
2018 Inspection Crowe LLP

(Headquartered in Chicago, Illinois)

August 5, 2020

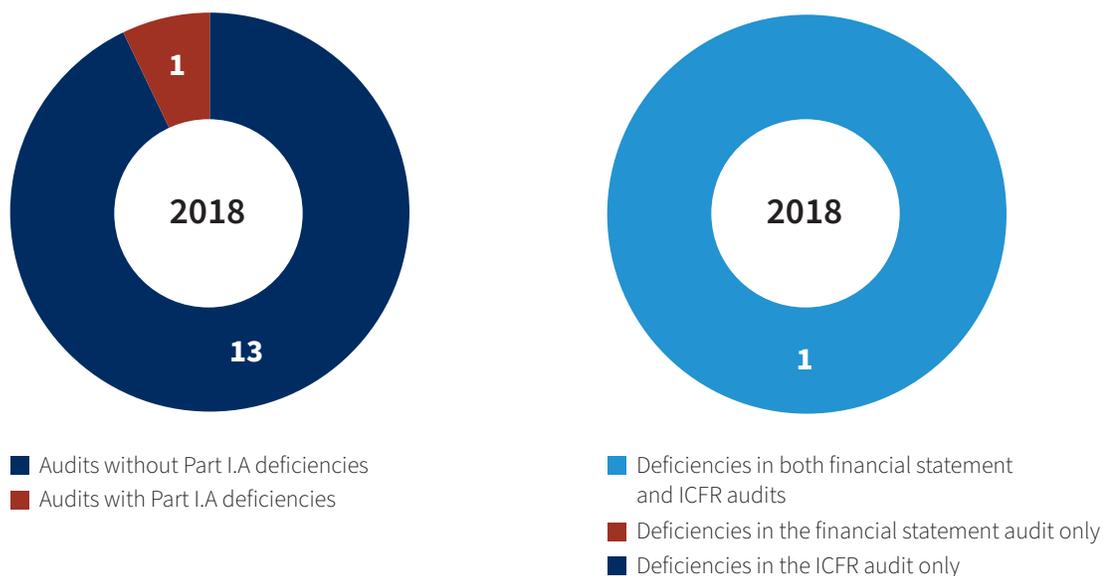
Executive Summary

Our 2018 inspection report on Crowe LLP provides information on our inspection to assess the firm’s compliance with Public Company Accounting Oversight Board (“PCAOB”) standards and rules and other applicable regulatory and professional requirements. This executive summary offers a high-level overview of: (1) Part I.A of the report, which discusses deficiencies (“Part I.A deficiencies”) in an issuer audit that were of such significance that we believe the firm, at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion on the issuer’s financial statements and/or internal control over financial reporting (“ICFR”), and (2) Part I.B of the report, which discusses deficiencies, if any, that do not relate directly to the sufficiency or appropriateness of evidence the firm obtained to support its opinion(s) but nevertheless relate to instances of non-compliance with PCAOB standards or rules.

The fact that we have included a deficiency in this report — other than those deficiencies for audits with incorrect opinions on the financial statements and/or ICFR — does not necessarily mean that the issuer’s financial statements are materially misstated or that undisclosed material weaknesses in ICFR exist. If a deficiency is included in Part I.A or Part I.B of this report, it does not necessarily mean that the firm has not addressed the deficiency.

Overview of the 2018 Deficiencies Included in Part I

One of the 14 issuer audits we reviewed in 2018 is included in Part I.A of this report due to the significance of the deficiencies identified. The identified deficiencies related to the firm’s testing of controls over and substantive testing of deposit liabilities.



The Part I.A deficiencies in 2018 related to testing controls over the accuracy and completeness of data and reports and the resulting overreliance on controls when performing substantive testing.

In the 2018 inspection, we did not identify any Part I.B deficiencies related to other instances of non-compliance with PCAOB standards or rules.

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2018 Inspection

During the PCAOB's 2018 inspection of Crowe LLP, we assessed the firm's compliance with laws, rules, and professional standards applicable to the audits of public companies.

