



**Crowe 2022 audit quality report**

# THE PURSUIT OF FINANCIAL REPORTING EXCELLENCE



**Smart decisions. Lasting value.™**

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# GREETINGS

## A message to our stakeholders:

Thank you for taking time to review our 2022 audit quality report. As we report our audit quality indicators for fiscal year-end March 31, 2022, we're proud of our strong systems that support quality management and help our clients in the pursuit of financial reporting excellence.

Our firm's purpose – Shaping Your Better Tomorrow. Together. Today.™ – along with our firm values of care, trust, courage, and stewardship, drive everything we do as a firm. We must care about each other, trust our systems and controls to help us to do what is right, have the courage to exercise professional skepticism and objectivity, and be good stewards of our profession.

At Crowe, audit quality starts from deep within our firm and is embedded in our purpose and our approach. The need for quality drives our firm's commitment to perform audits focused on the applicable standards and critical evaluations of the audit evidence. It also drives our investment in innovation, as emerging technologies like process automation help our team perform its highest quality work.

Our people are the backbone of audit quality. Crowe auditors work hard to uphold the integrity of the capital markets, and we understand what is at stake. We are financial stewards trusted with the essential task of upholding our profession's high ethical standards – which require diversity of people, thought, and expertise to support strong audit teams and continuous improvement. Talented, thoughtful, and thorough, our people are essential to our firm's delivery of audit quality. That's why we're focused on embracing the evolution of our workforce, listening to our people, and implementing innovative policies and procedures to address their needs – and the needs of the market.

While we are committed to maintaining the highest standards of audit quality, we also know continuous improvement doesn't happen without managing the rapidly evolving technology in the audit space. New capabilities, technologies, and markets are reshaping the audit process every single day – and that innovation is key to the future of audits. That's why we invest our time and resources in technology to empower datacentric audits.

We focus on continuous improvement because we recognize that audit quality is a never-ending journey. Fresh approaches, better methods, greater knowledge, and deeper analyses help us all keep pace with changing regulations, evolving standards, and new and emerging markets – but most importantly, they help us deliver consistent audit quality in the face of constant change.

Sincerely,



**MARK BAER**  
CPA, CEO



**WENDY CAMA**  
CPA, MANAGING PARTNER,  
AUDIT & ASSURANCE

# 2022 REPORT HIGHLIGHTS<sup>1</sup>

## Preface

This report provides an illustration of how Crowe is organized, operated, and monitored with respect to audit quality for audit committees, boards of directors, shareholders, regulators, investors, and other capital market stakeholders. As a privately held partnership, we voluntarily publish this report to demonstrate our commitment to audit quality.

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**Our auditors are committed to helping our clients in the pursuit of financial reporting excellence, making continuous improvements in the face of constant change. This pursuit of excellence provides our clients with high-quality audits that deliver informative, accurate, and independent results.**



**WENDY CAMA**  
CPA, MANAGING PARTNER,  
AUDIT & ASSURANCE

**25**  
years

**Partners' average years of experience\***

\* Includes audit and national office partners

- ▶ Leadership sets the tone for the importance of consistently enhancing audit quality.

**1 to 9**

**Ratio of national office partners and managing directors to audit partners and managing directors**

**1 to 7**

**Ratio of partners and managing directors to audit personnel**

- ▶ Our average partner-to-staff ratio brings experience and insights to our audits.

**48**

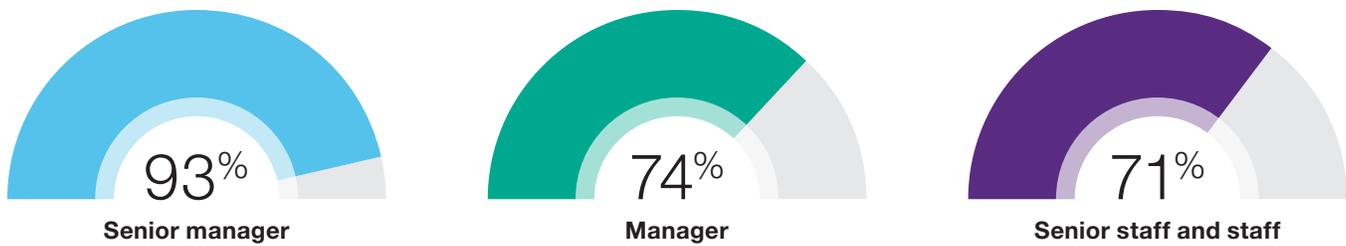
**Average annual training hours completed per audit and national office professional\***

\* Based on 2021 data

## 1,383 audit professionals



## Average retention of audit and national office professionals



▶ Recruiting, developing, and retaining professionals is essential to providing audits of consistent quality.

## 2020 PCAOB inspection report<sup>2</sup>



\* Issuers with Part I.A deficiencies as a percentage of total issuers inspected

▶ As one of 14 firms that audit more than 100 issuers, Crowe is subject to an annual inspection by the Public Company Accounting Oversight Board (PCAOB).<sup>3</sup>

**47** Number of audit engagements internally inspected

**0** Number of reissuance restatements for issuer audit clients, 2017-2021\*

\* Audits of SEC registrants filing on Form 10-K and audits of employee benefit plan issuers filing on Form 11-K





# PURSUING EXCELLENCE IN AUDIT QUALITY

## We work to uphold the integrity of the capital markets

Headquartered in Chicago, Crowe LLP is one of the largest public accounting, consulting, and technology firms in the United States. We combine deep industry and functional expertise with innovation to deliver audit quality with professional and responsive service.

We know that audit integrity is key to establishing confidence in our capital markets. The firm's commitment to ethics, independence, and integrity, along with our rigorous quality control and oversight, sets the foundation for audit quality. Our partners set the tone and expectations at the top, which drives audit quality throughout our firm and helps us support the advancement of the audit profession.

In every audit engagement, our team of more than 1,300 Crowe audit professionals demonstrate our commitment to our values, our clients, and the audit profession. Our accomplished auditors perform audits for a wide array of public and private companies, offering critical evaluations of the audit evidence and delivering audits focused on the applicable standards and the nature of the entities' businesses.



