

October 26, 2022

By email: comments@pcaobus.org

PCAOB Office of the Secretary
1666 K Street, NW
Washington, DC 20006-2803

Re: Request for Information and Comment on the Application and Use of the PCAOB's Interim Attestation Standards

Dear Office of the Secretary:

Crowe LLP appreciates the opportunity to share our views in response to the Public Company Accounting Oversight Board's (PCAOB) staff *Request for information and Comment on the Application and Use of the PCAOB's Interim Attestation Standards*.

We acknowledge the PCAOB's commitment to fully understand the application and use of the Board's interim attestation standards. To support that effort, we provide the following information about the current practice and the use of attestation reports, potential updates and refinements to the requirements for performing attestation engagements under PCAOB standards, and economic considerations.

Current Practice and Use of Attestation Reports

We perform attestation engagements to serve a wide range of objectives to provide the intended users with a specified level of assurance over the subject matter. The users of these engagements vary, but typically include management of the entity that engaged us to perform the attest engagement as well as applicable regulatory authorities. The type of attestation (e.g., examination, review or agreed-upon procedures) can be influenced by the users of the attestation reports and the users' objectives. In other instances, the type of attestation is specified in a contract, law, or regulation.

Many attestation engagements are used to meet federal, state, and local regulatory requirements in industries such as banking, energy, education, and housing and urban development. In these attestations, we may:

- Examine an entity's compliance with requirements of specified laws, regulations, rules, contracts, or grants (specified requirements) or an assertion about compliance with specified requirements,
- Perform agreed-upon procedures related to an entity's compliance with specified requirements, or
- Perform agreed-upon procedures related to an entity's internal control over compliance with specified requirements.

In addition, we also perform attestation engagements:

- For organizations that provide funding/grants to not-for-profit organizations, we perform compliance examinations or agreed-upon procedures over the use of the proceeds/grants.
- For service organizations, we perform Systems and Organization Controls 1 (SOC-1) examinations or agreed-upon procedures over the controls at a service organization.
- For issuers, underwriters, and servicers of asset-backed securities, we perform examinations or agreed-upon procedures over servicing standards of the asset-backed securities.
- For lenders, we provide examinations, reviews, or agreed-upon procedures over various financial and non-financial information about borrowers.
- For creditors or lenders, we perform agreed-upon procedures over prospective financial information.

Currently, the only attestation engagements we perform solely in accordance with PCAOB standards are attestations related to broker-dealers [i.e., attestations pursuant to Attestation Standards (AT) 1 and 2].

In accordance with the AICPA Code of Professional Conduct, we perform all other attestation engagements described above in accordance with AICPA standards. When a regulator requires the use of PCAOB standards for certain attestation engagements (e.g., Securities Investor Protection Corporation agreed-upon procedures engagements), we perform those engagements in accordance with both PCAOB and AICPA attestation standards.

We are not aware of any attest engagements that are being performed pursuant to AT 301, AT 401, AT 601, or AT 9101. Other than those described above, we are not aware of other organizations or entities that require attestation reports prepared in accordance with PCAOB attestation standards, nor are there any engagements where we have chosen to voluntarily apply PCAOB attestation standards.

Potential Updates to Requirements

Attestation engagements – whether at the request of investors or other users of the information, or due to regulatory requirements – will continue to evolve in emerging areas such as environmental, social and governance (ESG) information and digital assets.¹ It is important for the PCAOB to monitor and understand the expectations of other regulators and needs of users of attestation reports so the Board can adopt standards that are clear, scalable, and responsive. We continue to believe standard setting is best informed by robust discussion with and input from the stakeholder groups impacted by the Board's standards. We encourage the PCAOB Board and staff to solicit information from and meaningfully engage with all relevant stakeholders, including investors, regulators that are users of PCAOB attestation reports (e.g., SEC and SIPC), auditors, issuers, and audit committees as they consider changes to the attestation standards.

As the PCAOB considers updates to its attestation standards, we recommend the staff consider the key issues and topics that were addressed by the AICPA and IAASB during their projects to update their attestation standards. These standard setters received input and comments from an array of stakeholders as part of the public exposure process which may help inform the PCAOB staff as they develop updates to existing attestation standards or new attestation standards.

We encourage the PCAOB to monitor developments in attestation standards within other jurisdictions. While there are unique characteristics of the U.S. capital markets and public companies, collaboration among standard setters can contribute to improvements in audit quality for the benefits of investors. We believe that commonality among various standard setting bodies (PCAOB, AICPA and IAASB) allow for more consistent application of standards by auditors globally, improving audit quality, as well as reducing the costs of developing multiple methodologies to support complying with requirements of different

¹ In June 2022, the New York Department of Financial Services issued requirements for an assertion-based examination for US dollar-backed stablecoins to be performed by an independent certified public accountant licensed in the United States.

standards. We are also cognizant of our responsibility to comply with AICPA standards for those engagements for which the PCAOB does not have jurisdiction; therefore, minimizing differences between the PCAOB and AICPA standards will contribute to our ability to comply with both sets of standards when needed.

Other Specific Attestation Topics

In our experience, the use of others (including specialists and internal audit), other accountants, and service organizations is not common in attestation engagements. The use of specialists may become more common, however, with ESG attestation engagements, specifically related to the calculation or examination of greenhouse gas (GHG) emissions data. Similarly, the use of other accountants could become more prevalent in ESG attestation engagements where a group auditor requests an other accountant to perform procedures on a component's GHG emissions data. For these areas, we believe it is important for PCAOB to develop standards that address the use of specialists and other accountants in the context of an attestation engagement.

In accordance with PCAOB standards, we require the use of engagement quality reviewers (EQRs) on engagements performed under AT 1 and AT 2. For AICPA attestation engagements, EQRs are not required unless the engagement meets certain risk criteria. As the staff considers requirements for EQRs, we believe it is important to consider the type of attestation engagement. For example, EQRs could be required for examination engagements because of the risk profile of these engagements. For reviews and agreed-upon procedures, however, an EQR may not be necessary. These engagements could be subject to the individual firm's System of Quality Management, where the firm develops the criteria for when an EQR is required.

Other Matters

As part of initial conversations with investors and companies on the SEC's proposed attestation requirements related to GHG emissions data, many questions focus on the differences in assurance (e.g., limited vs. reasonable) and the procedures that are performed in review and examination engagements. As the PCAOB considers updates to the attestation standards, we encourage the PCAOB to develop publications directed at different stakeholders about the types of attestation engagements (e.g., similar to the PCAOB Staff Guidance: Implementation of Critical Audit Matters: The Basics, issued in March 2019).

We appreciate the opportunity to provide our perspectives on the interim attestation standards and would be pleased to respond to any questions regarding our observations noted within this letter. If you have any questions, please contact Matthew Schell, National Office Managing Partner at (202) 779-9930.

Sincerely,

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, slightly stylized font.

Crowe LLP