We selected for review 14 audits of issuers with fiscal years generally ending in 2017. For each issuer audit selected, we reviewed a portion of the audit. We also evaluated elements of the firm's system of quality control.

What's Included in this Inspection Report

This report includes the following sections:

- **Overview of the 2018 Inspection and Historical Data by Inspection Year:** Information on our inspection, historical data, and common deficiencies.
- **Part I – Inspection Observations:**
 - o **Part I.A:** Deficiencies that were of such significance that we believe the firm, at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion on the issuer's financial statements and/or ICFR.
 - o **Part I.B:** Deficiencies that do not relate directly to the sufficiency or appropriateness of evidence the firm obtained to support its opinion(s) but nevertheless relate to instances of non-compliance with PCAOB standards or rules.
- **Part II – Observations Related to Quality Control:** Criticisms of, or potential defects in, the firm's system of quality control. Section 104(g)(2) of the Sarbanes-Oxley Act ("the Act") restricts us from publicly disclosing Part II deficiencies unless the firm does not address the criticisms or potential defects to the Board's satisfaction no later than 12 months after the issuance of this report.
- **Appendix A – Firm's Response to the Draft Inspection Report:** The firm's response to a draft of this report, excluding any portion granted confidential treatment.

2018 Inspection Approach

In selecting issuer audits for review, we use a risk-based method of selection. We make selections based on (1) our internal evaluation of audits we believe have a heightened risk of material misstatement, including those with challenging audit areas, and (2) other risk-based characteristics, including issuer and firm considerations.

When we review an audit, we do not review every aspect of the audit. Rather, we generally focus our attention on audit areas we believe to be of greater complexity, areas of greater significance or with a heightened risk of material misstatement to the issuer's financial statements, and areas of recurring deficiencies. We may also select some audit areas for review in a manner designed to incorporate unpredictability.

Our selection of audits for review does not constitute a representative sample of the firm's total population of issuer audits. Additionally, our inspection findings are specific to the particular portions of the issuer audits reviewed. They are not an assessment of all of the firm's audit work nor of all of the audit procedures performed for the audits reviewed.

View the details on the [scope of our inspections and our inspections procedures](#).

Overview of the 2018 Inspection and Historical Data by Inspection Year

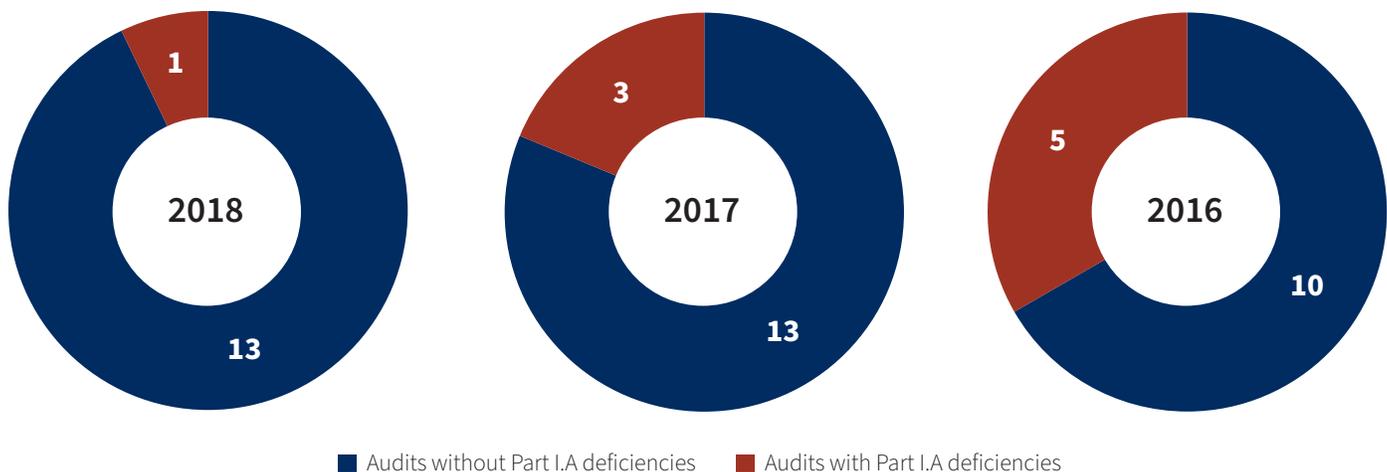
The following information provides an overview of our inspections in 2018 of the firm’s issuer audits as well as data from the previous two inspections. We use a risk-based method to select audits for review and to identify areas on which we focus our inspection. Because our inspection process evolves over time, it can, and often does, focus on a different mix of audits and focus areas from year to year and firm to firm. As a result of this variation, we caution that our inspection results are not necessarily comparable over time or among firms.