**Crowe auditors are respected for their integrity and objectivity as responsible, accountable stewards of our profession.**



**WENDY CAMA**  
CPA, MANAGING PARTNER,  
AUDIT & ASSURANCE

**25** Partners' average years of experience\*  
years

\* Includes audit and national office partners

- ▶ For more about our management structure and partner compensation policies, see pages 45-47.

## 1,383 audit professionals





## Our work is rooted in our purpose and values

Everything we do is rooted by our purpose – “Shaping Your Better Tomorrow. Together. Today.” – and inspired by our core values – care, trust, courage, and stewardship. Our purpose and values drive us to exercise professional skepticism and objectivity and to remain free of conflicts of interest. They guide our people to act with the utmost integrity and professionalism, maintaining our focus on audit quality. What does this look like in our work? We work toward excellence taking the place of good enough, leading with insights driven by a deep understanding of those we serve. Our team shows up every day with purpose and passion.



**Our people’s commitment to our values is the driving force behind our reputation for high-quality service, team excellence, and technical proficiency.**



**JENNIFER KNECHT**  
CPA, PARTNER, AUDIT  
QUALITY AND RISK  
MANAGEMENT LEADER





# PURSUING EXCELLENCE IN AUDIT INNOVATION



## Our take on audit transformation

Modern advancements in artificial intelligence, advanced digital auditing, and machine learning capabilities are enhancing audit quality, processes, and methodologies – but true audit transformation takes more than the latest technology. It’s a continued investment in people and technology that centralizes, standardizes, and automates the audit processes.

As we seek to advance the audit process and uphold our role in pursuing financial reporting excellence, Crowe has developed proprietary technology that integrates audit methodology and best practices with our firm’s industry and functional expertise. Developing innovative audit techniques requires significant time to plan, design, and test our technology before we can have confidence in the integrity of the results – which is why we take the time to continually evaluate and optimize our core processes.



**Audit transformation allows us to discover future possibilities through a process that requires a significant investment of time, resources, and passion.**



**KEVIN WYDRA**  
CPA, PARTNER,  
AUDIT & ASSURANCE



## A risk-based approach sets the foundation

The Crowe Insight® platform is the foundation of our audit work: a risk-based audit approach that targets the underlying transaction data most important to financial reporting. We released the new version of the platform in June 2022. The cloud-based Crowe Insight platform offers new and improved features, including a design that adapts to the ever-changing technology environment and the flexibility to integrate modern advancements in real time. The new version of the Crowe Insight platform better supports our audit approach, using deep industry expertise to analyze risks, document controls, and react to changes in the audit plan. The effective workflow and exchange of information seamlessly integrates with the [Crowe Secure Information Exchange](#), or Crowe Exchange, platform to enhance efficiency.

## Simple, secure, and streamlined communication supports our clients

We designed the Crowe Exchange platform based on feedback from clients and our team's deep industry knowledge. With an easy-to-use interface, important security controls, and connectivity across all engagements, our tool provides a simple, secure, and streamlined user experience for coordination and communication among audit stakeholders and engagement teams. It securely streamlines workflow, provides visibility to status of requests, and allows users to seamlessly share data with Crowe. The Crowe Exchange platform helps engagements stay on plan and enhances our audit quality.

## Accessible information supports our team

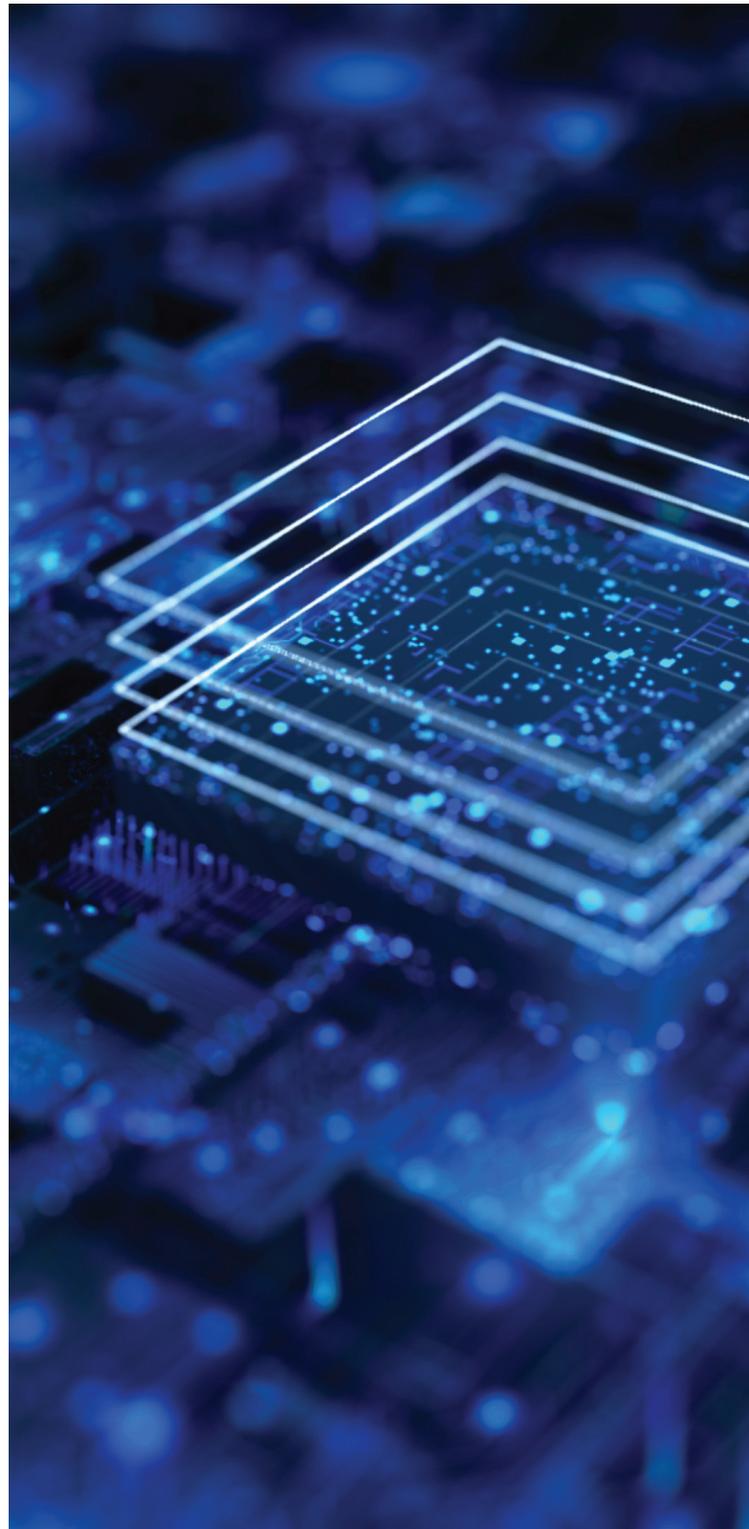
Crowe Clarity for audit and accounting supports our audit quality by providing a centralized knowledge hub for the Crowe audit and assurance services team. This single point of access gives our people all the information they need on accounting and audit and assurance guidance, policies, manuals, and practice aids, and it's available anytime and anywhere via the cloud.

