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June 12, 2020

Office of the Secretary  
Public Company Accounting Standards Board  
1666 K Street, N.W.  
Washington, D.C. 20006-2803

**Re: PCAOB Request for Comment: Interim Analysis No. 2020-01, *Critical Audit Matter Requirements***

Dear Office of the Secretary:

RSM US LLP appreciates the opportunity to offer our comments on PCAOB Request for Comment: Interim Analysis No. 2020-01, *Critical Audit Matter Requirements*. RSM US LLP is a registered public accounting firm serving middle-market issuers, brokers and dealers.

We appreciate the PCAOB's intentionality in communicating with stakeholders regarding the implementation of its requirements related to critical audit matters (CAMs). The due diligence by the PCAOB staff concerning the needs of the audit profession during the first phase of implementing the CAM requirements resulted in the staff providing helpful guidance. Likewise, we believe the outreach by the PCAOB's Office of Economic and Risk Analysis through surveys and targeted interviews of impacted stakeholders will help to inform its interim analysis of the CAM requirements. We applaud the PCAOB's commitment to fully understanding the impact of its CAM requirements on audit firms, preparers, audit committees, investors and other financial statement users.

We have worked diligently with the PCAOB, financial statement preparers and audit committees to implement the CAM requirements. Based on our interactions to date with clients, our understanding of the impact of CAM requirements on financial statement preparers is that there generally have been few changes in their financial reporting processes as a consequence of CAM communications in the auditor's report. However, the requirements have caused some clients to expand and (or) update the details regarding critical accounting policies and significant accounting estimates within their financial statement footnotes. Similarly, we have not seen much change in how audit committees approach their role or responsibilities as a result of the CAM requirements. CAM topics generally are topics that already had been discussed with audit committees during previous years' audit engagements or previous quarters' interim reviews.

Our response to the PCAOB Request for Comment: Interim Analysis No. 2020-01, *Critical Audit Matter Requirements*, which follows, addresses only those questions intended for auditors and reflects our initial experiences in implementing the CAM requirements for audits of large accelerated filers.

**Have auditors experienced any changes in a specific audit because of CAM requirements?**

Because the CAM requirements are directed at auditor reporting, the requirements have not changed the nature, timing or extent of audit procedures for audits conducted to date. For example, the CAM requirements have not changed how we audited the revenue recognized in the client's income statement.

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The CAM requirements also do not change the existing requirements for audit committee communications, other than requiring the auditor to provide the audit committee with a draft of the auditor's report. In some cases, the CAM requirements caused audit committees to focus more closely on the matters identified as CAMs and to engage with us about the adequacy of the related disclosures.

**Did CAM requirements lead to changes in communications between auditors, audit committees, or preparers? For instance, were there changes in the nature or frequency of communications during the audit process? Did audit committee members ask more or different types of questions? Was there more focus on matters that were identified as CAMs?**

By definition, a CAM is a matter that was communicated or is required to be communicated to the audit committee. Therefore, CAM requirements generally have not resulted in more dialogue with the audit committee about the CAMs per se because we have always discussed CAMs with the audit committee. However, because CAMs are now disclosed in the auditor's report for the first time, this discussion has taken place earlier in the audit process. There has been more discussion with the audit committees about the verbiage used in the auditor's report primarily because audit committees wanted to make sure the financial statement disclosures are aligned with the matters to be disclosed in the auditor's report. In a few cases, the audit committee increased its focus on aspects of the audit procedures performed in relation to a particular CAM.

**Based on your experience as an auditor, what were the most significant activities that led to CAM-related costs?**

Soon after the CAM requirements were issued, our firm created an internal task force comprised of audit partners to discern an implementation plan for the requirements. This task force was responsible for determining the ramifications of the firm's implementation, including the needs for dry runs, policies, procedures, methodology, tools, guidance, training and required consultations.

To help prepare our auditors and our clients for the effects of the CAM requirements, we conducted dry runs for several large accelerated filer and other issuer clients. These dry runs consisted of identifying CAMs and drafting related language, as well as engaging with financial statement preparers and audit committees. These exercises also helped to inform the development of our internal guidance and training.

We have incurred thousands of hours of experienced professional time in the development and implementation of our internal audit policies, procedures, methodology, tools, guidance, review processes and other infrastructure directly related to CAMs.

We have also incurred hundreds of hours of experienced professional time in the development of a multi-year blended training approach directly related to the CAM requirements. This training was attended by our auditors as we prepared for implementation, resulting in thousands of hours of continuing education. In addition, we have trained and developed subject matter experts to respond to required consultations for the review of the auditor's report and other requests from engagement teams.

Implementation of the CAM requirements is an ongoing activity that has an incremental cost associated with it as we update our policies and procedures throughout the implementation phase. We will continue to train our teams and update our manuals and our guidance as we continue to implement the requirements.

For each audit conducted, additional professional time is incurred to prepare documentation related to the determination of whether a matter is a CAM, to draft and review communications related to CAMs, to engage in CAM-related consultations with national office resources and to discuss these matters with

financial statement preparers and audit committees. Such audit work is generally performed by more seasoned individuals (i.e., managers, senior managers and partners) as it is not the type of work that can be leveraged effectively. In addition, we have noticed audit committees and financial statement preparers spending incremental time discussing and reviewing the draft verbiage related to CAMs.

**From your perspective as an auditor, at which stages of the audit process did most of your activities related to CAMs occur? Did the majority of your effort occur before or after the company's fiscal year end? What factors contributed to the timing of your efforts related to CAMs?**

Most of our audit activities related to CAMs occurred before the end of the client's fiscal year. Individual engagement teams initially identified CAMs during the quarterly reviews and started drafting the CAMs portion of the auditor's report prior to year end, allowing audit committees to review a draft of the verbiage well in advance of yearend. The final communications to the audit committee took place during our year-end audit fieldwork time.

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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