Audits Reviewed

| | 2018 | 2017 | 2016 |
|---|------|------|------|
| Total audits reviewed | 14 | 16 | 15 |
| Audits in which the firm was the principal auditor | 14 | 16 | 15 |
| Integrated audits of financial statements and ICFR | 11 | 12 | 12 |
| Risk-based selections | 14 | 16 | 15 |

Part I.A Deficiencies in Audits Reviewed

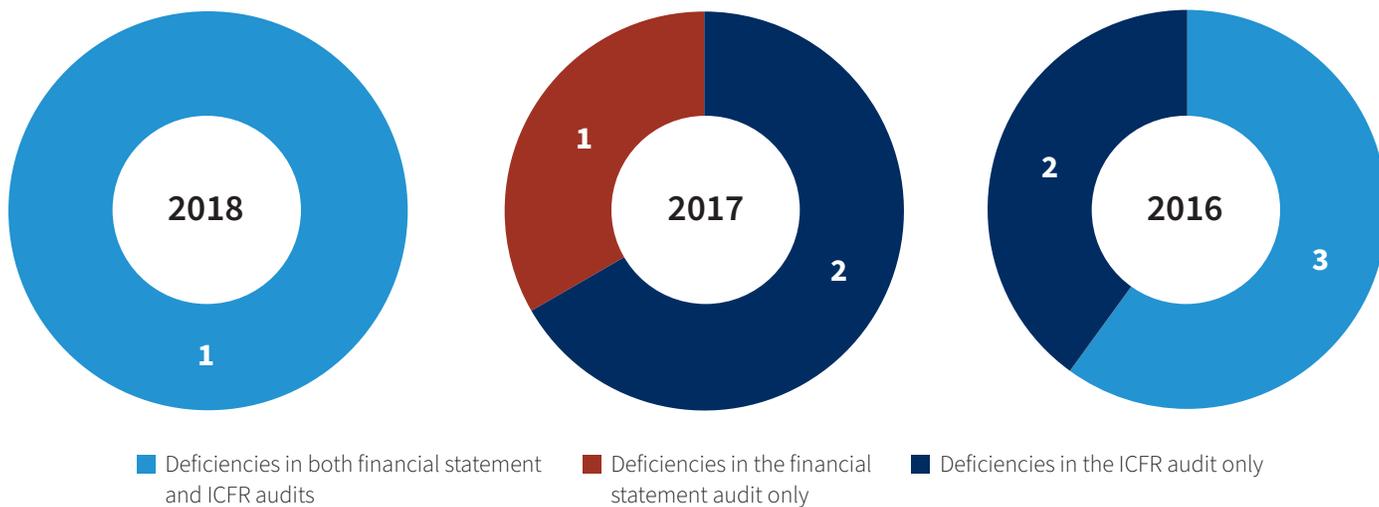
All audits appearing in Part I.A in 2018, 2017, and 2016 were selected for review using risk-based criteria.



