



Crowe 2020 audit quality report

The essential role of the auditor

Smart decisions. Lasting value.™

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Hello

To our stakeholders,

Thanks for taking the time to learn more about Crowe. We hope you and your family are safe and well.

As we report our audit quality indicators for fiscal year-end, March 31, 2020, we recognize the critical importance of this time period. These measures establish a solid benchmark that will be instrumental in future efforts to assess the impact of subsequent events like the economic downturn and sudden move to remote work driven by a global health crisis. These events individually have the potential to produce a material effect. Collectively, they will fundamentally reshape the audit approach.

At Crowe, we recognize the essential role the auditor plays in upholding the integrity of our capital markets and serving the public interest. We take this responsibility seriously and are deeply committed to the highest standards of audit quality and regulatory compliance. It is vital that we focus on those high standards as we conduct more work remotely.

With a focus on our people, our communities, and our profession, we continue to move forward through this challenging time as a better and stronger firm. We do this supported by the talents of our people, the advancements of innovation, and a steadfast commitment to our values.

Our people

We know that top talent and diversity are essential to delivering audit quality. Crowe provides a positive, inclusive work environment and fulfilling, rewarding careers for our people. We invest in programs designed to develop and retain highly trained, highly qualified auditors and to broaden the diversity of our teams.

Our innovation

Planning for and investing in the future is critical to our firm's success. We understand that as financial reporting becomes more automated and sophisticated, so must the systems used to audit financial reports. With this in mind, we innovate and invest in technology to enable data-centric audits.

Our integrity

We care. We share. We invest. We grow. These core values and our core purpose of "Building Value With Values®" are essential to our firm's mission, as is our commitment to audit quality. Crowe strives to provide independent, objective audits each and every time to deliver assurance and confidence to all stakeholders.

Sincerely,



Jim Powers, CPA
CEO



Wendy Cama, CPA
Managing Partner,
Audit & Assurance Services



We are committed to audit quality

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

“ **Integrity, transparency, and communication are critical to audit quality and establishing trust among our people, our clients, and our markets.**

– Wendy Cama, Managing Partner, Audit & Assurance Services



2020 report highlights¹

26
years

Partners' average years of experience*

* Includes audit and national office partners

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

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

1 to 8

Average retention of audit and national office professionals

87% Senior manager

81% Manager

79% Senior staff and staff

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

66

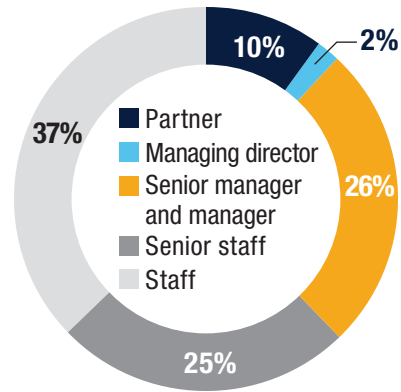
Average training hours completed per audit and national office professional*

* Based on 2019 data

0

Number of reissuance restatements for issuer audit clients between 2017-2019

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



1,208 audit professionals

Ratio of partners and managing directors to audit personnel

1 to 8

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

2018 PCAOB inspection report²

1
Audit included in Part I.A

14
Audits inspected

7%
Part I.A comments*

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

▶ As one of 12 firms that audit more than 100 issuers, Crowe is subject to an annual inspection by the Public Company Accounting Oversight Board (PCAOB).³

Number of audit engagements internally inspected

47



Audit quality

Building trust and confidence in the capital markets

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

“The audit profession is an honorable career. Our auditors and the work they do is important and makes a difference in defending the integrity of the capital markets.”

– Jim Powers, CPA, CEO

Today, more than 1,200 Crowe professionals conduct audits for a wide array of public and private companies. Our accomplished auditors perform critical evaluations of the audit evidence and deliver audits focused on the applicable standards and the nature of the entities' businesses. Every year in our audit engagements, we demonstrate our commitment to our values, to our clients, and to the audit profession.

This commitment to values and audit integrity is fostered by Crowe leadership. By setting the tone and expectations at the top, our partners drive audit quality and help us support the advancement of audit quality throughout the profession. The firm's focus on ethics, independence, and integrity, coupled with our rigorous quality control and oversight, helps us continually enhance audit quality.

26
years Partners' average years of experience*
* Includes audit and national office partners

▶ For more about our management structure and partner compensation policies, see pages 39-43.

National office

Crowe has a quality control system led by the assurance professional practice group, which is the firm's national office. The national office is responsible for matters related to audit quality, inspections and monitoring, accounting, auditing, ethics, and independence as well as interacting with regulators. To fulfill its goal, the national office has established monitoring policies and procedures to support a system of quality control that is relevant, effective, and consistently applied.

