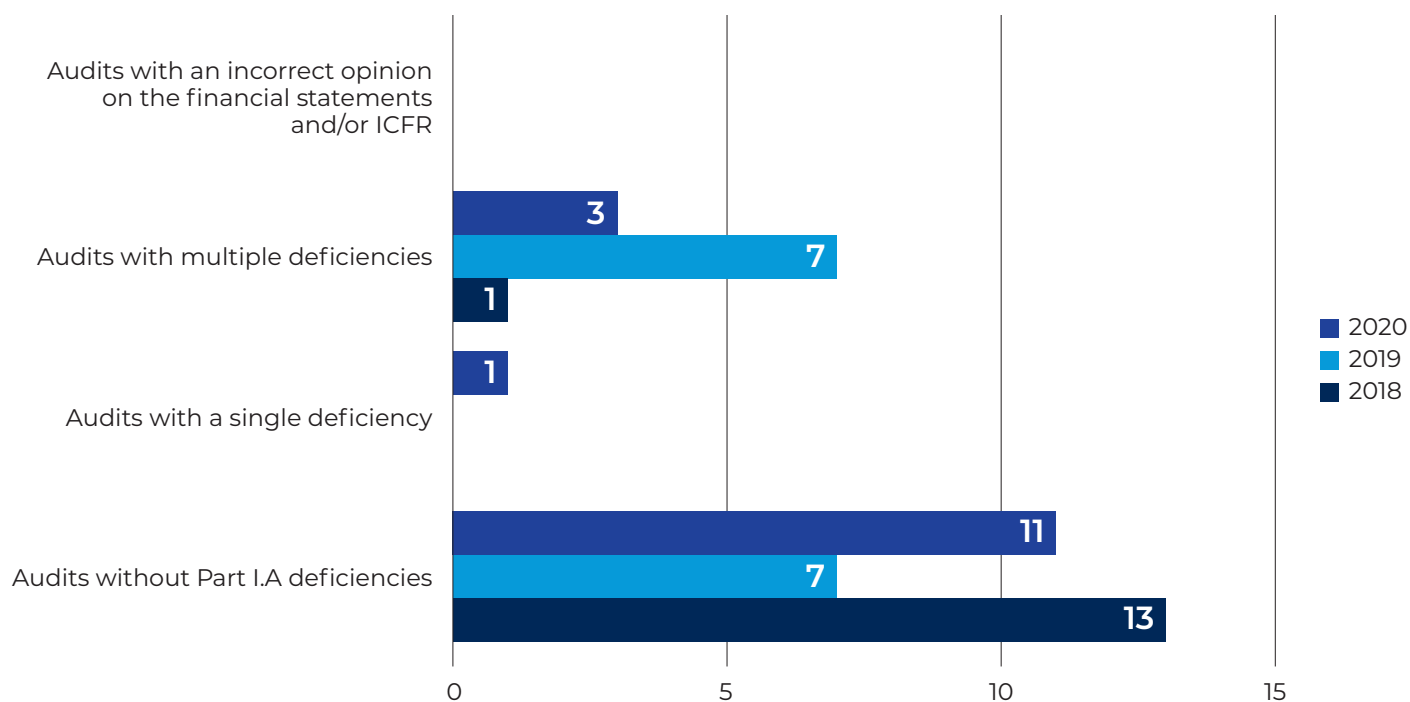
### Audits with Multiple Deficiencies

This classification includes instances where multiple deficiencies were identified that related to a combination of one or more financial statement accounts, disclosures, and/or important controls in an ICFR audit.

### Audits with a Single Deficiency

This classification includes instances where a single deficiency was identified that related to a financial statement account or disclosure or to an important control in an ICFR audit.

## Number of Audits in Each Category



# PART I: INSPECTION OBSERVATIONS

Part I.A of our report discusses deficiencies that were of such significance that we believe the firm, at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion on the issuer's financial statements and/or ICFR.

Part I.B discusses deficiencies that do not relate directly to the sufficiency or appropriateness of evidence the firm obtained to support its opinion(s) but nevertheless relate to instances of non-compliance with PCAOB standards or rules.

