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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. 025, *Engagement Quality Review and Conforming Amendment to the Board's Interim Quality Control Standards*, PCAOB Release No. 2008-02

Office of the Secretary:

Crowe Chizek and Company LLC appreciates the opportunity to comment on the Public Company Accounting Oversight Board's ("PCAOB" or "Board") Proposed Auditing Standard, *Engagement Quality Review and Conforming Amendment to the Board's Interim Quality Control Standards* (the "Proposed Standard"). This letter contains our general comments on the Proposed Standard; responses to specific questions included in the Proposed Standard are in an Appendix to this letter.

The concurring reviewer responsibility included in the PCAOB's interim standards provides a meaningful periodic objective review of audit process performance and client financial reporting. The concurring review process adds some assurance to audit quality control. We applaud the Board's objective of providing greater clarity to the requirement for such engagement reviews, and believe that one result of clarity will be greater consistency in application both within firms and throughout the profession. The proposed requirement that all registered firms that perform audits of issuers conduct engagement quality reviews is a needed enhancement to the interim standards.

Expansion of Scope of Reviews

The Proposed Standard would greatly increase the scope, level of responsibility, and cost of performing the engagement quality review process. Specifically, the requirements for reviews at interim periods regardless of risk assessment, the new and expanded procedures required throughout the Proposed Standard, and the significant increase in level of responsibility to a "should have known" standard of care all result in large increases in the scope of engagement quality reviews. Any expansion of auditing procedures may provide improvement in quality. However, we believe the significant increased level of effort to perform the engagement quality review required by the Proposed Standard does not provide benefit to investors or preparers commensurate with the increased costs inherent in the Proposed Standard.

Omission of Stated Objective

The Proposed Standard does not contain a clear objective that articulates the purposes of the engagement quality review. An objective is essential, and consistent with principles based standard setting. Without a clearly stated objective of the purpose of the review, the consistency of review which is desirable may not be obtained. A stated objective will give reviewers guidance to assist in understanding and accomplishing the requirements. We believe that any final standard should include an objective which acts as a framework to conduct the review required by the standard. The framework for the objective should include the importance of using professional judgment in deciding what to review and the extent of review.

Standard of Performance – “know or should have known”

The Proposed Standard establishes a new standard of performance for an engagement quality reviewer, know or should have known, which is a significant increase in the level of responsibility for a reviewer. To perform at this level the reviewer will need to develop knowledge and judgment comparable to a second engagement partner. Also, the Proposed Standard requires independent evaluations instead of reviews of decisions made by the engagement team, even though the reviewer normally does not have comparable information and knowledge as the engagement team has. The focus of an engagement quality review standard should be on reviewing the significant judgments made and conclusions reached by the engagement team, not on developing a second set of independent conclusions. The expansion to a “should have known” level of performance changes the nature of the review from negative assurance to positive assurance by the reviewer. The focus on independent evaluations and positive assurance turns the focus of the audit to the engagement quality review rather than on the conclusions and judgments of the engagement team.

The engagement partner must have the ultimate responsibility for the audit. The engagement quality reviewer should not become an integral part of the engagement team, and should not have a level of responsibility comparable to the engagement partner, including overall responsibility for the audit. Unlike the engagement team members, the engagement quality reviewer's access to client records is limited, and they likely do not have routine interaction with the client. The need for independence and objectivity in this function, as well as the practical limitations on the scope of the engagement quality review, prevent the reviewer from forming the necessary judgments and conclusions to re-perform many of the evaluations and decisions made during the audit.

Documentation

The Proposed Standard contains new requirements relative to documentation. We believe that any documentation requirement should be limited to assessing the adequacy of documentation which was reviewed in connection with the limited procedures performed in accordance with the Proposed Standard. A final standard should not include a requirement that the engagement quality reviewer evaluate whether audit documentation is consistent with AS 3, as that is not consistent with the overall objective of an engagement quality review. Appropriate documentation is a result of systems design, audit strategy, training, supervision and significant

teamwork throughout the audit, and is not the result of effort by one or a few personnel. This provision of the Proposed Standard would essentially create a pre-issuance compliance review of AS 3 requirements, a duty that should rest with the engagement team and reliance on overall firm processes.

International Standards Convergence

The review process included in the Proposed Standard is more extensive than that required by international auditing standards promulgated by the International Auditing and Assurance Standards Board. Divergence from international auditing standards may not serve to enhance audit quality, and may impede convergence of standards which is viewed as important for users to gain the benefit of a globally accepted set of standards.

Effective Date

We believe the effective date provided in the Proposed Standard should be changed. The effective date proposed is for engagement reports issued on or after December 15, 2008. A final standard would likely not be effective until some time in the second half of 2008. Most issuer audit engagements will have substantial services performed prior to a final standard becoming effective. The changed responsibilities of the engagement quality reviewer would be in effect for services already rendered, and the review timing desirable under the Proposed Standard would not be operable. Firms will also need time to implement the new requirements, including training, review of and potentially changing assignment of engagement quality reviewers to be compliant with new requirements. We suggest that the effective date be for periods beginning on or after six months after a final standard is approved by the SEC, and in no event sooner than for fiscal years beginning on or after January 1, 2009.

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Crowe Chizek and Company LLC supports the Board's efforts to improve its auditing standards with the objective of furthering the public interest. We hope that our comments and observations will assist the Board in its consideration of the Proposed Standard. We would be pleased to discuss our comments with members of the Public Company Accounting Oversight Board or its staff. If you have any questions on our comments, please contact Wes Williams.

Cordially,



Crowe Chizek and Company LLC

Appendix

This Appendix provides responses to specific questions included in the Proposed Standard.