If a deficiency is included in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In many cases, the firm has performed remedial actions after the issue was identified. Depending on the circumstances, remedial actions may include performing additional audit procedures, informing management of the issuer of the need for changes to the financial statements or reporting on ICFR, or taking steps to prevent reliance on prior audit reports. Our inspection normally includes a review, on a sample basis, of the adequacy of a firm's remedial actions, either with respect to previously identified deficiencies or deficiencies identified during that inspection. If a firm does not take appropriate actions to address deficiencies, we may criticize its system of quality control or pursue a disciplinary action.

The fact that we have included a deficiency in our report — other than those deficiencies for audits with incorrect opinions on the financial statements and/or ICFR — does not necessarily mean that the issuer’s financial statements are materially misstated or that undisclosed material weaknesses in ICFR exist. It is often not possible for us to reach a conclusion on those points based on our inspection procedures and related findings because, for example, we have only the information that the auditor retained and the issuer’s public disclosures. We do not have direct access to the issuer’s management, underlying books and records, and other information.

Audits Affected by the Deficiencies Identified in Part I.A



The following tables and graphs summarize inspection-related information, by inspection year, for 2018 and the previous two inspections. We caution any comparison of the data provided without reading the descriptions of the underlying deficiencies in each respective inspection report.

Most Frequently Identified Part I.A Deficiencies

| Deficiencies in audits of financial statements | Audits with Part I.A deficiencies | | |
|--|-----------------------------------|------|------|
| | 2018 | 2017 | 2016 |
| Did not perform substantive procedures to obtain sufficient evidence as a result of overreliance on controls (due to deficiencies in testing controls) | 1 | 1 | 3 |

| Deficiencies in ICFR audits | Audits with Part I.A deficiencies | | |
|--|-----------------------------------|------|------|
| | 2018 | 2017 | 2016 |
| Did not identify and/or sufficiently test controls over the accuracy and completeness of data or reports | 1 | 1 | 3 |

Audit Areas Most Frequently Reviewed

This table reflects the five focus areas we have selected most frequently for review in each inspection year (and the related Part I.A deficiencies). For the issuer audits selected for review, we selected these areas because they were generally significant to the issuer's financial statements, may have included complex issues for auditors, and/or involved complex judgments in (1) estimating and auditing the reported value of related accounts and disclosures and (2) implementing and auditing the related controls.

| 2018 | | | 2017 | | | 2016 | | |
|------------------------------|-----------------|-----------------------------------|------------------------------|-----------------|-----------------------------------|------------------------------|-----------------|-----------------------------------|
| Audit area | Audits reviewed | Audits with Part I.A deficiencies | Audit area | Audits reviewed | Audits with Part I.A deficiencies | Audit area | Audits reviewed | Audits with Part I.A deficiencies |
| Allowance for loan losses | 9 | 0 | Allowance for loan losses | 10 | 1 | Allowance for loan losses | 10 | 4 |
| Business combinations | 5 | 0 | Revenue and related accounts | 4 | 1 | Investment securities | 9 | 1 |
| Revenue and related accounts | 4 | 0 | Business combinations | 4 | 0 | Loans and related accounts | 4 | 1 |
| Investment securities | 3 | 0 | Investment securities | 4 | 0 | Revenue and related accounts | 3 | 0 |
| Deposit liabilities | 2 | 1 | Loans and related accounts | 3 | 0 | Business combinations | 3 | 1 |

Audit Areas with Frequent Part I.A Deficiencies

This table reflects the focus areas with the most frequently identified Part I.A deficiencies in each inspection year with the corresponding results for the other two years presented.

| Audit area | 2018 | | 2017 | | 2016 | |
|------------------------------|-----------------------------------|-----------------|-----------------------------------|-----------------|-----------------------------------|-----------------|
| | Audits with Part I.A deficiencies | Audits reviewed | Audits with Part I.A deficiencies | Audits reviewed | Audits with Part I.A deficiencies | Audits reviewed |
| Deposit liabilities | 1 | 2 | 0 | 1 | 0 | 3 |
| Allowance for loan losses | 0 | 9 | 1 | 10 | 4 | 10 |
| Revenue and related accounts | 0 | 4 | 1 | 4 | 0 | 3 |
| Long-lived assets | 0 | 1 | 1 | 2 | 0 | 0 |
| Investment securities | 0 | 3 | 0 | 4 | 1 | 9 |
| Loans and related accounts | 0 | 2 | 0 | 3 | 1 | 4 |

Deposit liabilities: The deficiencies in 2018 related to testing controls over the accuracy and completeness of data and reports used in the performance of controls over deposit liabilities and the resulting overreliance on controls when performing substantive testing.