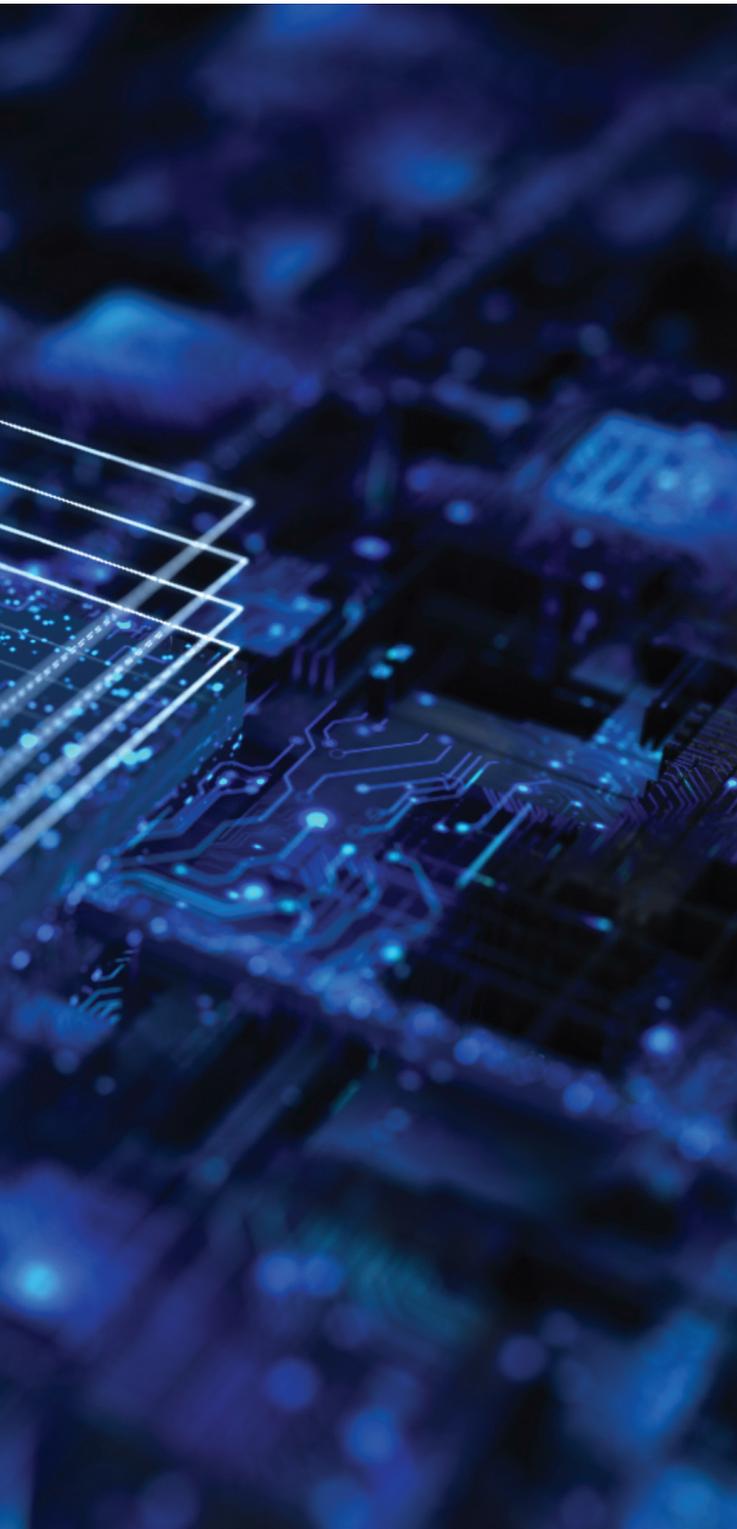
## Process automation drives audit quality

Traditionally, account confirmation has been a paper-based, time-consuming process administered primarily via the mail. Developed by Crowe auditors, the Crowe Account Confirmation tool breaks that tradition, allowing users to request customer responses either by paper or by electronic portal. This innovative technology uses robotic process automation (RPA) and secure, encrypted data transfer to streamline communication, improve information security, and expedite the account confirmation process while supporting an environmentally friendly, paperless approach. It reduces the risk of data errors associated with manual entry, helping drive audit quality through a consistency in approach, guided workflow, and documentation that includes embedded methodology. It's designed to minimize disruption to our clients' businesses, helping us to provide an exceptional client experience.

## Global delivery team enhances audit quality

Crowe uses a global delivery team to enhance audit quality. This team is deeply embedded within our transformation group, helping to standardize processes, improve consistency, and identify opportunities for technology and process innovation in our audit engagements. Often aided by innovative Crowe technology and deep process specialization, members of this team handle a range of audit tasks, including administering project requests, facilitating multifaceted processes, and completing audit procedures.





## Virtual observations expand our capabilities

If inventory is material to the financial statements in an audit, auditors should receive sufficient evidence related to its existence and condition. This procedure traditionally is done through on-site visits where the auditor observes an entity's physical inventory counting. However, on-site visits are not always practical or even possible.

Through careful planning, testing, and training, Crowe has developed a virtual inventory approach that complies with regulatory standards. We have successfully conducted virtual observations of entities' physical inventory counting using a variety of available video communications technologies.

