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Mr. J. Gordon Seymour
Secretary
Public Company Accounting Oversight Board
1666 K Street, NW
Washington, DC 20006-2803

Re: PCAOB Rulemaking Docket Matter No. 025

Proposed Auditing Standard – Engagement Quality Review

Dear Mr. Seymour,

Reznick Group welcomes this opportunity to respond to the request for comments from the Public Company Accounting Oversight Board (PCAOB) on the proposed auditing standard on *Engagement Quality Review*.

Reznick Group is a national leader in accounting, tax and business advisory services and is ranked among the top 20 public accounting firms in the United States. With offices across the country, Reznick Group serves clients in a broad range of industries that include real estate, emerging businesses, energy, financial services, government, nonprofits, technology and transportation.

This letter offers comments in response to the proposed auditing standard on *Engagement Quality Review* that we believe would be valuable to the PCAOB in making a decision on the final version of the auditing standard.

Comments

We believe that the proposed standard is a significant improvement over the original proposal, and more appropriately reflects the requirements of the engagement quality review. We applaud the Board for the clarifications and amendments made to the proposed standard. However, we believe that a few additional changes would provide further clarification to the final auditing standard. Our comments about these items are provided below.

Paragraph 8 requires that the engagement quality reviewer may not be the person who had overall responsibility for either of the two audits preceding the audit subject to the engagement quality review. This is a change from the SEC independence requirements and is a more restrictive requirement. Currently, the SEC independence requirements allow the concurring partner to be the person who had overall responsibility for the audit

in the immediately preceding year, and could go back and forth every year if needed, but cannot serve more than five years in total before being required to rotate off the client for 5 consecutive years. This change could cause a problem for smaller accounting firms that have fewer resources available to serve clients as either the person with overall responsibility for the engagement or the engagement quality reviewer.

Paragraphs 12 and 17 of the proposed standard states that the engagement quality reviewer may provide concurring approval of issuance only if, after performing with due professional care the review required by the standard, he or she is not aware of a significant engagement deficiency. We applaud the PCAOB for requiring that the engagement quality review be conducted with due professional care, which we believe is preferable to the “knows or should know” standard provided in the original proposal. We believe this change conveys the appropriate degree of performance and is consistent with the objectives and requirements of the proposed standard.

We agree with the PCAOB’s observation that due professional care is a concept familiar to auditors and consistent with other auditing standards; however, we respectfully disagree with the PCAOB’s statement on page 24 of the release that the requirement to exercise due professional care imposes on a reviewer essentially the same requirement as “knows or should know,” which was the condition stated in the PCAOB’s original proposal. We believe the condition “knows or should know” imposes significant additional obligations on the engagement quality reviewer and therefore would elicit a level of effort that is not consistent with the objectives and requirements of the proposed standard. As a result, we believe this language should be removed from the release that accompanies the final *Engagement Quality Review* standard.

Paragraph 19(c) states that documentation of an engagement quality review should contain 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. The engagement quality reviewer may not always know at the time of the discussion whether a given discussion will be significant to the engagement. This requirement would cause the engagement quality reviewer to document every discussion, which would be costly and unnecessary and we believe was not the PCAOB’s intent when drafting the proposed standard. Therefore, we believe this requirement is overly onerous, and should be removed from the final standard.

We believe that the effective date of the final *Engagement Quality Review* standard should correspond with the beginning of the audit engagement period to allow for the requirements to be applied to interim reviews and audits in the same fiscal year. This allows the engagement quality reviewer to comply with the requirements of the proposed auditing standard during the audit planning process as well as during the reviews of

interim financial information. Therefore, we believe that the effective date of the final standard should be for audits of fiscal years beginning on or after December 15, 2009 and for reviews of interim financial information within such fiscal years.

Conclusion

Reznick Group appreciates the opportunity to comment on the proposed auditing standard on *Engagement Quality Review*, and the PCAOB's efforts to adopt a comprehensive standard consistent with Section 103 (a) (2) (A) (ii) of the Sarbanes-Oxley Act.

We would be pleased to discuss our comments further. Please contact Kurtis Wolff at (404) 250-4148.

Sincerely,

Reznick Group, P.C.