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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. 044

Dear Office of the Secretary:

RSM US LLP appreciates the opportunity to offer our comments on the PCAOB's *Proposed Amendments to Auditing Standards for Auditor's Use of the Work of Specialists*. RSM US LLP is a registered public accounting firm serving middle-market issuers, brokers and dealers.

We appreciate the PCAOB's efforts to clarify the auditor's responsibilities with respect to the use of the work of specialists and support a more uniform, risk-based approach to supervising specialists. We agree with the core principle that the auditor is not expected to have the expertise of a specialist in another profession. However, as explained in detail below, there are certain proposed amendments that, in our opinion, are not congruent with this core principle.

Our letter explains enhancements that could be made to the proposed standard, and includes comments related to specific paragraphs of the proposal that we believe should be clarified or modified.

### **Proposed Amendments to Auditing Standard (AS) 1105, *Audit Evidence***

#### ***Assessing the Knowledge, Skill and Ability of the Company's Specialist and the Specialist's Relationship to the Company***

The proposed amendments to paragraph .B4 of AS 1105 could be read to preclude the work performed by a company's specialist from being used by the auditor due to the specialist's relationship to the company and possible ability of the company to significantly affect the specialist's judgments about the work performed, conclusions or findings. While we agree that the specialist's relationship to the company would need to be evaluated by the auditor, we believe this should be considered within the assessment of the specialist's objectivity. This paragraph should clarify that, if the specialist is deemed to be objective, it is possible for the auditor to perform additional procedures based on the risks associated with the accounting estimate so as to be able to use some or all of the company's specialist's work in combination with other audit evidence to obtain sufficient appropriate audit evidence regarding the estimate. Such additional procedures would include considering whether the auditor should engage an auditor's specialist.

#### ***Testing and Evaluating the Work of the Company's Specialist***

The proposed amendments to the following paragraphs suggest the auditor would be expected to have a specialized skill set in another profession in order to be able to perform the required procedures, which is contrary to the core principle that the auditor is not expected to have the expertise of a specialist in another profession:

- Paragraph .B6a, which states that the auditor’s testing and evaluating of the work of a company’s specialist involves evaluating whether the data was appropriately used by the specialist
- Paragraph .B8(3), which requires the auditor to evaluate whether the methods used by the specialist are appropriate and the significant assumptions used by the specialist are reasonable

Evaluating whether the data was “appropriately” used by the specialist would require an elevated level of knowledge by the auditor as compared to that required by extant AS 1210, *Using the Work of a Specialist*. If auditors had the requisite skills and knowledge to evaluate whether the data was appropriately used, there would be no need for the specialist. We believe the appropriate use of data is the responsibility of the specialist. With respect to the data used by the specialist, we believe the auditor only should be required to (a) test the accuracy and completeness of company-produced data provided to the specialist and (b) evaluate the relevance and reliability of data obtained from external sources and used by the specialist.

Likewise, the appropriateness of the methods used by the specialist should be the responsibility of the specialist. The auditor should obtain an understanding of the methods and assumptions used by the specialist.

Further, we noted that If the company’s specialist assisted the company in developing an accounting estimate, the note to paragraph .B8 would require the auditor to also comply with the requirements in paragraphs .09 - .18 of Proposed AS 2501, *Auditing Accounting Estimates, Including Fair Value Measurements*. We believe that neither the nature nor extent of procedures would necessarily be the same when management uses a company-engaged specialist (i.e., external specialist) who is competent and objective, as compared to when a company-employed specialist develops an accounting estimate. Also, some of the procedures required by proposed AS 2501 (e.g., evaluating whether data and significant assumptions were “appropriately applied” pursuant to paragraph .B10) may not be practicable, given the proprietary nature of certain specialist models and the auditor’s lack of knowledge in the specialist’s field.

#### **Proposed Amendments to AS 1201, *Supervision of the Audit Engagement***

In assessing the qualifications and independence of auditor-employed specialists as required by proposed new paragraphs .C3 and .C4 of AS 1201, we believe the auditor should be able to use the firm’s system of quality control. Therefore, we believe Appendix C of AS 1201 should note that Quality Control Section 20, *System of Quality Control for a CPA Firm’s Accounting and Auditing Practice*, provides for the evaluation of an employee’s independence, integrity, objectivity and performance, among other matters, and thus the firm’s system of quality control may be used to assess the qualifications of auditor-employed specialists.

#### **Proposed Amendments to AS 1210, *Using the Work of a Specialist***

The proposed amendments to paragraph .05 of AS 1210 precludes the auditor from using work performed by an auditor-engaged specialist who lacks the necessary objectivity. We agree that the auditor would not be able to use the work of an auditor-engaged specialist who is not objective. For example, if a specialist prepared the company’s valuation, the auditor would not be able to engage that specialist to assist in auditing the valuation the specialist prepared. However, we believe the proposed amendments to AS 1210 should clarify that the evaluation of objectivity is not a “black and white” exercise – rather, the evaluation is dependent upon facts and circumstances that need to be assessed to determine whether it is possible for the auditor to perform additional procedures based on the risks associated with the accounting estimate so as to be able to use some or all of the auditor-engaged

specialist's work in combination with other audit evidence to obtain sufficient appropriate audit evidence regarding the estimate.

**Applicability**

We agree that the proposed standard should be applicable to audits of the financial statements of emerging growth companies and brokers and dealers.

**Effective Date**

If finalized, this proposed standard will require a considerable amount of time for audit firms to develop and implement effective procedures and related training. Due to the extent of these efforts, we believe it would be prudent for the proposed standard to first be effective for audit periods ending two years after the SEC approves the final standard.

We would be pleased to respond to any questions the Board or its staff may have about our comments. Please direct any questions to Sara Lord, National Director of Audit Services, at 612.376.9572.

Sincerely,

*RSM US LLP*

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