



Crowe 2021 audit quality report

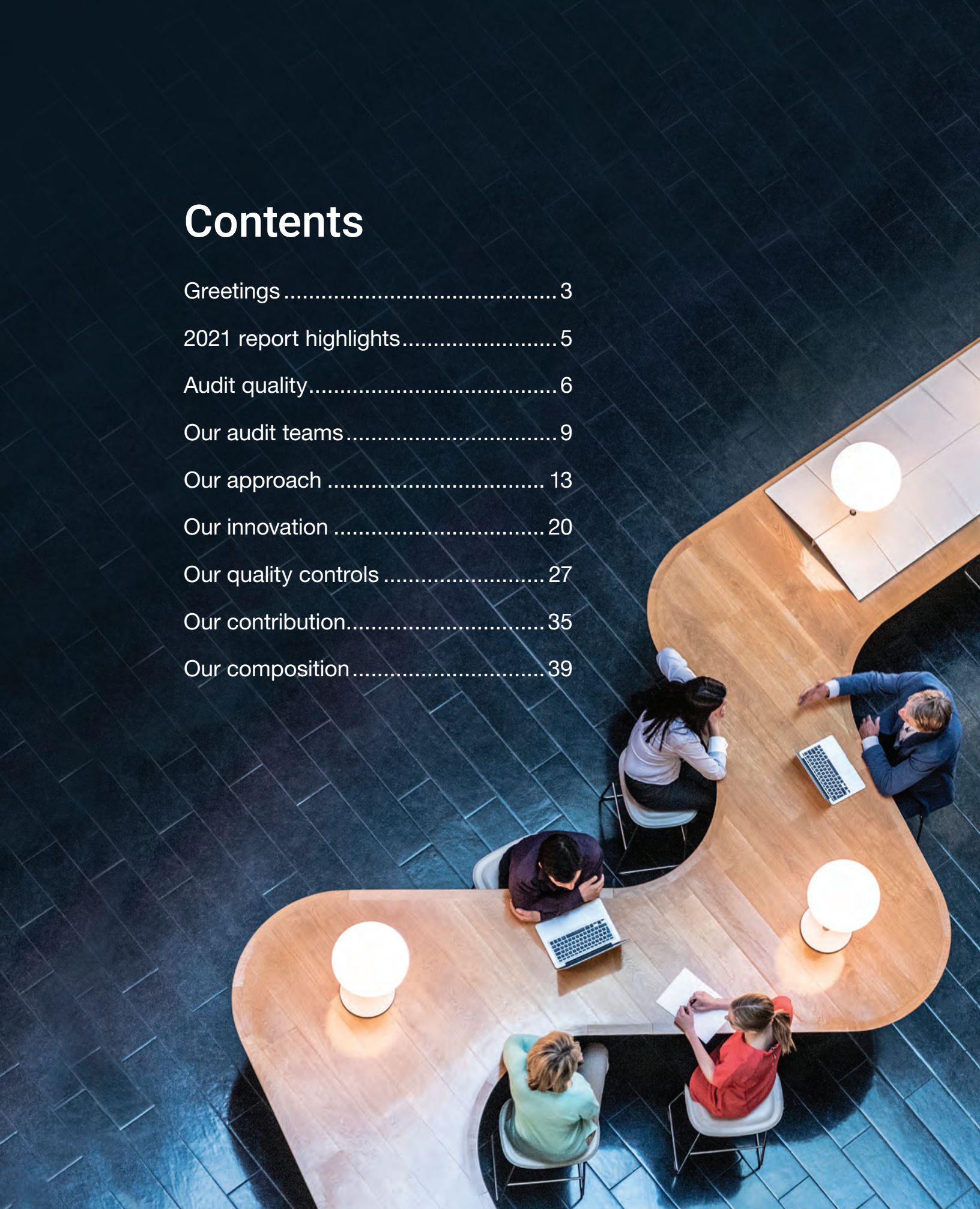
# The integrity of the capital markets





# Contents

Greetings .....	3
2021 report highlights.....	5
Audit quality.....	6
Our audit teams .....	9
Our approach .....	13
Our innovation .....	20
Our quality controls .....	27
Our contribution.....	35
Our composition .....	39





---

# Greetings

## A message to our stakeholders:

Hello. We appreciate you taking time to review our 2021 audit quality report. As we report our audit quality indicators for fiscal year-end, March 31, 2021, we reflect on the past year, its trials and triumphs. But we also look forward and embrace the possibilities of what is on the horizon.

