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April 20, 2009

J. Gordon Seymour, Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, D.C. 20006-2803

RE: PCAOB Release No. 2009-001, Rulemaking Docket No. 025 – *Proposed Auditing Standard – Engagement Quality Review*

Dear Mr. Seymour:

McGladrey & Pullen, LLP is pleased to submit comments regarding the proposed auditing standard, *Engagement Quality Review*. McGladrey & Pullen, LLP is a registered public accounting firm serving middle-market issuers.

McGladrey & Pullen, LLP supports the issuance of an engagement quality review standard that more clearly articulates the standard of performing an engagement quality review. We believe the changes that were made to the original proposed standard more appropriately define the requirements of an engagement quality review. However, we also believe certain modifications should be made to the revised proposal to clarify various sections of the standard and enhance its application in practice.

Objective

We believe the objective set forth in the proposed standard should be revised to clarify that the evaluation of the significant judgments made by the engagement team and the conclusions reached in forming the overall conclusion on the engagement and in preparing the engagement report relate to the significant judgments identified through the performance of the procedures set forth in paragraphs 9 through 18 of the proposed standard. We suggest the following objective:

The objective of the engagement quality reviewer is to perform an evaluation of *evaluate, through the performance of the engagement quality review procedures set forth in this standard*, the significant judgments made by the engagement team and the conclusions reached in forming the overall conclusion on the engagement and in preparing the engagement report, if a report is to be issued, in order to determine whether to provide concurring approval of issuance.

Qualification of an Engagement Quality Reviewer

We do not support the prohibition set forth in paragraph 8 of the proposed standard, which prohibits the engagement partner for either of the prior two audits from performing the engagement quality review. As noted in the release, SEC independence rules limit an individual to five consecutive years of service as the engagement or concurring partner, but do not prohibit that individual from serving in either capacity during that five-year period. We also note that there would be no prohibition against the engagement quality reviewer subsequently serving as the engagement

partner within the same five-year period. We believe the fact that another individual would be serving as the engagement partner sufficiently mitigates any risk that the engagement quality reviewer would not challenge judgments made and conclusions reached in prior audits. In addition, we believe the current SEC rule provides for adequate protection against a loss of objectivity due to prolonged association with the audit client and this prohibition may impose a hardship on smaller registered public accounting firms.

Engagement Quality Review Process for an Audit

Paragraphs 9 and 10 prescribe general and specific requirements for conducting the engagement quality review of an audit. We generally agree with the types of procedures to be performed. However, we recommend certain changes in the text of paragraphs 9 and 10 to better align with the intentions of the Board as set out in the Release and the objective of the standard. In addition, we do not believe the language in paragraph 9 is sufficiently clear to communicate that engagement quality reviewers are able to complete the review by reviewing selected documentation. We note Paragraph 11 refers to "engagement documentation ...reviewed when performing the procedures required in paragraph 10." However, this same clarification is not articulated in paragraph 9. Accordingly, we recommend paragraph 9 be modified as follows:

In an audit engagement, the engagement quality reviewer should evaluate the significant judgments made by the engagement team ~~and the conclusions reached~~ in forming the overall conclusion on the engagement and in preparing the engagement report. To identify and evaluate the significant judgments ~~and conclusions~~, the engagement quality reviewer should perform the procedures described in paragraph 10 by holding discussions with the person with overall responsibility for the engagement, by holding discussions with other members of the engagement team as necessary, and by reviewing selected audit documentation.

Further, we suggest the following changes to certain steps in paragraph 10 which we believe are consistent with the guidance in paragraph 9 and will help clarify the process by which the engagement quality reviewer performs the review.

10. In an audit, the engagement quality reviewer should:

- a. Evaluate the significant judgments made in engagement planning, including –
 - The consideration of the firm's recent engagement experience with the company and risks identified in connection with the firm's client acceptance and retention process,
 - The consideration of the company's business, recent significant activities, and related financial reporting issues and risks, and
 - The judgments made about materiality and the effect of those judgments on the engagement strategy.
- b. Evaluate the risk assessments and audit responses, including the identification of significant risks, including significant fraud risks, and the engagement procedures performed in response to significant risks.
- d. Evaluate judgments made by the engagement team about (1) the materiality and disposition of corrected and uncorrected misstatements identified and aggregated by the engagement team and (2) the severity and disposition of identified control deficiencies.