“ Financial reporting excellence supports strong capital markets. We recognize the significance of audit quality and the responsibility we have to our stakeholders to get it right.

– Jim Dolinar, Managing Partner, National Office

Monitoring policies and procedures are as follows:

- Monitor and evaluate our quality control procedures to determine the appropriateness of the design and the effectiveness of the system's operation and update as needed.
- Monitor independence compliance.
- Perform an independent pre-issuance review of selected engagement types. These objective reviews of engagement reports and summary work papers provide additional assurance that reports issued by Crowe are appropriate.
- Annually inspect procedures and documentation for each of the elements of the system of quality control. This includes leadership responsibilities for quality within Crowe, relevant ethics and independence requirements, acceptance and continuance of audit relationships and specific engagements, and engagement performance monitoring.
- Annually inspect a cross-section of assurance engagements based on specific criteria and risks established each year. This inspection includes engagement reports, financial statements, and supporting documentation for selected audit areas.
- Communicate to relevant personnel any deficiencies noted during monitoring processes along with recommendations for appropriate action.

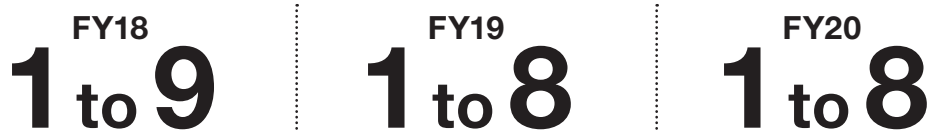
The national office is also responsible for responding to questions from engagement teams on consultative matters related to auditing, accounting policies, and complex transactions as well as providing support in managing and communicating independence and ethics directives of the firm. This dedicated team consists of highly specialized professionals, including senior-level professionals with U.S. Securities and Exchange Commission (SEC) and Public Company Accounting Oversight Board (PCAOB) experience.

“ **Our national office is accessible and available for consultation to help our auditors address complex transactions and technical matters.**

– Jim Dolinar, Managing Partner, National Office

The Crowe national office routinely publishes updates and guidance on observations from audit inspections and monitoring, changes to auditing and accounting standards and practices, and important emerging issues. Topics of critical importance, such as auditor objectivity, professional skepticism, and management bias, are incorporated into all levels of communications to promote multifaceted learning and consistent application.

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



▶ **Our national office works closely with audit leadership.**



International standards of quality management

The International Auditing and Assurance Standards Board (IAASB) recently approved a suite of quality management standards, which are 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. The standards address quality management at the firm level, requirements of the engagement quality reviewer, and requirements of the engagement authorized signer.

To quote the IAASB chair, "... these standards will be transformational and help to recommit the profession ... to quality engagements."⁴ Crowe has been actively monitoring the development of these standards, with engagement from the firm's board, CEO, and leadership teams, and is developing a comprehensive plan to implement the suite of standards prior to their effective date of December 2022.

Critical audit matters

In accordance with the PCAOB's revised reporting standards, we have begun implementing critical audit matters (CAMs) into our auditor reports. In our 2019 reports, our auditors included this important required communication for large accelerated filers with fiscal years ended on or after June 30, 2019. The revised standards provide a window into material matters of the audit that require especially challenging, subjective, or complex auditor judgment. The intent is that this transparency will make the auditor's report more informative and relevant to investors and other financial statement users.

We will implement this standard for audits of all other public companies for fiscal years ending on or after Dec. 15, 2020, as applicable. As we move forward, we will continue to provide tools, guidance, and training to our audit teams on the requirements to report on CAMs.

Audit quality leadership reviews

Each Crowe audit partner, managing director, and senior manager is reviewed annually to evaluate whether he or she is upholding our commitment to audit quality. An evaluation that culminates at the end of each fiscal year, the review informs the personalized development plan for each leader. These development plans help our people continue to grow through assignment of engagements, formal development, and coaching.



Complaints and allegations

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

Our contribution to the audit profession

With a focus on maintaining audit quality, Crowe professionals are involved with the standard-setters and professional associations, including the American Institute of Certified Public Accountants (AICPA) and the Center for Audit Quality (CAQ), serving on committees and task forces. We contribute our knowledge and consider how the measures of audit quality put forth by these groups can be used in the firm's continual audit quality improvement processes.

Leaders show up, actively participate, and speak up. Crowe is a leader in our profession at the national level, at the industry level, and for our people inside our firm's 'virtual' walls.

– Sydney Garmong, Partner, National Office

Involvement in our profession

Crowe has a long history of engaging with key stakeholders such as standard-setters and regulators, and serving in leadership roles in national professional associations.