Our firm's purpose – "Shaping Your Better Tomorrow. Together. Today." – reminds us that the decisions we make today shape tomorrow for generations to come. We must care about each other and do what is right, exercising professional skepticism and objectivity and remaining free of conflicts of interest.

Our firm's priorities center on the highest standards of audit quality while also managing rapidly evolving technology and supporting rewarding careers for our people. Audit innovation is reshaping the future of the audit. New capabilities and technologies emerge every day. Our audit professionals know this. We innovate and invest in technology to empower data-centric audits.

Crowe auditors work hard to uphold the integrity of the capital markets. We understand what is at stake. We are financial stewards trusted with the essential task of upholding our profession's high ethical standards. Our people are the backbone of audit quality at Crowe.

Talented, bright, and courageous, our people are essential to our firm's delivery of audit quality. Diversity of people, thought, and expertise supports strong audit teams and continuous improvement. Our determination to constantly improve is based on a recognition that audit quality is a never-ending journey to discover new approaches, better methods, and deeper knowledge and analysis as well as to keep pace with changing regulations and standards.

At Crowe, audit quality starts from within. It is embedded in our purpose, our approach, and our firm's commitment to perform audits focused on the applicable standards and critical evaluations of the audit evidence.

Sincerely,



A handwritten signature in black ink that reads "Mark Baer".

Mark Baer, CPA  
CEO



A handwritten signature in black ink that reads "Wendy Cama".

Wendy Cama, CPA  
Managing Partner,  
Audit & Assurance

# Preface

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.

“ **Our auditors are committed to performing high-quality audits resulting in delivering informative, accurate, and independent audit reports. We recognize the significant contribution they provide to protecting investors and the public interest.** ”

– Wendy Cama, CPA, Managing Partner, Audit & Assurance

# 2021 report highlights<sup>1</sup>

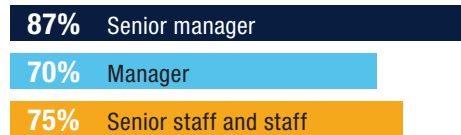
**26 years** Partners' average years of experience\*  
\* Includes audit and national office partners

▶ 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**

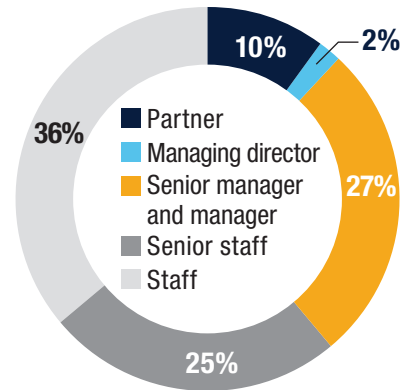
Average retention of audit and national office professionals



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

**45** Average annual training hours completed per audit and national office professional\*  
\* Based on 2020 data

**0** Number of reissuance restatements for issuer audit clients, 2017-2020\*  
\* Audits of SEC registrants filing on Form 10-K and audits of employee benefit plan issuers filing on Form 11-K



**1,181** audit professionals

Ratio of partners and managing directors to audit personnel

**1 to 7**

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

2019 PCAOB inspection report<sup>2</sup>

**7** Audits included in Part I.A | **14** Audits inspected | **50%** Part I.A comments\*

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

▶ As one of 11 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>

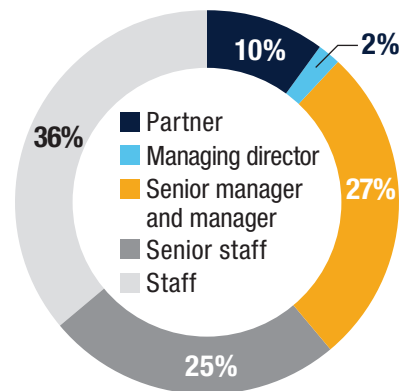
Number of audit engagements internally inspected **51**

# Audit quality

## Upholding the integrity of the capital markets

Every year in our audit engagements, we demonstrate our commitment to our values, to our clients, and to the audit profession. Our team of more than 1,100 Crowe professionals conducts 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.

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.



**1,181** audit professionals

“**Crowe auditors are responsible, accountable stewards who are respected for their integrity and objectivity.**”

– Wendy Cama, CPA, Managing Partner, Audit & Assurance Services

By setting the tone and expectations at the top, our partners drive audit quality and help us support the advancement of the audit profession. The firm's commitment to ethics, independence, and integrity, coupled with our rigorous quality control and oversight, helps us focus on audit quality. We know that audit integrity is key in establishing confidence in our capital markets.