Consistent with the Act, it is the Board's assessment that nothing in Part I of this report deals with a criticism of, or potential defect in, the firm's quality control system. We discuss any such criticisms or potential defects in Part II. Further, you should not infer from any Part I deficiency, or combination of deficiencies, that we identified a quality control finding in Part II.

## PART I.A: AUDITS WITH UNSUPPORTED OPINIONS

This section of our report discusses the deficiencies identified, by specific issuer audit reviewed, in the audit work supporting the firm's opinion on the issuer's financial statements and/or ICFR.

We identify each issuer by a letter (e.g., Issuer A) and industry sector. Each deficiency could relate to several auditing standards, but we reference the PCAOB standard(s) that most directly relates to the requirement with which the firm did not comply.

We present issuer audits below within their respective deficiency classifications (as discussed previously). Within the classifications, we generally present the audits based on our assessment as to the relative significance of the identified deficiencies taking into account the significance of the financial statement accounts and/or disclosures affected, and/or the nature or extent of the deficiencies.

### Audits with an Incorrect Opinion on the Financial Statements and/or ICFR

None

### Audits with Multiple Deficiencies

#### Issuer A – Financials

##### Type of audit and related area affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to the **Allowance for Loan Losses (ALL)**.

##### Description of the deficiencies identified

For loans that were collectively evaluated for impairment, the issuer determined the qualitative reserve component of the ALL using certain qualitative factors. The following deficiencies were identified:

- The firm selected for testing a control that consisted of the issuer's review of the qualitative reserve component of the ALL, including an assessment of the qualitative factors for reasonableness. The firm did not evaluate the specific review procedures that the control owner performed to assess the reasonableness of the qualitative factors. (AS 2201.42 and .44)

- The firm's approach for substantively testing the ALL was to review and test management's process. The firm did not sufficiently evaluate the reasonableness of the qualitative reserve component of the ALL because the firm's procedures to test the qualitative factors the issuer used to determine the reserve were limited to (1) reading the issuer's ALL memorandum and (2) comparing the qualitative factors the issuer used at year end to those used in prior periods. (AS 2501.09, .10, and .11)

## Issuer B – Financials

### Type of audit and related area affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to the **ALL**.

### Description of the deficiencies identified

For loans that were collectively evaluated for impairment, the issuer determined one of the qualitative reserve components of the ALL using certain qualitative factors. The following deficiencies were identified:

- The firm selected for testing a control that included the issuer's review of this qualitative reserve component of the ALL, including an assessment of the qualitative factors for reasonableness. The firm did not evaluate the specific review procedures that the control owner performed to assess the reasonableness of these qualitative factors. (AS 2201.42 and .44)
- The firm's approach for substantively testing the ALL was to review and test management's process. The firm did not sufficiently evaluate the reasonableness of the qualitative reserve component of the ALL because the firm's procedures to test the qualitative factors the issuer used to determine the reserve were limited to (1) reading the issuer's ALL memorandum and related analysis of the factors and (2) comparing the qualitative factors the issuer used at year end to those used in prior periods. (AS 2501.09, .10, and .11)

## Issuer C – Financials

### Type of audit and related area affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to the **ALL**.

### Description of the deficiencies identified

For loans that were collectively evaluated for impairment, the issuer determined the qualitative reserve component of the ALL using certain qualitative factors. The following deficiencies were identified:

- The firm selected for testing a control that consisted of the issuer's reviews of the qualitative factors. The firm did not evaluate the specific review procedures that the control owners performed to assess the reasonableness of certain adjustments that the issuer made to the calculation of these qualitative factors. (AS 2201.42 and .44)
- The firm's approach for substantively testing the ALL was to review and test management's process. The firm did not sufficiently evaluate the reasonableness of the qualitative reserve component of the ALL because the firm did not perform procedures to evaluate certain adjustments that the issuer made to the calculation of these qualitative factors the issuer used to determine the reserve. (AS 2501.09, .10, and .11)



## Audits with a Single Deficiency

### Issuer D – Industrials

#### Type of audit and related area affected

In our review, we identified a deficiency in the financial statement audit related to **Revenue**.