A. Engagements for Which an Engagement Quality Review Is Required

1. *The proposed standard does not explicitly state an overall objective of an engagement quality review. Should this standard state such an objective? If so, what should be included in the objective?*

Yes. The Proposed Standard does not contain a clear objective that articulates the purposes of the engagement quality review. An objective is essential, and consistent with principles based standard setting. Without a clearly stated objective of the purpose of the review, the consistency of review which is desirable may not be obtained. A stated objective will give reviewers guidance to assist in understanding and accomplishing the requirements. We believe that any final standard should include an objective which acts as a framework to conduct the review required by the standard. The framework for the objective should include the importance of using professional judgment in deciding what to review and the extent of review.

2. *Should an engagement quality review be required for all engagements performed in accordance with the standards of the PCAOB? If not, when should an engagement quality review be required?*

No. Engagement quality reviews should be required for annual audits of financial statements and internal control over financial reporting. We do not believe that engagement quality review of reviews of interim information is warranted, given the cost of that review compared to the likely benefit. The availability of consultation between the engagement team and the engagement quality reviewer on significant matters or matters identified that raise the risk of material misstatement is sufficient for reviews of interim information.

Firm policy can require or suggest engagement quality review for any engagement where the judgment of the firm and/or engagement team deems that a review would add quality and value to the engagement. This is consistent with the risk associated with engagements and the needs of users. Our letter also addresses this matter.

B. Qualifications of the Engagement Quality Reviewer

3. *Are the qualifications of an engagement quality reviewer appropriately described in the proposed standard? If not, how should they be revised?*

The qualifications are appropriately described. We agree with the Board that engagement quality reviews do not always require a partner or equity owner, and that others may be well qualified to perform the reviews. However, we recommend that the reference in paragraph 2 to "another individual in the firm" be amplified to make clear that engagement quality reviews can be performed by non-partner level personnel that meet the qualifications provided in the Proposed Standard.

4. *Should the proposed standard allow the engagement team to consult with the engagement quality reviewer during the engagement? Would such consultation impair the reviewer's objectivity?*

Yes. Consultation between the engagement team and the engagement quality reviewer should not only be allowed but should be encouraged. This can only lead to improvement in the

quality of the audit. Typical consultations would not impair the reviewer's objectivity. Consultations could be informal dialogue as well as formally documented matters.

C. The Engagement Quality Review Process

5. Are the descriptions of the scope and extent of engagement quality review procedures contained in the proposed standard appropriate? If not, how should they be changed?

No. Many of the requirements specified require the reviewer to "evaluate" judgments and decisions made by the engagement team, and to make "determinations". The requirements are so expansive that reviewers may conclude that they need to re-perform judgments that the engagement team and/or the engagement partner have made. Further, some of the required procedures are essentially a compliance check on parts of the audit, such as being sure that required communications were performed. Our letter also addresses this matter.

6. Is the risk-based approach to the engagement quality review described by the proposed standard sufficient to identify significant engagement problems? If not, how should the proposed standard be changed?

The risk-based approach is an appropriate method to conduct an engagement quality review. The difficulty in the requirement of the Proposed Standard is that the approach prescribed requires all the procedures required by paragraphs 7 and 8, which procedures require the reviewer to re-perform judgments already made by the engagement team as described in the response to Question #5.

2. Review of Engagement Documentation

7. Are the proposed requirements for the review of the engagement team's documentation appropriate? If not, how should they be changed?

No. The engagement quality reviewer should not be responsible for determining if the engagement team has complied with AS 3.

The requirement in paragraph 10.c. that the engagement documentation "Supports the conclusions reached by the engagement team" may drive reviewers to review all audit documentation for significant risk areas, so they can provide the required positive assurance on that reviewed area. This level of review and assurance is greater than an engagement quality review should encompass.

3. Timing of the Review

8. Is the description of the timing of the engagement quality review, as proposed, appropriate? If not, how should it be changed?

Yes

D. Concurring Approval of Issuance

9. Is the standard for the engagement quality reviewer's concurring approval of issuance appropriate? If not, how should it be changed?

No. The standard of “know, or should know” is not appropriate. “Should know” relates to matters unknown to the reviewer. This is the most problematic provision in the Proposed Standard. The final standard should provide that the reviewer’s conclusion to approve issuance of a report be based on negative assurance after completing the procedures and scope of review required by the standard. Our letter also addresses this matter, and we do not repeat those comments here.

The Proposed Standard uses a concept of “concurring approval of issuance” in paragraphs 12 and 13, which is derived from The Sarbanes-Oxley Act provision that the reviewer express “concurring approval of its [the report] issuance.” We agree that audit reports subject to engagement quality review should not be issued until the engagement quality review is completed and documented, and that the reviewer should have the authority to perform the extent of procedures deemed necessary and not provide concurrence until they are satisfied that the report should be issued. However, we do not believe this should result in the engagement quality reviewer having a position equivalent to the engagement partner in approving the issuance of a report. Any final standard should be clear that the responsibility for determining whether the engagement is complete, which would include documentation of the engagement quality reviewer’s concurring approval for issuance, and that a report may be issued, should be the engagement partner’s alone.

E. Documentation of an Engagement Quality Review

10. Are the documentation requirements for an engagement quality review appropriate? If not, how should they be changed?

The documentation requirements in paragraph 14 appear appropriate. The requirement for contemporaneous documentation of “When the review procedures were performed” will present challenges in application as the review requirements of the Proposed Standard will need to be performed multiple times, and perhaps continuously, throughout the period.

Paragraph 15 is not needed as it is a reminder that the audit documentation required by this standard would need to be retained like any other audit documentation. We do not believe repeating requirements of existing standards in new standards is helpful or adds clarity.

12. Should the proposed standard require documentation of the engagement quality review to comply with other provisions contained in AS No. 3? If so, which provisions should be applicable?

No.