## Where we see the future of audit

Behind every audit entity is a plethora of data, but we need to have a way to obtain the data. That's why Crowe is investing in a variety of data extraction methods, from third-party software to custom interfaces, focusing on strategic systems to simplify the data gathering. Our seasoned data analytics experts use this data to create custom visualizations for our engagement teams, who can then focus on the risks and key transactions. These data visualizations can provide a kind of visibility into trends or transactions that isn't possible using traditional procedures. The more data we can collect and analyze, the more insights and connections our audit teams can gain.





PURSUING  
EXCELLENCE IN  
OUR APPROACH



**Driven by our high ethical standards, our success as an independent public accounting firm is built on a foundation of independence, integrity, and objectivity.**



**MARK BAER**  
CPA, CEO

## Ethics and independence are essential in everything we do

At Crowe, our commitment to ethics drives our policies and procedures for conducting audits with independence, integrity, and objectivity. Crowe policies prohibit the firm and its partners, principals, management, and engagement team personnel from having certain financial interests in, or prohibited relationships with, organizations we audit and their affiliates. Our national office establishes and monitors the independence policies, practices, and controls in place and documents compliance with these requirements. This includes documenting quality control, including independence tracking, as well as policies and guidance, which are available to our people on an internal intranet site.

To maintain the utmost integrity, the firm's independence processes include:

- Requiring ethics and independence training at or near each professional staff member's date of initial employment and annually thereafter
- Incorporating independence-related matters in standard audit engagement documentation
- Making a confidential client list available to all personnel to identify potential independence issues
- Creating a restricted-entity list that is available to personnel and requiring each professional to access that list periodically to report any permitted financial interests with an entity listed therein, or to ascertain issues in providing a contemplated nonaudit service
- Monitoring the firm's business relationships and financial transactions
- Rotating audit personnel when required
- Implementing a consultation process for ethics and independence matters



## Evaluating the acceptance and continuance of engagements helps in providing quality assurance services

We assess our ability to provide quality assurance services through a variety of policies and procedures that evaluate the acceptance and continuance of clients and engagements. These policies and procedures include:

- Considering the reputation and integrity of the entity's directors, officers, principal shareholders, owners, and/or affiliates
- Assessing risk associated with the entity's business in terms of its ability to survive or remain profitable in the face of litigation or other controversies and in terms of other known factors that might increase audit risk
- Looking at the nature of the entity's operations and related business practices and the behavior of its personnel toward internal control and interpretation of accounting standards
- Internally assessing our independence and potential conflicts of interest, along with the competency and capabilities of firm personnel (including industry and/or regulatory expertise in relation to the need for specialized knowledge to deliver services)
- Evaluating timing and other constraints that might affect our ability to comply with professional standards or perform a quality audit

## Engagement team management is key to building experienced teams

We focus on recruiting and retaining auditors who can perform engagements and issue reports in accordance with professional standards, regulations, and legal requirements. We have established human resources policies and procedures to provide reasonable assurance that the firm has enough personnel at each experience level with the necessary capabilities, competence, and commitment. These policies and procedures help us build and develop experienced teams that are committed to audit quality.

## Professional development helps maintain our focus on audit quality

We strive to provide our people with the technical skills and knowledge they need while building their capabilities as professionals, including managing and leading others, through a combination of formal development plans, coaching and mentoring, authoritative knowledge libraries, continuing professional education, and on-the-job experience.

Crowe University, the firm's learning portal, helps our people pursue learning experiences that create opportunities to build deep specialization and leadership skills. Our professionals can take advantage of online and in-person learning courses, webinars, and other resources. We also require our people to take courses annually in the areas of independence and ethics, anti-harassment, information security, consumer privacy, office health and safety, and diversity and inclusion. We're proud that a career with Crowe is an ongoing learning experience, and we're committed to the continuous enhancement of our professionals' skills to help us maintain our focus on audit quality.

### Leverage ratio of supervisory hours

	FY20	FY21	FY22
Partners and managing directors to senior managers and managers	1 to 4	1 to 4	1 to 4
Senior managers and managers to senior staff and staff	1 to 3	1 to 2	1 to 3

► Low ratios equate to more one-on-one supervision and development.

## Data management is vital for secure audits

Our firm is focused on the protection of our client and employee data, and we understand both our responsibilities regarding client confidentiality and the dynamic nature of security threats and regulations. We have resources focused on security and privacy functions such as privacy regulation compliance, information security management, security architecture, security administration, penetration and vulnerability testing, and security awareness and training.

We make significant and ongoing investments in data systems and resources and employ a variety of security professionals and technologies. Additionally, we regularly review, update, and test our systems and processes to help protect the security and confidentiality of client records and information. Crowe also obtains SSAE 18 SOC 2 type 2 audits and external penetration tests from independent third parties to validate the effectiveness of our controls and processes. All of this is part of our comprehensive security program built to encompass the concepts contained in both the National Institute of Standards and Technology and the International Organization for Standardization 27000 series of standards.



## Policies and procedures help increase audit process effectiveness

Established firm policies and procedures help to provide assurance that audit engagements are conducted consistently and in accordance with professional standards, regulatory and legal requirements, and our own standards of quality. Our policies and procedures cover planning, performing, supervising, reviewing, documenting, and communicating throughout the audit.

Designing a quality audit process starts with understanding the company's businesses and issues as well as industry trends. Our highly systematized process for planning an audit, assessing risk, setting scopes, and designing procedures is developed to respond to the risks and issues of each entity. We also work to develop new ways to make practices and processes more effective throughout each individual audit engagement. Our policies and procedures include:

- Planning and performing each engagement in accordance with applicable professional standards
- Updating proprietary audit methodology, guidance, and systems regularly to reflect changes in professional standards
- Employing and documenting appropriate supervision and review procedures
- Applying engagement quality control reviews to appropriate engagements
- Designing, implementing, and maintaining practices and electronic systems to protect the confidentiality and security of client data in our possession
- Designing our proprietary engagement documentation and management system to maintain the confidentiality of client information and protect the integrity of data (allows engagement team members to securely share information without regard to geographic location and is designed to comply with professional record retention requirements)

## Consultation policies and procedures enforce quality

Crowe has instituted formal policies for consultation, including a list of matters that require consultation with our national office, which is available for consultations on other matters as well. We also provide reference libraries for engagement personnel to research assurance and accounting matters. These libraries include commercial subscription services, proprietary knowledge databases, and other reference materials.

