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June 1, 2022

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street N.W.
Washington, D.C. 20006

Re: Interim Analysis No. 2022-001, Estimates and Specialists Audit Requirements

Dear Office of the Secretary:

RSM US LLP appreciates the opportunity to offer our comments on the PCAOB's Request for Comment, *Post-Implementation Review: Interim Analysis of Estimates and Specialists Audit Requirements.*

We value the PCAOB's thorough post-implementation review efforts related to its recent standard setting related to (a) auditing accounting estimates and fair value measurements and (b) using the work of specialists. We agree that the standard for auditing accounting estimates and fair value measurements strengthened the requirements for substantive testing, including those related to the use of pricing information from third parties, such as pricing services and brokers or dealers. We appreciate that the amendments to the auditing standards for using the work of specialists apply a risk-based supervisory approach to both auditor-employed and auditor-engaged specialists as that allows the auditor's procedures for the evaluation of the work of a specialist to be commensurate with the relative significance of that work, the risk of material misstatement of the relevant assertion, and the knowledge, skill and ability of the specialist.

Our letter addresses questions for auditors within the request for comment. Our responses to these questions are generally consistent with our responses within the PCAOB's July 2021 *Audit Firm Questionnaire on Impact of Estimates and Specialists Requirements*.

Auditing Accounting Estimates, Including Fair Value Measurements

How did audit firms approach implementation of the new requirements for auditing accounting estimates, including fair value measurements? What were the most significant activities that firms undertook to support and monitor implementation of the new requirements by individual audit engagement teams?

Our firm's approach for implementing the new requirements for auditing accounting estimates, including fair value measurements, was conducted under the direction of our Audit Policy Leader and Chief Auditor. We did not draw a distinction between our efforts with respect to auditing accounting estimates and our efforts with respect to the auditor's use of the work of specialists, as we deemed it most efficient and effective to approach both matters in tandem.

Our National Professional Standards Group began initial discussions regarding planning and resource requirements for the implementation of the new requirements in the spring of 2019. An internal project team was created to discern an implementation plan for the new requirements and was comprised of professionals within our National Professional Standards Group, who consulted with professionals from our National Office of Risk Management and Consulting Valuation Services Audit Assist Group, as appropriate.

The core implementation project team's plan addressed the needs for updated policies, procedures, methodology, tools, guidance, training and required consultations, as applicable. As a result of the new requirements, there were no significant changes to the firm's previous audit policies, procedures, methodology, tools, guidance, consultation requirements or review processes because they aligned closely with the new requirements. However, over a two-year period, a significant amount of experienced professional time was expended by our National Professional Standards Group managers, senior managers and partners to refine our previous internal audit policies, procedures and tools and to develop new clarifying implementation guidance and other tools directly related to relevant process work streams.

Also, a significant amount of experienced professional time was expended by our National Professional Standards Group managers, senior managers and partners in the development of training directly related to the new requirements. During the summer of 2020, our auditors attended this training, which used a blended learning approach consisting of a self-study, followed by a live virtual interactive course. A significant amount of time was expended by our professionals in delivering and attending these training sessions.

Implementation of the new requirements by individual audit engagement teams was subject to our internal monitoring policies and procedures, including inspection of certain engagements selected by our National Office of Risk Management.

Throughout the implementation process, our firm was actively involved with the related Center for Audit Quality task force efforts.

To what extent did the new requirements lead to changes in auditing practice? How did the impact of the new requirements vary across audit firms and audit engagements? Please describe any changes to auditing practice and provide perspectives on the associated implications for audit and financial reporting quality.

There were no significant changes in the way we conduct audits because our previous policies aligned closely with the new requirements. However, we did use the implementation year as an opportunity to refresh our dialog around the requirements for auditing accounting estimates, including fair value measurements, which led to more refined and consistent language being used within our firm when discussing and documenting related information. As a result, we believe our auditors enhanced their abilities to document the factors that drove their risk assessments and the resulting testing approaches used to audit accounting estimates.

To what extent did the new requirements have implications for communication and dialog between auditors, audit committees, and preparers? Please describe any changes and associated implications for audit and financial reporting quality.

Prior to the new requirements for auditing accounting estimates, including fair value measurements, we already had been communicating with audit committees regarding critical accounting estimates, including regarding (a) the process management used to develop critical accounting estimates; (b) management's significant assumptions used in critical accounting estimates that have a high degree of subjectivity; (c) significant changes management made to the processes used to develop the critical accounting estimates or significant assumptions, management's reasons for the changes, and the effects of the changes on the financial statements; and (d) the basis for our conclusions regarding the reasonableness of the critical accounting estimates. Thus, the new requirements did not affect our communication with audit committees as the auditing of accounting estimates continues to be an important focus in such communications.

Did audit firms encounter any significant challenges in implementing the new requirements? If so, please describe and, if applicable, please reference the specific requirements that caused the challenges.

Our previous policies and methodologies aligned well with the new requirements for auditing accounting estimates, including fair value measurements. As such, the requirements did not present significant implementation challenges.