**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 39-42.**



## Our values at work

Inspired by our purpose – “Shaping Your Better Tomorrow. Together. Today.” – we lead with insights driven by a deep understanding of those we serve, and we work toward excellence taking the place of good enough. We embrace diversity, equity, and inclusion and show up every day with purpose and passion.

This core purpose and our core values – care, trust, courage, and stewardship – remind 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 in each interaction and drive our focus on audit quality.

“ **The driving force behind our reputation for technical proficiency, team excellence, and high-quality service is our firm’s commitment to our values.**”

– Jennifer Knecht, CPA, Partner,  
Audit Quality and Risk Management







# Our audit teams

## Strong engagement teams

Performing quality audits requires auditors with the necessary integrity, professional skills, and experience. We understand the importance of not only recruiting but also developing and retaining our people.

Audit leverage ratio	FY19	FY20	FY21
Partners and managing directors to other audit personnel	<b>1 to 8</b>	<b>1 to 8</b>	<b>1 to 7</b>
Partners, managing directors, senior managers, and managers to senior staff and staff	<b>1 to 2</b>	<b>1 to 2</b>	<b>1 to 2</b>

“**Our people are the difference-makers. They come together every day to share their knowledge and experiences to train and develop others and advance our methodologies, processes, and tools.**”

– Jennifer Knecht, CPA, Partner, Audit Quality and Risk Management

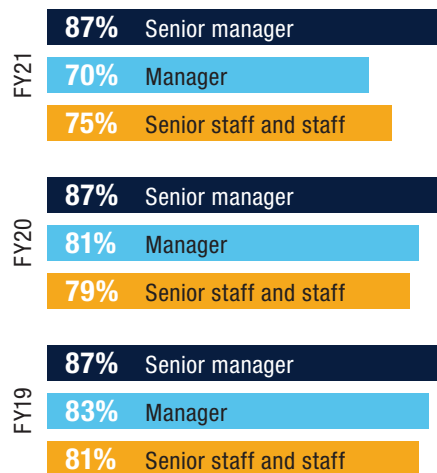


## Future leadership

At Crowe, we believe leading by example and knowledge sharing are important components of strong engagement teams. We recognize that direct senior-level involvement helps nurture future leaders to continue our focus on audit quality. We are also committed to increasing inclusiveness and have implemented a sponsorship program that pairs audit leadership with high-potential senior managers, managers, and directors from underrepresented groups.

Through our leadership development programs, sponsorship programs, and individualized development plans, mentors challenge individuals to achieve their career goals. Our sponsorship program is 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, 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.



## Diversity, equity, and inclusion

Diversity of cultures, thoughts, and perspectives supports audit quality and helps create a dynamic team and inclusive work environment. Diversity, equity, and inclusion (DE&I) are among the firm's top priorities and are integrated into firmwide programs, policies, processes, systems, and day-to-day initiatives.

While acknowledging that we are not where we want to be in the area of DE&I, we are committed to doing better in the future because we know it matters. Given this, our firm leaders continue to assess our current state to help us map a detailed path forward.

**“ Our firm's path to meaningful and intentional DE&I progress centers on several core initiatives. We are well positioned to increase our diversity representation across all levels of the firm while enhancing our sense of belonging. ”**

– Chris Mitchell, Chief Diversity Officer

Our DE&I strategy continues to evolve and remains a key strategic business imperative. During these uncertain times, our people, culture of inclusion, and values are essential to our firm's success. 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. 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.

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 where all people are free to reach their full potential.







# Our approach

## Audit process effectiveness

From start to finish of an audit engagement, we work to develop new ways to make practices and processes more effective. Designing a quality audit process starts with understanding the company's businesses and issues as well as industry trends. Our process for planning an audit, assessing risk, setting scopes, and designing procedures is highly systematized and is designed to respond 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. Our policies and procedures cover planning, performing, supervising, reviewing, documenting, and communicating throughout the audit.

- We plan and perform each engagement in accordance with applicable professional standards.
- We update proprietary audit methodology, guidance, and systems regularly to reflect changes in professional standards.
- We employ and document appropriate supervision and review procedures.
- We apply engagement quality control reviews to appropriate engagements.
- We design, implement, and maintain practices and electronic systems to protect the confidentiality and security of client data in our possession.
- We have designed our proprietary engagement documentation and management system 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

Crowe has put in place a variety of policies and procedures 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.





## Ethics and independence

At Crowe, our commitment to ethics is supported by 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. 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.