Center for Audit Quality

The CAQ was created in January 2007 to foster public confidence in the audit process by serving investors, public company auditors, and the markets. Crowe has been a member since the CAQ's creation and has a seat on the governing board, which consists of the leaders of many annually inspected accounting firms, the CEO of the AICPA, and key stakeholders from outside the profession. The CAQ provides a means for these accounting firms to collaborate on auditing and other industry issues in order to achieve increased audit quality.

Crowe also supports the CAQ's mission by serving on its standing committees, including the CAQ Advisory Committee, the Professional Practice Executive Committee, the SEC Regulations Committee, and the Research Advisory Board. In addition, we serve on a variety of CAQ task forces related to enhancing public company auditing. Areas of focus for these task forces include diversity, anti-fraud, the role of the auditor, audit quality indicators, critical audit matters, judgment resources, talent initiatives, and the auditor's reporting model.

AICPA Professional Ethics Executive Committee

The AICPA's Professional Ethics Executive Committee (PEEC) is focused on the interpretation and enforcement of the AICPA Code of Professional Conduct as well as 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, which is a firm-based, voluntary membership group designed to help certified public accountants meet the challenges of performing quality single audits in the complex area of governmental auditing.

The center's primary purpose is to promote the importance of quality governmental audits and the value of such audits to purchasers of governmental audit services. In addition, the center offers resources to enhance the quality of a firm's governmental audits. A Crowe partner currently serves on the Governmental Audit Quality Executive Committee, and a partner-elect serves on the AICPA's State and Local Governments Expert Panel. An audit manager recently completed a two-year fellowship with the Governmental Accounting Standards Board.

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 for firms that perform or are interested in performing *Employee Retirement Income Security Act* employee benefit plan audits. This center was established to promote the quality of employee benefit plan audits. A Crowe partner currently serves on the Employee Benefit Plan Audit Quality Center Executive Committee, and a Crowe partner has served on the AICPA's Employee Benefit Plan Expert Panel.

Quality audit processes

At Crowe, we're committed to continuously assessing and enhancing the quality of audits we conduct. From start to finish of an audit engagement, we work to develop new ways to make practices and processes more effective.

Audit process effectiveness

Designing a quality audit process starts with understanding the company's businesses, trends in the industry, and the issues the company faces. Our process for planning an audit, assessing risk, setting scopes, and designing procedures is highly systematized and responds to the risks and issues of each entity.

Policies and procedures

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. The firm has policies and procedures covering planning, performing, supervising, reviewing, documenting, and communicating throughout the audit.

Engagement-related policies and procedures include:

- Each engagement is planned and performed in accordance with applicable professional standards.
- Proprietary audit methodology, guidance, and systems are updated regularly to reflect changes in professional standards.
- Appropriate supervision and review procedures are employed and documented.
- Engagement quality control reviews are applied to appropriate engagements.
- Practices and electronic systems are designed, implemented, and maintained to protect the confidentiality and security of client data in our possession.
- Our proprietary engagement documentation and management system is designed to maintain the confidentiality of client information and protect the integrity of data. The system allows engagement team members to securely share information without regard to geographic location and is designed to comply with professional record retention requirements.



Acceptance and continuance of engagements

At Crowe, a variety of policies and procedures are in place to evaluate the acceptance and continuance of clients and engagements. This allows us to assess our ability to provide quality assurance services.

- We consider the reputation and integrity of the entity's directors, officers, principal shareholders, owners, and/or affiliates.
- In addition, we assess risk associated with the entity's business in terms of its ability to survive or remain profitable, pending litigation or other controversies, and other known factors that may increase audit risk.
- We also look 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, we assess 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.
- We also evaluate timing and other constraints that might affect our ability to comply with professional standards or perform a quality audit.

Consultation policies and procedures

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

Engagement team management

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

Professional development

A career with Crowe is an ongoing learning experience, and continuous enhancement of our professionals' skills helps us maintain our focus on audit quality. Through a combination of formal development plans, coaching and mentoring, authoritative knowledge libraries, continuing professional education, and on-the-job experience, 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.

Professional development courses are also available and required annually in the areas of independence and ethics, anti-harassment, information security, consumer privacy, office health and safety, and diversity and inclusion.

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.

Leverage ratio of supervisory hours	FY18	FY19	FY20
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 3	1 to 3

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

Licensing

The firm's compliance services department maintains full-time personnel to manage licensing and related continuing professional education (CPE) requirements. Crowe tracks CPA license jurisdictions, license numbers, and expiration dates and advises staff members on renewals. 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.