Did the new requirements give rise to any unintended consequences? Please describe any unintended consequences and, if applicable, reference the specific requirements that caused them.

The new requirements did not give rise to any unintended consequences of which we are aware.

Auditor's Use of the Work of Specialists

How did audit firms approach implementation of the new requirements for the auditor's use of the work of specialists? What were the most significant activities that firms undertook to support and monitor implementation of the new requirements by individual audit engagement teams?

Our firm's approach for implementing the new requirements for the auditor's use of the work of specialists was conducted under the direction of our Audit Policy Leader and Chief Auditor. We did not draw a distinction between our efforts with respect to auditing accounting estimates and our efforts with respect to the auditor's use of the work of specialists, as we deemed it most efficient and effective to approach both matters in tandem.

Our National Professional Standards Group began initial discussions regarding planning and resource requirements for the implementation of the new requirements in the spring of 2019. An internal project team was created to discern an implementation plan for the new requirements and was comprised of professionals within our National Professional Standards Group, who consulted with professionals from our National Office of Risk Management and Consulting Valuation Services Audit Assist Group, as appropriate.

The core implementation project team's plan addressed the needs for updated policies, procedures, methodology, tools, guidance, training and required consultations, as applicable. As a result of the new requirements, there were no significant changes to the firm's previous audit policies, procedures, methodology, tools, guidance, consultation requirements or review processes because they aligned closely with the new requirements. However, over a two-year period, more than a significant amount of experienced professional time was expended by our National Professional Standards Group managers, senior managers and partners to refine our previous internal audit policies, procedures and tools and to develop new clarifying implementation guidance and other tools directly related to relevant process work streams. In addition to various refinements related to the new requirements for the auditor's use of the work of specialists, we refined our guidance related to the use of an external pricing source engaged by our firm as either a "Pricing Service as Specialist" or a "Pricing Service as Service Organization" as discussed in the August 22, 2019 PCAOB Staff Guidance, *Auditing the Fair Value of Financial Instruments.*

Also, a significant amount of experienced professional time was expended by our National Professional Standards Group managers, senior managers and partners in the development of training directly related to the new requirements. During the summer of 2020, our auditors attended this training, which used a blended learning approach consisting of a self-study, followed by a live virtual interactive course. A significant amount of time was expended by our professionals in delivering and attending these training sessions.

In addition, we used this opportunity to invest a significant amount of experienced professional time by both our National Professional Standards Group and our Consulting Valuation Services Audit Assist Group in efforts to enhance our infrastructure related to our valuation audit assist services, including our internal centralized pricing services.

Implementation of the new requirements by individual audit engagement teams was subject to our internal monitoring policies and procedures, including inspection of certain engagements selected by our National Office of Risk Management.

Throughout the implementation process, our firm was actively involved with the related Center for Audit Quality task force efforts.

To what extent did the new requirements lead to changes in auditing practice? How did the impact of the new requirements vary across audit firms and audit engagements? Please describe any changes to auditing practice and provide perspectives on the associated implications for audit and financial reporting quality.

There were no significant changes in the way we conduct audits because our previous policies aligned closely with the new requirements. However, we did use the implementation year as an opportunity to refresh our dialog around the requirements for the auditor's use of the work of specialists, which led to more refined and consistent language being used within our firm when discussing and documenting related information.

To what extent did the new requirements have implications for communication and dialog between auditors, specialists, audit committees, and preparers? Please describe any changes and associated implications for audit and financial reporting quality.

Prior to the new requirements for the auditor's use of the work of specialists, we already had been communicating with audit committees regarding audit areas involving the use of the work of specialists. This includes, for example, matters related to (a) the process management used to develop critical accounting estimates, including management's use of the work of a company specialist; (b) the company specialist's methodology for determining fair value measurements; and (c) the auditor's use of the work of an auditor-employed specialist. Thus, the new requirements did not affect our communication with audit committees as our use of the work of specialists continues to be an important focus in such communications.

Did audit firms encounter any significant challenges in implementing the new requirements? If so, please describe and, if applicable, please reference the specific requirements that caused the challenges.

Our previous policies and methodologies aligned well with the new requirements for the auditor's use of the work of specialists. As such, the requirements did not present significant implementation challenges.

Did the new requirements give rise to any unintended consequences? For example, have the new requirements limited the ability of smaller firms to compete in the audit services market and, if so, why? Do the new requirements divert auditor attention from other important audit tasks that warrant greater attention? Have the new requirements affected how companies use specialists in preparing the financial statements? Please describe any unintended consequences and, if applicable, reference the specific requirements that caused them.

The new requirements did not give rise to any unintended consequences of which we are aware.

We would be pleased to respond to any questions the Board or its staff may have about our comments. Please direct any questions to Adam Hallemeyer, Audit Policy Leader, at 619.641.7318, or Sara Lord, Chief Auditor, at 612.376.9572.

Sincerely,

RSM US LLP

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