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

– Mark Baer, CPA, CEO

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

- Crowe requires ethics and independence training at or near each professional staff member’s date of initial employment and annually thereafter.
- We incorporate independence-related matters in standard audit engagement documentation.
- We make a confidential client list available to all personnel to identify potential independence issues.
- We make a restricted-entity list available to personnel and require 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.
- We monitor the firm’s business relationships and financial transactions.
- We rotate audit personnel when required.
- We have implemented a consultation process for ethics and independence matters.

## 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

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. 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.

## Data management

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 we regularly review, update, and test our systems and processes to help protect the security and confidentiality of client records and information. In addition, Crowe 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.





## 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	FY19	FY20	FY21
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 2

► **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.

## International standards of quality management

The International Auditing and Assurance Standards Board (IAASB) has 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.

These standards are expected to transform the audit profession and help it recommit to high-quality engagements. Crowe has formed a team of individuals, with support from the firm's board, CEO, and leadership teams, to implement these new standards. This team has been working on performing a detailed gap analysis, risk assessment process, and other steps to plan for a successful implementation prior to the effective date of December 2022.

# 45

\* Based on 2020 data

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

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



---

# Our innovation

## Audit transformation

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

We seek to advance the audit process and uphold our role in preserving financial reporting excellence. Modern advancements in artificial intelligence, advanced digital auditing, and machine learning capabilities are greatly enhancing audit quality and the processes and methodologies that support the audit. 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.

“**Audit transformation is a process that requires investment of time and resources and a passion for discovering the possibilities of tomorrow.**

– Kevin Wydra, CPA, Partner, Audit & Assurance







## Risk-based foundation

The Crowe Insight® platform is the foundation of our audit work. This advanced platform sets the stage for a risk-based audit approach that focuses on underlying transaction data that's most important to financial reporting. Its design offers the flexibility to integrate modern advancements in real time to adapt to the ever-changing technology environment. Specifically, our audit approach uses deep industry expertise to analyze risks, document controls, and react to changes in the audit plan. It also produces an effective workflow and exchange of information that is seamlessly integrated with the Crowe Secure Information Exchange (Crowe Exchange) platform to enhance efficiency.

## Accessible information

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

## Secure communication

Crowe Exchange provides a secure, flexible, and intuitive user experience for communication between audit stakeholders and engagement teams. While using advanced security features, 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.







## Standardization and innovation

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.

## Process automation

The Crowe Account Confirmation tool 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, this innovative technology 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 it 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' businesses, helping us to provide a quality audit and an exceptional client experience.

## Virtual observations

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

On-site visits, however, are not always practicable and are even impossible at times. Using a variety of available video communications technologies, Crowe has successfully conducted virtual observations of entities' physical inventory counting. Through careful planning, testing, and training, we have developed a virtual inventory approach that complies with regulatory standards.

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

## The future of audit

Data-centric auditing, including use of data analytics and visualizations, enables broader auditing and deeper analysis than traditional sampling allows. Auditors can identify and test outlier transactions and perform specific risk-based 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. Data visualizations can provide visibility into trends or transactions that isn't possible using traditional procedures. We have a dedicated team of data analytics specialists ready to develop a custom visualization for an engagement or use one of our prebuilt modules. With this capability, our auditors can then focus their time on assessing where increased risk is present.







---

# Our quality controls

## Internal inspection

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 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.

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 robust 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.<sup>4</sup>

2018	2019	2020
47	47	51

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

## National office

Crowe recognizes the significance of audit quality and the responsibility we have to our stakeholders to get it right. We have 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.

**“ Our national office is responsive. We are here for consultation on matters related to independence, ethics, auditing, accounting policies, and complex transactions. ”**

– Jim Dolinar, CPA, 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; update as needed.
- Monitor independence compliance.
- Perform in-process monitoring of targeted areas of selected engagements. This monitoring provides 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.
- 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 the firm's independence and ethics directives. This dedicated team consists of highly specialized professionals, including senior-level professionals with SEC and PCAOB experience.

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.







## Crowe Global quality assurance 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. 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.

## Restatements

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

**0** Number of reissuance restatements for issuer audit clients, 2017-2020\*

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

## 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.

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.