66 Average training hours completed per audit and national office professional*

* Based on 2019 data

► **The firm is committed to ongoing professional development to help continually improve our audit services.**

Ethics and independence

At Crowe, our success as an independent public accounting firm begins with our culture and tone at the top. This foundation establishes our commitment to ethics, supported by our policies and procedures for conducting audits with independence, integrity, and objectivity.

“**Audit quality requires integrity, objectivity, and independence – doing the right thing.**”

– Mark Baer, CPA, CEO-Elect

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. With respect to matters of independence, the national office establishes and monitors the policies, practices, and controls in place that document compliance with these requirements. This includes documentation of quality control, including independence tracking, as well as policies and guidance, which are available on an internal intranet site.

To maintain the utmost integrity, the following are included in the firm's independence processes:

- Ethics and independence training is required at or near each professional staff member's date of initial employment and annually thereafter.
- Independence-related matters are included in standard audit engagement documentation tools.
- A confidential client list is available to all personnel to identify potential independence issues.
- A restricted-entity list is available to personnel, and each professional is required to access that list periodically to report any permitted financial interests with an entity listed therein or to ascertain issues in providing a contemplated non-audit service.
- The firm's business relationships and financial transactions are monitored.
- Rotation of audit personnel is performed when required.
- A consultation process exists for ethics and independence matters.

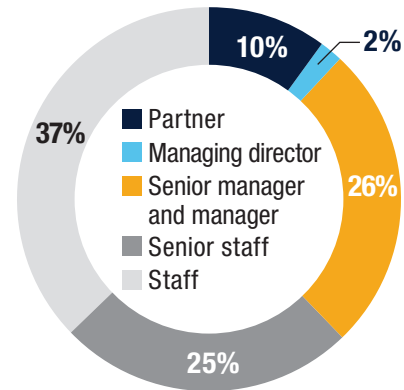




Our people

Professionals who deliver audit quality

At Crowe, we have a talented group of people who are committed to providing effective audits. Our professionals work together across functional areas to provide industry specialization as well as functional knowledge and technical skills. By bringing together teams with know-how and integrity, we work to consistently enhance the quality of the work done by the audit and assurance services group.



1,208 audit professionals

“Our people are the backbone of audit quality at Crowe. They work hard to uphold professional standards and assess risks connected to fraud and misappropriation. Their talents and passions are what drives audit quality at Crowe.”

– Brenda Torres, Partner, Audit Quality and Operations

Developing talent at Crowe

Performing quality audits requires auditors with the necessary integrity, professional skills, and experience. We understand the importance of not only recruiting but also developing the talent that will drive the continual improvement of our audit services.

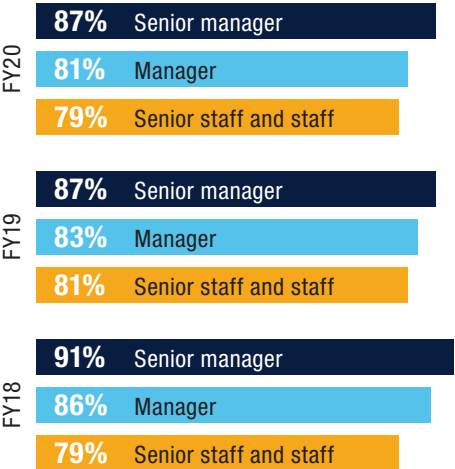
Future leadership

At Crowe, we believe in identifying and developing strong leaders. Through our leadership development programs and individualized development plans, leadership program participants and those identified as potential future successors to various organizational roles are mentored and challenged to achieve their career goals.

We are also committed to increasing inclusiveness and are embarking on a sponsorship program that pairs audit leadership with high potential senior managers, managers, and directors from underrepresented diverse groups. We have launched this sponsorship program as an intentional step to increase our firm’s diversity at the leadership level.

Our upstream feedback process serves as a valuable tool by which our leaders, and those who manage others, gain perspective on coaching and their full potential.

Average retention of audit and national office professionals



► Retaining qualified professionals helps us to uphold audit quality.

Diversity, equity, and inclusion

Diversity of both cultures and thought supports audit quality and helps create a dynamic team and work environment. Diversity, equity, and inclusion are among the firm's top priorities, integrated into firmwide programs, policies, processes, systems, and day-to-day initiatives.

“ At Crowe, we are focused on identifying intentional actions we can take in the area of diversity, so we can hold ourselves accountable and report measurable growth to our stakeholders.

– Wendy Cama, Managing Partner, Audit & Assurance Services

Part of this strategic vision includes acknowledging that we are not where we want to be in the area of diversity. But we are committed to doing better in the future, because we know it is important and matters. With this in mind, our firm leaders are in the process of thoroughly assessing our current state to help us map a path forward and the detailed steps needed to get there.