#### Description of the deficiency identified

The issuer recognized revenue from customer contracts over time based on costs incurred to date relative to total estimated costs to complete the contracts. For certain of these contracts that were selected for testing, the firm did not evaluate the reasonableness of the estimated costs to complete, beyond (1) comparing, for each contract, the estimated costs to complete at year end to the estimated costs to complete at the subsequent month end and (2) inquiring of management. (AS 2501.07)

## PART I.B: OTHER INSTANCES OF NON-COMPLIANCE WITH PCAOB STANDARDS OR RULES

In the 2020 inspection, we did not identify any deficiencies related to other instances of non-compliance with PCAOB standards or rules.

## PART II: OBSERVATIONS RELATED TO QUALITY CONTROL

Part II of our report discusses criticisms of, and potential defects in, the firm's system of quality control.

We include deficiencies in Part II if an analysis of the inspection results, including the results of the reviews of individual audits, indicates that the firm's system of quality control does not provide reasonable assurance that firm personnel will comply with applicable professional standards and requirements. Generally, the report's description of quality control criticisms is based on observations from our inspection procedures.

This report does not reflect changes or improvements to the firm's system of quality control that the firm may have made subsequent to the period covered by our inspection. The Board does consider such changes or improvements in assessing whether the firm has satisfactorily addressed the quality control criticisms or defects no later than 12 months after the issuance of this report.

When we issue our reports, we do not make public criticisms of, and potential defects in, the firm's system of quality control, to the extent any are identified. If a firm does not address to the Board's satisfaction any criticism of, or potential defect in, the firm's system of quality control within 12 months after the issuance of our report, we will make public any such deficiency.

# APPENDIX A: FIRM'S RESPONSE TO THE DRAFT INSPECTION REPORT

Pursuant to section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(a), the firm provided a written response to a draft of this report. Pursuant to section 104(f) of the Act and PCAOB Rule 4007(b), the firm's response, excluding any portion granted confidential treatment, is attached hereto and made part of this final inspection report.

The Board does not make public any of a firm's comments that address a nonpublic portion of the report unless a firm specifically requests otherwise. In some cases, the result may be that none of a firm's response is made publicly available.

In addition, pursuant to section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(b), if a firm requests, and the Board grants, confidential treatment for any of the firm's comments on a draft report, the Board does not include those comments in the final report. The Board routinely grants confidential treatment, if requested, for any portion of a firm's response that addresses any point in the draft that the Board omits from, or any inaccurate statement in the draft that the Board corrects in, the final report.



**Crowe LLP**  
Independent Member Crowe Global  
225 West Wacker Drive, Suite 2600  
Chicago, Illinois 60606-1224  
Tel +1 312 899 7000  
Fax +1 312 899 5300  
[www.crowe.com](http://www.crowe.com)

October 18, 2021

Mr. George Botic, Director  
Division of Registration and Inspections  
Public Company Accounting Oversight Board  
1666 K Street, N.W.  
Washington, DC 20006

Re: Response to Part I of the Draft Report on the 2020 Inspection of Crowe LLP

Dear Mr. Botic:

Crowe LLP appreciates the opportunity to respond to the Public Company Accounting Oversight Board's ("PCAOB") draft report on the 2020 Inspection of Crowe LLP (the "Report").

We believe the PCAOB's inspection process serves an important role in improving audit quality for the benefit of investors and the public interest. We take seriously the matters identified by the PCAOB, which we analyze in our ongoing efforts to strengthen our quality control processes and audit performance.

We have carefully considered the matters identified in Part I of the Report and have taken actions to address the matters in accordance with PCAOB standards and our policies. These actions include performing additional procedures when appropriate and including additional documentation in our files to more completely describe and support our procedures and conclusions.

Crowe LLP is committed to performing high quality audits, and we have designed our quality control and monitoring systems to drive continuous improvement. We look forward to continued dialogue with the PCAOB to advance the shared goal of audit quality.

Sincerely,

*Crowe LLP*  
Crowe LLP