We are disappointed with the increase in our Part I.A comments. 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	2017	2018	2019
Audits included in Part I.A	3	1	7
Total audits inspected	16	14	14
Percentage Part I.A comments*	19%	7%	50%

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

The PCAOB report on the 2019 inspection of Crowe LLP, dated Dec. 17, 2020, 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 review

Audit firms are subject to a peer review of their accounting and auditing practices for nonissuer clients. Firms that are registered with and inspected by the PCAOB, including Crowe, are required to have their peer reviews administered by the AICPA National Peer Review Committee (NPRC).<sup>5</sup> Our firm's most recent peer review was performed in 2019. Crowe LLP received the highest rating, a "pass" rating.<sup>6</sup> 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. 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.

## Audit quality leadership reviews

All Crowe audit partners, managing directors, and senior managers are reviewed annually to evaluate whether the individual 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.

## Values hotline

Our firm guidelines require Crowe personnel to act with integrity and professionalism. This includes identifying and reporting wrongful behavior. The values hotline, a confidential reporting system from ComplianceLine, is one of many avenues firm personnel have to bring forward ethics or compliance concerns. Case submissions are investigated and brought to resolution swiftly with key firm leaders closely involved in the process. The firm leadership's goal is to support Crowe personnel in living firm values every day, in everything they do.





---

# Our contribution

## Involvement in our profession

With a focus on maintaining audit quality, Crowe professionals are involved with the standard-setters and professional associations, including the 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 share their expertise and contribute through others.  
They also listen to and learn from the expertise of others.”

– Sydney Garmong, CPA, Partner, National Office

### 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 serves 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 Council, 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, climate change, cybersecurity, 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) focuses 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 serves on the AICPA's State and Local Governments Expert Panel.

## 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 Expert Panel, and a Crowe partner has served on the AICPA's Employee Benefit Plan Audit Quality Center Executive Committee.













# Our composition

## 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 partners<sup>7</sup> and principals (referred to collectively as partners hereafter), all of whom are individuals active in the firm. The firm is capitalized by contributions by the partners; there were 344 partners as of March 31, 2021. 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, 2021, Crowe had total revenues of \$925.9 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 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. The firm's current CEO, Mark Baer, is a CPA.

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.

### 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, 2021:

- Dawnella Johnson, CPA (chair)
- Brian Hecker, CPA
- Kevin Hovorka, CPA
- John Kurkowski, CPA
- Lou Miller, CPA
- Doug Schrock
- Michele Sullivan, CPA
- Mark Baer, CPA, CEO (nonvoting member)

**“ This team of leaders will define the next chapter at Crowe and propel the firm into the future – shaping a better tomorrow for our people, our communities, and our firm.**

– Mark Baer, CPA, CEO

## 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, 2021, 62% of the members of the management committee are CPAs.

Members of the management committee as of June 1, 2021:

- Mark Baer, CPA, CEO (chair)
- Ray Calvey, CPA, Chief Financial Officer
- Chris Mitchell, Chief Diversity Officer
- Simon Riley, Chief Strategy and Transformation Officer
- Steve Strammello, CPA, Chief Risk Officer
- Brenda Torres, CPA, Chief Operating Officer
- Julie Wood, Chief People Officer
- Christopher Goodman, Chief Marketing Officer
- Nicole Bencik, CPA, Managing Partner, Tax
- Wendy Cama, CPA, Managing Partner, Audit & Assurance
- Josh Cole, Managing Principal, Consulting
- Chad Kellar, CPA, Managing Partner, Advisory
- Tony Klaich, CPA, Managing Partner, Markets & Industries

## Inclusive Excellence Council

The Inclusive Excellence Council is responsible for prioritizing our diversity, equity, and inclusion efforts to support all people. It is 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 Diversity and Inclusion (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 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

---

<sup>1</sup> Unless otherwise noted, statistics shown within the report are for the fiscal year beginning April 1, 2020, and ending March 31, 2021. Numbers and percentages have been rounded to the nearest whole number.

<sup>2</sup> 2020 inspection work has been completed; however, the final report had not been issued at the time of this publication.

<sup>3</sup> "2020 Annually Inspected Firms," Public Company Accounting Oversight Board, July 26, 2021, <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**

"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](http://www.crowe.com/disclosure) for more information about Crowe LLP, its subsidiaries, and Crowe Global.

The information in this document is not – and is not intended to be – audit, tax, accounting, advisory, risk, performance, consulting, business, financial, investment, legal, or other professional advice. Some firm services may not be available to attest clients. The information is general in nature, based on existing authorities, and is subject to change. The information is not a substitute for professional advice or services, and you should consult a qualified professional adviser before taking any action based on the information. Crowe is not responsible for any loss incurred by any person who relies on the information discussed in this document.

© 2021 Crowe LLP.

AUDIT2203-002A