“ Nurturing the values, ethics, and culture of diversity – and dedicating resources to it – is important to our people, our communities, and our firm. It also supports our delivery of audit quality.

– Chris Mitchell, Chief Diversity Officer

Crowe works hard to support and sustain a friendly, respectful work environment that fosters the development of talented people who are strongly committed and highly engaged. We recognize this goal can be achieved only through the collaboration and diversity of our people. Crowe is committed to an inclusive work environment where kindness, trust, and integrity are valued, and all people are free to reach their full potential.

Strong engagement teams

Beyond functional knowledge and technical skills, our audit professionals understand the industries in which we conduct audits, contributing to audit quality. Leading by example and knowledge sharing are important components of strong engagement teams. At Crowe, we realize that direct senior-level involvement helps drive audit quality.

Audit leverage ratio	FY18	FY19	FY20
Partners and managing directors to other audit personnel	1 to 8	1 to 8	1 to 8
Partners, managing directors, and managers to senior staff and staff	1 to 2	1 to 2	1 to 2

Centralized audit services team

To enhance quality through standardization and innovation among our audits, Crowe uses a centralized audit services team. Often aided by innovative Crowe technology and deep process specialization, members of this team handle a range of audit tasks including administering project tasks, facilitating multifaceted processes, and completing audit sections.

This team works across audit teams and is deeply embedded within our transformation group, helping to improve consistency and identify opportunities for innovation in our audit engagements.



Use of industry specialists

Crowe teams across our firm drive service delivery within key industries. Our specialization also includes functional and technology proficiencies in areas such as IT assurance, valuation, tax, and regulatory compliance. This combined expertise facilitates our delivery of objective, independent, quality audit services, and it helps us to bring a deeper insight and specialization to our work.

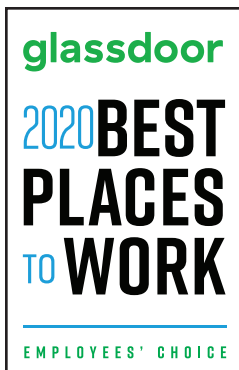
“Diversity of people, thought, and expertise – these pillars support strong audit teams and are essential to continuous improvement in audit quality.”

– Brenda Torres, Partner, Audit Quality and Operations

Best places to work

Throughout the United States, Crowe has been recognized as a great place to work. Awards include the FORTUNE 2020 100 Best Companies to Work For® list,⁵ 2020 Glassdoor Employee Choice Best Places To Work, as well as recognition by other media outlets and human resources organizations.

At Crowe, we are proud of the recognition we have received to date but also recognize we must continue to enhance and grow our diversity, equity, and inclusion programs and policies to maintain a great place to work for all.







Our innovation

Innovation is in our DNA

Our firm's success is built on quality, deep specialization, and innovation. Nourishing a culture of innovation allows us to constantly advance our methodologies, processes and tools to support exceptional quality and service delivery. It also contributes to our ability to attract and retain some of the best and brightest minds in our profession.

At Crowe, innovation centers around the client experience, enhancing audit quality and building upon the foundation of our profession – integrity, objectivity, and professional skepticism. It is part of who we are and drives us to reach beyond the status quo.

Insight into what matters

We recognize effective use of data can provide valuable and deeper insight into entities. At Crowe, we are constantly innovating and understand that as new data analysis technologies such as artificial intelligence and machine learning evolve, so will the financial statement audit and the value it provides. We also test and evaluate emerging technologies to benefit the entities we serve and our people.

Of course, innovation is about more than simply using technology. It involves the centralization, standardization, and automation of processes and a continued investment in people and technology.

Audit transformation

Modern advancements in cognitive learning, advanced digital audits, and machine learning capabilities are greatly enhancing audit quality and the processes and methodologies that support the audit. Our audit professionals understand this and continually work to assess, design, and test emerging technologies that might be incorporated into our audit approach. We have developed proprietary technology that integrates audit methodology and best practices with our firm's industry and functional expertise. Additionally, we take the time to continually evaluate and optimize our core processes.

Digital audit

Data-centric auditing, including use of data analytics and visualizations, enables auditing broader and deeper than traditional sampling allows. Auditors can identify and test outlier transactions and perform other testing throughout the year. This enhances audit quality as well as the overall audit process.

Data-centric audits support audit quality by uncovering patterns and variances faster. Our auditors can then focus their time on assessing where increased risk is present. Crowe is currently piloting these tools on certain audit engagements.