## Licensing is tracked for every Crowe audit professional

Crowe tracks CPA license jurisdictions, license numbers, and expiration dates and advises staff members on renewals through our compliance services department, which also maintains full-time personnel to manage licensing and related continuing professional education (CPE) requirements. Crowe professionals who are licensed to practice public accounting have passed the U.S. Uniform CPA Examination and met applicable experience and other certification requirements.

# 48

**Average annual training hours completed per audit and national office professional\***

\* Based on 2021 data

- ▶ The firm is committed to ongoing professional development to help continually improve our audit services.

## Following the international standards of quality management helps improve audit quality

The International Auditing and Assurance Standards Board (IAASB) approved a suite of quality management standards intended to improve audit quality. These standards focus on a firm's systems of quality management starting with a top-down approach from the firm's CEO or board. They address quality management at the firm level, requirements of the engagement quality reviewer, and requirements of the engagement authorized signer, and they collectively emphasize the responsibility for quality to all personnel. These standards are expected to transform the audit profession and help it recommit to high-quality engagements.

To implement these new standards, we've invested significant resources from across the firm, with support from the firm's board, CEO, and leadership teams. We've pulled together a variety of teams to implement the different standards, and these teams have been working on performing a detailed gap analysis, risk assessment process, and other steps to achieve a successful implementation. Working with Crowe Global and our internal teams, we plan to roll out new procedures, processes, and policies as they're approved.





# PURSUING EXCELLENCE IN OUR AUDIT TEAMS



## Strong engagement teams drive audit excellence

At Crowe, our people are the center of everything we do. That’s why we focus on both recruiting quality auditors and retaining them through investing in career development. Performing quality audits requires that our auditors have the necessary integrity, professional skills, and experience to pursue excellence.



**Our people share their knowledge and experiences to train and develop others, which nurtures our culture of continuous improvement.**



**JENNIFER KNECHT**  
CPA, PARTNER, AUDIT  
QUALITY AND RISK  
MANAGEMENT LEADER

### Audit leverage ratio

	FY20	FY21	FY22
Partners and managing directors to other audit personnel	1 to 8	1 to 7	1 to 7
Partners, managing directors, and managers to senior staff and staff	1 to 2	1 to 2	1 to 2

# A thriving workplace culture nurtures employee abilities and aspirations

Workplace cultures matter to people. Cultures like ours are separated by their ability to actively – and authentically – nurture and recognize the abilities, contributions, and aspirations of their employees. Our culture is also supported by our commitment to inclusivity, career development, lifelong learning, and work-life integration. Plus, our people have the flexibility to work where they want, take time off when they need it, and have access to excellent benefits.

The best workplaces can earn accolades such as Great Place to Work® certifications among broad categories covering industries, regions, business size, and employee segments. Through surveys conducted among current employees, workplaces and cultural experiences at organizations are evaluated and judged. Crowe has been recognized nationally as a great place to work. Awards include the FORTUNE 2022 100 Best Companies to Work For®, 2021 Great Place to Work's Best Workplaces for Parents, 2020 Great Place to Work's Best Workplaces in Consulting and Professional Services, and 2020 Glassdoor Employees' Choice Best Places to Work, as well as recognition by other media outlets. We're humbled by the outstanding recognition we've received, and we embrace the opportunity to keep striving for continuous improvement in everything we do.

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## Diversity, equity, and inclusion support a firmwide sense of belonging

Promoting diversity, equity, and inclusion (DE&I) is, first and foremost, the right thing to do. At Crowe, we believe everyone should feel they belong – and it’s our responsibility to do everything we can to increase that sense of belonging. It’s the right thing for our people, as it offers everyone the opportunity to bring their most authentic selves to their work, every single day. It’s also the right thing for our business, as diversity is proven to drive the innovation and creativity that lead to better business outcomes.

We’re also committed to supporting the Center for Audit Quality (CAQ) Bold Ambition regarding diversity: “It’s our Bold Ambition for the public company audit profession to pave the way toward a more inclusive, future state of community. Bold Ambition is shining a light on the profession’s collective vision of diversity and inclusion to drive better business outcomes by strengthening the workplace environment, engaging and supporting communities with new opportunities, increasing equitable opportunity for students, and making changes for a brighter tomorrow.” Attracting diverse talent isn’t something we do just for Crowe – it’s something we do for the entire profession.

We know that change won’t happen overnight, but we are unwavering in our commitment to create and maintain a culture in which all our people feel they belong, can be their most authentic selves, and have an opportunity for professional growth and success.



**All our DE&I initiatives are based on our culture and values, which are deeply important to the firm. By grounding our DE&I strategy in our culture and leveraging the power of our values, we’re able to make real change in our organization, our profession, and our communities.**



**DAWNELLA JOHNSON**  
BOARD CHAIR

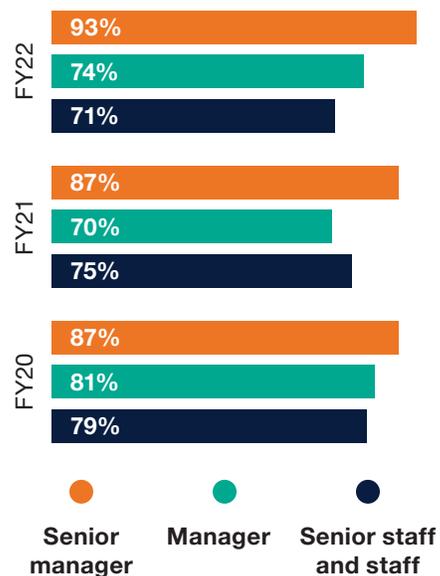
Our DE&I strategy continues to evolve and remains a key strategic business imperative. Our path to meaningful and intentional progress centers on several core DE&I initiatives that include a scorecard, supplier diversity, career progression, and retention. Through each initiative, this commitment is reinforced. Specifically in audit, we have implemented a sponsorship program that pairs audit leadership with high-potential senior managers, managers, and directors from underrepresented groups. Our sponsorship program is an intentional step to increase our firm’s diversity at the leadership level. We are well positioned to increase our diversity across all levels of the firm while enhancing a sense of inclusion and further attracting a diverse workforce.