Further, we believe the procedures set forth in paragraphs 10.e. and 10.f. which require the reviewer to “determine if appropriate matters have been communicated, or identified for communication” and “determine if appropriate consultations have taken place on difficult or contentious matters” could be interpreted to go beyond the other requirements of the standard that are focused on the evaluation of the work performed by the engagement team. We believe the procedures in paragraphs 10.e and 10.f. of the standard should be modified to indicate that the engagement quality reviewer should make an evaluation of the appropriateness of such matters based upon performing the procedures set forth in this standard.

We suggest these two paragraphs be modified as follows:

e. Determine if Evaluate whether appropriate matters that are identified through the performance of the engagement quality review have been communicated, or identified for communication to the audit committee, management, and other parties, such as regulatory bodies.

f. Determine if Evaluate whether appropriate consultations have taken place on difficult or contentious matters identified through the performance of the engagement quality review. Review the documentation, including conclusions, of such consultations.

Alternatively, the Board could include these two procedures in a new paragraph which would follow paragraph 10 and clarify that the evaluation should be made based upon the results of all other procedures performed in accordance with this standard.

Finally, we suggest the definition of “significant risk” as set forth in footnote 24 of the Release be added as a footnote to paragraph 10.b.

Documentation of an Engagement Quality Review

Paragraph 19.b. requires the engagement quality reviewer to identify the “documents” reviewed by the engagement quality reviewer and others who assisted the reviewer. We are unclear as to what is meant by “documents” and believe this paragraph should be clarified to state whether the requirement is to identify the areas of audit documentation reviewed by the engagement quality reviewer; agreements and contracts reviewed in connection with the performance of the review; or documents containing the financial statements as described in paragraph 10.h.

Paragraph 19.c. requires that documentation should include sufficient information to identify the significant discussions held by the engagement quality reviewer and others who assisted the reviewer, including the date of each discussion, the specific matters discussed, the substance of the discussion, and the participants. We believe the requirement is unnecessarily burdensome and will result in additional costs that are not likely to provide a commensurate benefit to audit quality. As a result, we recommend it be deleted.

The engagement team’s existing obligation to prepare documentation consistent with the objective and requirements of PCAOB Auditing Standard No. 3, *Audit Documentation*, when combined with the proposal’s requirement to indicate which documents were reviewed by the engagement quality reviewer and his or her assistants, should provide adequate documentation of the basis for the engagement quality reviewer’s compliance with the standard.

If the Board continues to believe it is necessary to document discussions involving the engagement quality reviewer, we recommend that paragraph 19 be revised to include the explanation of what constitutes a “significant discussion” as described in footnote 36 of the Release.

Effective Date

As proposed, the standard would be effective for audits of fiscal years ending on or after December 15, 2009, and for interim reviews for fiscal years beginning after December 15, 2009.

As it relates to audits, we believe the effective date should be linked to the beginning of an audit engagement period. By linking the effective date to the beginning rather than the end of an audit engagement period, the new requirements would (1) be known and anticipated as of the beginning of the audit engagement period by auditors, audit committees and companies, (2) allow the assigned engagement quality reviewer to comply with the requirements throughout audit engagement planning and execution, and (3) apply equally to each interim review during an audit period to which the proposed standard applies.

Due to the anticipated timing of final approval of the standard by the SEC, we are also concerned the proposed effective dates would not permit sufficient time for registered public accounting firms to effectively and efficiently implement the new EQR requirements. As proposed, we believe implementation might require significant changes to a firm's quality control processes, particularly those firms that have not historically performed concurring reviews. The effective date should provide all registered public accounting firms with sufficient time to (1) adopt policies and procedures consistent with the new standard, (2) train their personnel in the requirements of the new standard, and (3) assign or engage qualified engagement quality reviewers consistent with their system of quality control.

Accordingly, assuming the SEC approves the final standard not later than September 30, 2009, we believe the PCAOB should base the effective date on fiscal year periods beginning after December 15, 2009, to provide adequate time for firms to prepare for adoption. If SEC approval does not occur prior to September 30, 2009, we believe the standard should not become effective until quarterly and annual periods beginning after December 15, 2010.

Thank you for the opportunity to comment on this proposed standard. Please direct any questions concerning our comments to Bruce Webb, Executive Partner – National Office of Audit and Accounting (515.281.9240) or Scott Pohlman, SEC Coordinator (952.921.7734).

Sincerely,



McGladrey & Pullen, LLP