Crowe Insight®

Crowe Insight is the foundation of our audit work. This advanced platform sets the stage for:

Risk-based audit approach

- Focuses on the underlying transaction data that's most important to financial reporting.
- Provides an integrated methodology to analyze risks, document controls and react to changes in the audit plan.

Effective and standardized process




- Specifically, tailored methodology leveraging deep industry expertise.
- Produces an effective workflow and exchange of information.
- Seamlessly integrated with Crowe Exchange to enhance efficiency.

Centralized communication

- Focuses on audit quality through all phases of our audit approach, including planning, risk assessment, setting scopes, and designing procedures in a manner that is highly systematized and scalable.
- Provides the flexibility to integrate modern advancements on a real-time basis to adapt to the ever-changing technology environment.
- Enhances the audit process through centralized communication and information sharing.

Crowe Exchange

Crowe Secure Information Exchange (Crowe Exchange) provides a secure, flexible, and intuitive user experience to exchange data between audit stakeholders and engagement teams. It streamlines workflow, provides visibility to status of requests, and allows users to seamlessly share data with Crowe. We find that audit quality might be impacted if engagements are not effectively managed by the engagement team and client. The Crowe Exchange platform provides real-time engagement management tools and analysis to help engagements stay on plan.

 <p>Secure</p> <ul style="list-style-type: none">• Includes multifactor authentication (MFA)	 <p>Flexible</p> <ul style="list-style-type: none">• Allows for unlimited file size uploads• Simple interface with clear visibility to document requests	 <p>Scalable</p> <ul style="list-style-type: none">• Out-of-the-box, basic functionality to get started
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Features include:

- An effective workflow of information exchange across audit stakeholders
- Streamlined data request process
- Easy-to-use reporting
- Centralized communication and information sharing
- Documented and tracked requests and historical records

Virtual inventory

Auditors should obtain sufficient appropriate audit evidence regarding the existence and condition of inventory if it is material to the financial statements. Historically, this procedure has usually involved on-site visits to observe an entity's physical inventory counting.

The onset of the pandemic, however, produced an immediate need for a remote option. On-site visits were impracticable or at times impossible during this time.

Using a variety of available video communications technology, Crowe successfully conducted virtual observations of entities' physical inventory counting. Through careful planning, testing, and training, we developed a virtual inventory approach that complies with regulatory standards.

Moving forward, Crowe has established a virtual inventory task force and is actively working to expand this model for future efforts. We are investing in training and documenting procedure guidance, so important protocols are known and implemented as standard procedure. Our intent is to conduct more virtual inventory observations in the coming months, and we currently are identifying appropriate audit candidates.

““ Developing innovative audit techniques requires significant time to plan, design, and test the technology thoroughly before having confidence in the integrity of the results.

– Daniel Balla, Partner, Audit & Assurance Services

Crowe Clarity

Crowe Clarity for audit and accounting is the authoritative knowledge destination for the Crowe audit and assurance services team. Crowe Clarity supports our audit quality by providing a common point of access to our people for accounting and audit/assurance guidance, policies, manuals, and practice aids available anytime and anywhere via a laptop, tablet, or smartphone with an internet connection.

Crowe Account Confirmation

This innovative technology uses robotic process automation and secure, encrypted data transfer to streamline communication, improve information security, and modernize the account confirmation process. Traditionally, account confirmation has been a paper-based, time-consuming process administered primarily via the mail. Developed by Crowe auditors, Crowe Account Confirmation breaks that tradition, allowing users to request customer responses either by paper or by electronic portal.

This solution helps expedite the account confirmation process with the effective and safe exchange of sensitive client data, and supports an environmentally friendly, paperless approach. It also helps to drive audit quality with consistency in approach, guided workflow, and documentation that includes embedded methodology. Additionally, it reduces the risk of data errors associated with manual entry methods and minimizes disruption to our clients' business, helping us to provide a quality audit and an exceptional client experience.

The audit of the future

Our commitment to innovation and audit quality is an ongoing process that challenges us every day to ask ourselves: How can we do it even better? How can we go deeper?

We are committed to and passionate about identifying new ways to incorporate emerging technology into our audit approach. We understand our role in preserving financial reporting excellence and seek to advance the audit profession. We know that innovation is an ongoing process and so, too, is our pursuit of it.

Data security and privacy

Our firm makes significant and ongoing investments in systems and resources focused on the protection of our client and employee data. We employ a variety of security professionals and technologies as 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.

Crowe has 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 understand our responsibilities regarding client confidentiality, as well as the dynamic nature of security threats and regulations, so our systems and processes are regularly reviewed, updated, and tested to help protect the security and confidentiality of client records and information.