## Developing future leadership sustains strong engagement teams

At Crowe, we believe direct senior-level involvement helps nurture future leaders to continue our focus on audit excellence. Leading by example and knowledge sharing are important components of strong engagement teams, which is why we've created leadership development programs, sponsorship programs, and individualized development plans for mentors to challenge individuals to achieve their career goals. Conversely, our upstream feedback process serves as a valuable tool by which our leaders, and those who manage others, can gain perspective on their coaching and impact.

## Average retention of audit and national office professionals



► Retaining qualified professionals helps us to uphold audit quality.





# PURSUING EXCELLENCE IN OUR QUALITY CONTROLS



## Internal inspections reinforce quality

Crowe recognizes the significance of audit quality and the responsibility we have to our stakeholders to get it right. The foundation of audit quality is embedded in our quality control system and our commitment to independence, objectivity, and integrity. We ground everything we do in the high standards of our profession, and we independently monitor our adherence to regulatory and professional standards from the Public Company Accounting Oversight Board (PCAOB), the U.S. Securities and Exchange Commission (SEC), the American Institute of Certified Public Accountants (AICPA), and the IAASB.

An annual, robust internal inspection process governed by our national office includes a review of selected quality control elements, including independence, engagement acceptance and continuance, leadership and engagement team responsibilities, and CPE compliance. We also review engagements across our audit practice. The results of this inspection process help us maintain audit quality and help us to consistently refine and enhance our audit tools and guidance.

### Number of audit engagements internally inspected.<sup>4</sup>

2019	2020	2021
47	51	47

- ▶ Internal inspections help us confirm we are adhering to professional standards and are on the right track.

## Audit quality leadership reviews reinforce our commitment

All Crowe audit partners, managing directors, and senior managers are reviewed annually to evaluate whether the individual is upholding our commitment to audit quality. This evaluation sets the foundation for each leader's personalized development plan, which helps our people continue to grow through assignment of engagements, formal development, and coaching.

## Values Helpline allows all our people to report unethical behavior

Our firm leadership's goal is to support our people so they can live our firm values every day, in everything they do. We require our people to act with integrity and professionalism, which includes identifying and reporting wrongful behavior. Our people have many avenues to bring forward ethics or compliance concerns, including the Values Helpline, a confidential reporting system from ComplianceLine. Complaints are investigated and quickly resolved by key firm leaders.

## Complaints and allegations are taken seriously

Crowe takes very seriously any complaints or allegations related to work performance or quality control deficiencies. We have a process to report any concerns involving ethics and independence, conflicts of interest, professional standards, noncompliance, or other matters to firm leadership. Anyone who reports a concern in good faith is protected from reprisals or retaliation.

## Crowe Global quality assurance review (QAR) adds an extra level of internal review

Crowe LLP is a member of [Crowe Global](#), an international network of accounting firms. Crowe Global conducts a quality assurance review (QAR) process led by the international accounting and audit director. At least once every three years, Crowe LLP receives a review of its audit services via the Crowe Global QAR process. No significant matters arose during the most recent QAR of Crowe LLP performed by Crowe Global.



## National Office

Effective June 1, 2022, Crowe decided to split our Assurance Professional Practice (APP) group, which we also referred to as our firm’s national office, into two distinct groups led by different managing partners. We believe this realignment allows us to elevate our commitment to quality as we continue to build on our expertise in professional standards. All of the functions and responsibilities of our APP group continue to be addressed by these highly collaborative groups referred to as Firm Quality and National Office.

The Firm Quality group leads the development and implementation of the firm’s quality control system. This team focuses broadly on quality, ethics, and independence matters throughout the firm, including monitoring the firm’s compliance with professional standards and requirements. It works with regulators related to compliance with standards including overseeing the firm’s internal and external inspections. This team also drives quality and compliance through internal and external guidance, publications, webcasts, internal consultations, training sessions, and other forums.

The National Office group leads the development of perspectives and points of view to inform stakeholders, including policymakers, regulators, and industry professionals. This team consults on accounting principles, audit and assurance standards, independence and ethics standards, and regulatory requirements. It works with the standard-setting and regulatory bodies on activities that affect the profession. The team drives strategic thought leadership through internal and external guidance, publications, webcasts, training sessions, and other forums.

## We support a system of quality control

The following firm monitoring policies and procedures support an effective, relevant, and consistently applied system of quality control:

- Monitor and evaluate our quality control procedures to determine the appropriateness of the design and effectiveness of the system's operation.
- Monitor independence compliance.
- Perform in-process monitoring of targeted areas of selected engagements, which provides additional assurance that reports issued by Crowe are appropriate.
- Annually inspect procedures and documentation for each element in our quality control system.
- Annually inspect a cross-section of assurance engagements based on established criteria and risks. This inspection includes engagement reports, financial statements, and supporting documentation for selected audit areas.
- Communicate any deficiencies noted during monitoring processes, along with recommendations for appropriate action, to relevant people.



To help maintain audit quality, Crowe has policies and procedures to support a system of quality control that is effective, relevant, and consistently applied.



**JENNIFER KARY**  
CPA, MANAGING PARTNER,  
FIRM QUALITY



## Ratio of national office partners and managing directors to audit partners and managing directors



► Our national office works closely with audit leadership.

## PCAOB inspection checks quality from an outside perspective

Crowe LLP is inspected annually by the PCAOB, which inspects registered public accounting firms to assess compliance with the *Sarbanes-Oxley Act of 2002* (SOX), the standards and rules of the PCAOB, and the rules of the SEC.

The PCAOB prepares a written report on each inspection and makes portions of the reports available to the public, as required by SOX. The first part includes comments on audit deficiencies that the PCAOB inspection team considered to be of particular significance in the context of the specific engagement and the current environment and is released publicly. The second part includes comments related to quality control improvement areas of the firm and is considered confidential.

Crowe takes all PCAOB observations seriously as constructive feedback and believes the PCAOB's comments point to areas where we can improve audit processes and procedures. We have adopted a systematic quality improvement process designed to identify the root causes of issues identified during PCAOB inspections and to find ways to address those issues. Crowe also applies this process to potential deficiencies identified through other quality monitoring such as internal inspection, helping to support continual audit improvement.

### Number of PCAOB-inspected audits included in Part I.A

	2018	2019	2020
Audits included in Part I.A	1	7	4
Total audits inspected	14	14	15
Percentage Part I.A comments*	7%	50%	27%

\* Issuers with Part I.A deficiencies as a percentage of total issuers inspected.