Our integrity

Crowe values

Starting with our core purpose of “Building Value With Values,” our values code brings together the guiding principles that all partners, principals, and employees of the firm, regardless of title or position, are expected to use in their interactions with colleagues, with clients, and in the communities and profession in which we work. This core purpose and our core values – care, share, invest, and grow – guide us in exercising professional skepticism and objectivity and in being free of conflicts of interest. They guide our people in acting with the utmost integrity and professionalism in each interaction and provide a solid foundation for enhancing audit quality.

Our values at work

We know that audit integrity is key in establishing confidence in our capital markets. Our experienced auditors perform crucial analyses, drawing on technical expertise and deep industry knowledge to deliver audits. We perform audits with due professional care and diligence while adhering to our profession’s high ethical standards.

“**Our auditors lead by example and are incredible stewards for maintaining the highest standards of audit quality for our firm and our profession.**”

– Wendy Cama, Managing Partner, Audit & Assurance Services

Integrity from the inside out

At Crowe, audit quality starts from within. It is embedded in our quality control system and our commitment to independence, objectivity, and integrity. We independently monitor and measure our adherence to regulatory and professional standards from the PCAOB, the SEC, the AICPA, and the IAASB.

Independent measures

SEC order

In 2018, Crowe LLP received an administrative order from the SEC related to an audit performed in 2014. This order included required undertakings, including the retention of an independent consultant to review and evaluate the firm’s audit policies and procedures in a number of areas.

The independent consultant completed its required procedures in July 2020 and certified that the firm’s undertakings were completed to its satisfaction in August 2020. Crowe issued its final certification of completion of the undertakings to the SEC in October 2020.

Internal inspection

We begin with the high standards of the profession and a robust internal inspection process governed by our national office. This annual internal inspection includes a review of selected quality control elements, including independence, engagement acceptance and continuance, leadership and engagement team responsibilities, and CPE compliance. Internal inspection also includes intensive review of engagements across our audit practice. Results of the internal inspection process help us maintain audit quality while also helping us to consistently refine and enhance our audit tools and guidance.

Number of audit engagements internally inspected.⁶



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

Crowe Global quality assurance review

Crowe 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. Crowe LLP receives a review of its audit services via the Crowe Global QAR process at least once every three years. No significant matters arose during the most recent QAR of Crowe LLP performed by Crowe Global.

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

0 Number of reissuance restatements for issuer audit clients between 2017-2019

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



Subject to external inspection

PCAOB inspection

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.

“ **A willingness to listen to others’ perspectives about your opinions makes you stronger.**

– Jim Powers, CPA, CEO

As required by SOX, the PCAOB prepares a written report on each inspection and makes portions of the reports available to the public. The first part is released publicly and includes any 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. The second part is considered confidential and includes comments related to quality control improvement areas of the firm.

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.



The most recent Crowe LLP PCAOB inspection report, on our 2018 audits, dated Aug. 5, 2020, has been issued. [It can be found on the PCAOB website.](#)⁷

Number of PCAOB-inspected audits included in Part I.A	2016	2017	2018
Audits included in Part I.A	5	3	1
Total audits inspected	15	16	14
Percentage Part I.A comments*	33%	19%	7%

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

Peer review

Audit firms are subject to a peer review of their accounting and auditing practices for non-issuer clients. Firms that are registered with and inspected by the PCAOB, including Crowe, are required to have their peer review administered by the National Peer Review Committee (NPRC).⁸

Our firm's most recent peer review was performed in 2019. Crowe LLP received the highest rating, a "pass" rating.⁹ This rating is unchanged from the prior peer review in 2016.

Peer reviews include assessments of specific audit engagements as well as quality control processes to identify any potential deficiencies. 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.





Crowe structure and governance

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 partners¹⁰ and principals, all of whom are individuals active in the firm. The firm is capitalized by contributions by the partners and principals; there were 345 partners and principals as of April 1, 2020. The accounting records of Crowe LLP are prepared on the accrual basis and in a manner that management uses to operate the business. For the fiscal year ending March 31, 2020, Crowe had total revenues of \$983.3 million. 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 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.

Crowe Global

Crowe LLP is an independent member of Crowe Global. Crowe Global includes more than 200 independent accounting and advisory firms in more than 130 countries. The member firms work with respective governments, regulatory bodies, and industry groups to help shape the future of the profession worldwide. This diverse knowledge of business, local laws, and customs provides our clients access to global expertise.

Governance structure

CEO

The CEO is responsible for directing the ongoing management of the firm. The CEO appoints people and committees to assist with firm management and recommends initiatives for strategy and policies. The CEO is elected by the board of directors for a four-year term. Election to a second term of two years requires approval by the board of directors. The firm's current CEO, Jim Powers, is a CPA.

Jim will continue to serve as CEO until March 31, 2021, completing his second term, the maximum in accordance with the firm's partnership agreement. Mark Baer, who served as the audit & assurance managing partner from April 1, 2015, through May 31, 2020, will assume the CEO role on April 1, 2021. Mark has also served in several leadership roles within the firm, including as a member of the Crowe firmwide management committee, CEO advisory council, and partner screening committee. He is a director of Crowe Cayman Ltd. and previously served as the Columbus, Ohio, office managing partner.

“Our priorities center on the highest standards of audit quality and managing rapidly evolving technology while supporting rewarding careers for our people.”

– Mark Baer, CPA, CEO-Elect

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 July 1, 2020:

- Dawnella Johnson, CPA (chair)
- Ray Calvey, CPA
- Michael Giammalvo, CPA
- John Kurkowski, CPA
- Simon Riley
- Doug Schrock
- Michele Sullivan, CPA
- Jim Powers, 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, 2020, 67% of the members of the management committee are CPAs.

Members of the management committee as of June 1, 2020:

- Jim Powers, CPA, CEO (chair)
- Mark Baer, CPA, CEO-Elect
- Derek Bang, CPA, Chief Strategy & Innovation Officer
- Wendy Cama, CPA, Managing Partner, Audit & Assurance Services
- Josh Cole, Managing Principal, Consulting
- Gary Fox, CPA, Managing Partner, Tax Services
- Kevin Hovorka, CPA, Managing Partner, Advisory Services
- Ann Lathrop, CPA, Chief Marketing Officer
- Joe Santucci, Chief Operating Officer
- Steve Strammello, CPA, Chief Risk Officer
- Mark Strawmyer, Managing Principal, Product Engineering
- Julie Wood, Chief People Officer



Inclusion Excellence Council

The Inclusion Excellence Council is responsible for prioritizing our diversity, equity, and inclusion efforts to support all people. They are charged with building, promoting, and sustaining an inclusive work environment that inspires our people to be their best every day. These efforts are supported by all areas of the firm and at the audit business unit level with the work of the Audit & Assurance D&I Leadership Council.



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 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 partner contributes capital, and net income is primarily allocated based on the amount of capital held by each partner. Determination of net income to be allocated to an individual 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'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 non-audit 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

- ¹ Unless otherwise noted, statistics shown within the report are for the fiscal year beginning April 1, 2019, and ending March 31, 2020. Numbers and percentages have been rounded to the nearest whole number.
- ² 2019 inspection work has been completed, however, the final report has not been issued and the 2020 inspection is in process.
- ³ "2019 Annually Inspected Firms," Public Company Accounting Oversight Board, Sept. 23, 2020, <https://pcaobus.org/Inspections/Pages/InspectedFirms.aspx>
- ⁴ Remarks made during ISQM 1 Session 4, Sept. 23, 2020, see <https://www.youtube.com/watch?v=vYmZ8rW1vg>
- ⁵ ©2020 Fortune Media IP Limited. FORTUNE 100 Best Companies to Work For is a trademark of Fortune Media IP Limited and is used under license. FORTUNE and Fortune Media IP Limited are not affiliated with, and do not endorse products or services of, Crowe LLP.
- ⁶ Includes both issuer and non-issuer.
- ⁷ Crowe Chizek LLP is subject to triennial inspection by the PCAOB. The 2018 PCAOB Inspection Report dated Aug. 5, 2020, is the most recent report issued for Crowe Chizek LLP. The published reports of all audit firms inspected by the PCAOB can be found at <http://pcaobus.org/Inspections/Reports/Pages/default.aspx>.
- ⁸ Peer review is required on a triennial basis, and Crowe has had a peer review every three years since 1980.
- ⁹ 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 and search for Crowe.
- ¹⁰ 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

"Crowe" is the brand name under which the member firms of Crowe Global operate and provide professional services, and those firms together form the Crowe Global network of independent audit, tax, and consulting firms. "Crowe" may be used to refer to individual firms, to several such firms, or to all firms within the Crowe Global network. The Crowe Horwath Global Risk Consulting entities, Crowe Healthcare Risk Consulting LLC, and our affiliate in Grand Cayman are subsidiaries of Crowe LLP. Crowe LLP is an Indiana limited liability partnership and the U.S. member firm of Crowe Global. Services to clients are provided by the individual member firms of Crowe Global, but Crowe Global itself is a Swiss entity that does not provide services to clients. Each member firm is a separate legal entity responsible only for its own acts and omissions and not those of any other Crowe Global network firm or other party. Visit www.crowe.com/disclosure for more information about Crowe LLP, its subsidiaries, and Crowe Global.

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