The PCAOB report on the 2020 inspection of Crowe LLP, dated Dec. 16, 2021, has been published on the PCAOB website. The published reports of all audit firms inspected by the PCAOB can be found at <http://pcaobus.org/Inspections/Reports/Pages/default.aspx>.

## Peer reviews provide checks and balances

Audit firms that are registered with and inspected by the PCAOB, including Crowe, are required to have a peer review of their accounting and auditing practices for nonissuer clients, which is administered by the AICPA National Peer Review Committee (NPRC).<sup>5</sup> The NPRC performs procedures that provide it with a reasonable basis for expressing an opinion on whether the reviewed firm's system of quality control for its accounting and auditing practice has been designed appropriately and whether the firm is complying with that system.

Peer reviews include assessments of both quality control processes and specific audit engagements to identify any potential deficiencies. Our firm's next peer review report is expected in October 2022. On our most recent report, performed in 2019, Crowe LLP received the highest rating, which is "pass."<sup>6</sup> This rating is unchanged from the prior peer review in 2016.

## Restatements reinforce need for quality controls

Material misstatements can affect the integrity of financial reporting and undermine investor and stakeholder confidence.

**0** Number of reissuance restatements for issuer audit clients, 2017-2021\*

\* Audits of SEC registrants filing on Form 10-K and audits of employee benefit plan issuers filing on Form 11-K







PURSUING  
EXCELLENCE IN  
OUR PROFESSION

## Involvement in our profession improves audit quality

Our audit professionals are committed to improving audit quality and are involved with a variety of standard-setters and professional associations, including the AICPA and the Center for Audit Quality (CAQ). We serve on committees and task forces, contribute our knowledge, and consider how to best implement the measures of audit quality put forth by these groups in our continual audit quality improvement processes.



**Leaders are shaped by the expertise they contribute, as well as their ability to listen to and learn from the expertise of others.**



**SYDNEY GARMONG**  
CPA, PARTNER,  
NATIONAL OFFICE



## Center for Audit Quality

CAQ is a nonpartisan public policy organization serving as the voice of U.S. public company auditors and matters related to the audits of public companies. Crowe has been a member of the CAQ since its creation in 2007, supporting its overarching mission of enhancing investor confidence and public trust in the global capital markets. The CAQ is led by a governing board that comprises leaders from the public company auditing firms, the AICPA, and the investor and issuer communities. Board members, including the Crowe CEO, are committed to the concept that a robust public company auditing profession is fundamental to the public interest and the capital markets.

Our people also support the CAQ's mission by serving on its standing committees, including the CAQ Advisory Council, the Professional Practice Executive Committee, and the SEC Regulations Committee. We also serve on a variety of CAQ task forces focused on enhancing public company auditing through areas such as anti-fraud, climate change disclosures, cybersecurity, audit evidence, data analytics, estimates, talent initiatives, and the auditor's reporting model.

## AICPA Professional Ethics Executive Committee

The AICPA's Professional Ethics Executive Committee (PEEC) interprets and enforces the AICPA Code of Professional Conduct and also focuses on the communication, monitoring, and revision of interpretations and rulings. A Crowe partner serves on the AICPA's PEEC, and a Crowe partner has served as the chair.

## AICPA Governmental Audit Quality Center

Crowe is a member of the AICPA's Governmental Audit Quality Center, a voluntary membership group established to promote the quality of governmental audits. It offers support and resources for firms that perform governmental audits including single audits, audits under Government Auditing Standards, and state and local government financial statement audits. A Crowe partner serves on the State and Local Government Expert Panel, and a Crowe partner has served on the Governmental Audit Quality Center Executive Committee.

## AICPA Employee Benefit Plan Audit Quality Center

Crowe is a member of the AICPA's Employee Benefit Plan Audit Quality Center, a voluntary membership group established to promote the quality of employee benefit plan audits. It offers support and resources for firms that perform *Employee Retirement Income Security Act* employee benefit plan audits. A Crowe partner serves on the Employee Benefit Plan Expert Panel, and a Crowe partner has served on the Employee Benefit Plan Audit Quality Center Executive Committee.





# PURSUING EXCELLENCE IN OUR COMPOSITION

## Our corporate structure

Crowe LLP is a limited liability partnership established under the laws of the state of Indiana. All interests in the firm are held by its equity partners<sup>7</sup> and principals (referred to collectively as equity partners hereafter), all of whom are individuals active in the firm. The firm is capitalized by contributions from the equity partners. The firm's income partners have no equity ownership in the firm. There were 469 partners as of March 31, 2022. The accounting records of Crowe LLP are prepared on an accrual basis and in a manner that management uses to operate the business. For the fiscal year ending March 31, 2022, Crowe had total revenues of \$1.1 billion. Crowe LLP is registered with the PCAOB and is licensed to practice accounting across the country.

The firm is affiliated with Crowe Chizek LLP, which is a limited liability partnership established under the laws of the state of Indiana. Crowe Chizek LLP performs professional services in the state of Arkansas; professional services in all other states are provided by Crowe LLP. All interests in Crowe Chizek LLP are held by the equity partners of the firm, in the same proportion as Crowe LLP. When used in this report, "Crowe" and "firm" include both Crowe LLP and Crowe Chizek LLP unless otherwise noted. Both Crowe LLP and Crowe Chizek LLP are registered with the PCAOB and together are licensed to practice public accounting in each of the 50 states and in territories where appropriate. Crowe Cayman Ltd. is a wholly owned subsidiary of the firm.

## Our membership in Crowe Global

Crowe LLP is an independent member of Crowe Global. The diverse knowledge of business, local laws, and customs that comes with this membership provides our clients with access to global expertise. Crowe Global includes more than 200 independent accounting and advisory firms in more than 145 countries. The member firms work with respective governments, regulatory bodies, and industry groups to help shape the future of the profession worldwide.



## Our governance structure

### CEO

The firm's current CEO, Mark Baer, is a CPA. The CEO directs the ongoing management of the firm, appoints people and committees to assist with firm management, and recommends initiatives for strategy and policies. The board of directors elects the CEO for a four-year term that can be renewed once for two years with election by the board of directors. Election to a third term requires approval by the partnership. Mark will continue to serve the firm as CEO until March 31, 2025. At that time, in accordance with the firm's partnership agreement, he may be elected to a second term of two years.



**Our outstanding team of leaders sets the tone for our firm's next chapter – shaping a better tomorrow for our people, our communities, and our firm.**



**MARK BAER**  
CPA, CEO

### Board of directors

Members of the board of directors, which is the Crowe governing body, are partners or principals of the firm who serve staggered three-year terms that can be renewed once. The board of directors consists of seven elected members and the firm's CEO, who is a nonvoting member. Members as of June 1, 2022:



**DAWNELLA JOHNSON**  
CPA (chair)



**BRIAN HECKER**  
CPA



**NICK HOLLINDEN**  
CPA



**KEVIN HOVORKA**  
CPA



**JOHN KURKOWSKI**  
CPA



**LOU MILLER**  
CPA



**DOUG SCHROCK**



**MARK BAER**  
CPA, CEO (nonvoting member)

## Management committee

The CEO appoints the management committee, which assists the CEO with discharging the responsibilities of managing the operations of the firm and its components. As of June 1, 2022, 64% of the members of the management committee are CPAs.

Members of the management committee as of June 1, 2022:



**MARK BAER, CPA,**  
CEO (chair)



**NICOLE BENCIK, CPA,**  
MANAGING PARTNER,  
TAX



**RAY CALVEY, CPA,**  
CHIEF FINANCIAL  
OFFICER



**WENDY CAMA, CPA,**  
MANAGING PARTNER,  
AUDIT & ASSURANCE



**JOSH COLE**  
MANAGING PRINCIPAL,  
CONSULTING



**SHEILA ENRIQUEZ, CPA,**  
CHIEF DIVERSITY, EQUITY,  
AND INCLUSION OFFICER



**MANUEL GONCALVES**  
CHIEF COMMUNICATIONS  
OFFICER



**CHRIS GOODMAN**  
CHIEF MARKETING  
OFFICER



**KATIE HAMADA**  
CHIEF PEOPLE OFFICER



**CHAD KELLAR, CPA,**  
MANAGING PARTNER,  
ADVISORY



**TONY KLAICH, CPA,**  
MANAGING PARTNER,  
MARKETS & INDUSTRIES



**SIMON RILEY**  
CHIEF STRATEGY AND  
TRANSFORMATION  
OFFICER



**STEVE STRAMMELLO**  
CPA, CHIEF RISK OFFICER



**BRENDA TORRES, CPA,**  
CHIEF OPERATING  
OFFICER



## Inclusive Excellence Council

The best way we can embrace diversity, equity, and inclusion as a firm is to make a commitment at the very top levels of our organization – which is why we created the Inclusive Excellence Council (IEC). The IEC sets the strategy and direction for all our diversity efforts and includes members of our executive team and partners across all business units. The council works with team members across the firm through a variety of committees to oversee key initiatives enabling more voices to be heard and reinforcing DE&I as a commitment for the entire firm. These efforts are supported by all areas of the firm and at the audit business unit level with the work of the Audit & Assurance Diversity and Inclusion (D&I) Leadership Council.

## Our partner compensation

Rooted in sharing common values and culture, the Crowe partner compensation system reflects a structure that promotes the highest ethical behavior and compliance with professional standards. The equity partner compensation system features a unique income allocation method, including a concept of sharing equally in the growth of both firm income and value. This concept supports individual integrity and many of the other aspects of the firm's quality control system, thereby encouraging personal integrity and objectivity rather than the desire for personal reward.

Crowe has a partner evaluation system that reflects the firm's overall structure and size, partner compensation, and core values. Our partner evaluation process uses a broad, holistic approach to determine the value that each partner delivers to the firm. A key element in the evaluation of audit partner performance is consideration of quality, which is incorporated into a proprietary audit quality evaluation system that uses a variety of feedback mechanisms. This process increases the accountability of each audit partner for quality audits and assists the firm in maintaining audit quality.

Each equity partner contributes capital, and net income is allocated primarily based on the amount of capital held by each partner. The determination of net income to be allocated to an individual equity partner is based on the results of the firm as a whole and does not depend directly on the performance of a partner's line of business. Ownership and compensation allocations are not based on short-term metrics. Our methodology allows for individual adjustments during the annual allocation of income. The results of the audit partner evaluation process are used during the annual process to consider adjustments to individual partner compensation. The firm also has a group of income, or nonequity, partners whose base and variable income are evaluated using the same audit quality evaluation system criteria and expectations of equity partners.

The firm's partner evaluation system and compensation methodology do not provide individual partner incentives that could be detrimental to audit quality and the use of professional skepticism. This methodology does not directly compensate individual partners for:

- Sales of nonaudit services to audit clients
- Sales of new audit services
- The value of accounts serviced (so partners are not penalized when actions taken in the public interest result in loss of firm revenue and income)



## Endnotes

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- <sup>1</sup> Unless otherwise noted, statistics shown within the report are for the fiscal year beginning April 1, 2021, and ending March 31, 2022. Numbers and percentages have been rounded to the nearest whole number.
- <sup>2</sup> 2021 inspection work has been completed; however, the final report had not been issued at the time of this publication.
- <sup>3</sup> "2021 Annually Inspected Firms," Public Company Accounting Oversight Board, June 20, 2022, <https://pcaobus.org/Inspections/Pages/InspectedFirms.aspx>
- <sup>4</sup> Includes both issuer and nonissuer.
- <sup>5</sup> Peer review is required on a triennial basis, and Crowe has had a peer review every three years since 1980.
- <sup>6</sup> The possible ratings are "pass," "pass with deficiency" (or deficiencies), or "fail." Peer review requirements mandate that the results of the review be made available in a public file. To view the most recent peer review reports on Crowe LLP and Crowe Chizek LLP, dated Dec. 5, 2019, see [https://peerreview.aicpa.org/public\\_file\\_search.html](https://peerreview.aicpa.org/public_file_search.html) and search for Crowe.
- <sup>7</sup> A partner is a certified public accountant (CPA) within a U.S. jurisdiction. A principal may hold another designation but is not a CPA. We refer to partners and principals collectively as "partners" in this report because their rights and privileges as owners of the firm are the same other than as required by law or regulation. Only CPAs may sign audit opinions for an audited organization.

**crowe.com**

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