Allowance for loan losses: The deficiency in 2017 related to testing controls over the assumptions or other inputs used by the issuer to estimate the allowance for loan losses. The deficiencies in 2016 related to substantive testing of, and testing controls over, the assumptions or other inputs used by the issuer to estimate the allowance for loan losses, including controls over the accuracy and completeness of data used in the performance of the controls.

Revenue and related accounts: The deficiencies in 2017 related to testing controls over revenue, including controls over the accuracy and completeness of data used in the performance of controls, and the resulting overreliance on controls when performing substantive testing.

Long-lived assets: The deficiencies in 2017 related to testing controls over the evaluation of long-lived assets for impairment, including controls over the accuracy and completeness of data used in the performance of the controls.

Investment securities: The deficiency in 2016 related to testing controls over the existence and valuation of investment securities.

Loans and related accounts: The deficiencies in 2016 related to testing controls over the existence of loans and the resulting overreliance on controls when performing substantive testing.

Auditing Standards Associated with Identified Part I.A Deficiencies

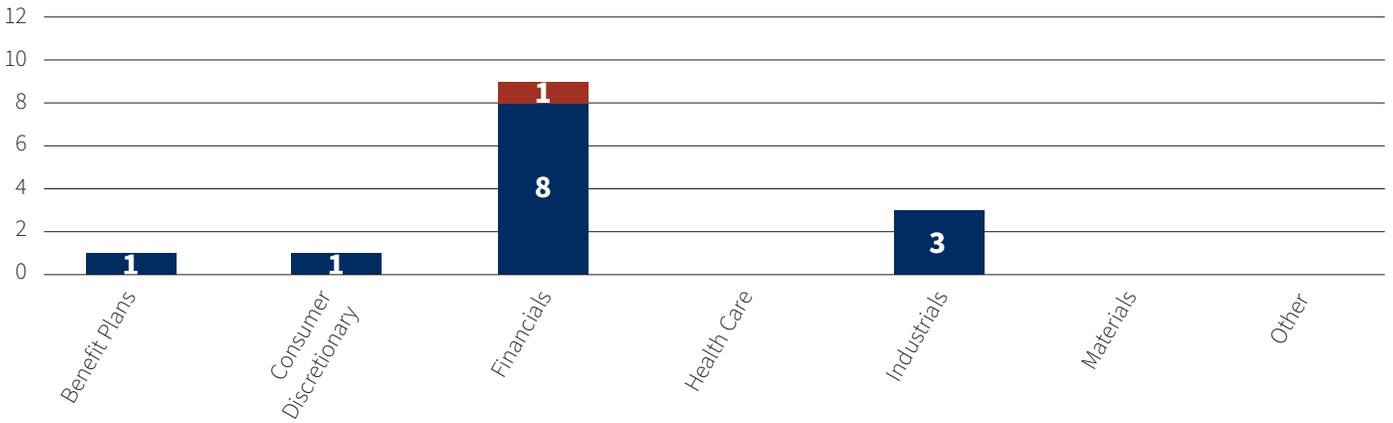
The following lists the auditing standards referenced in Part I.A of the 2018 and the previous two inspection reports and the number of times that the standard is cited in Part I.A.

| PCAOB Auditing Standards | 2018 | 2017 | 2016 |
|--|------|------|------|
| <i>AS 1105, Audit Evidence</i> | 0 | 1 | 0 |
| <i>AS 2201, An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements</i> | 1 | 8 | 20 |
| <i>AS 2301, The Auditor's Responses to the Risks of Material Misstatement</i> | 1 | 2 | 3 |
| <i>AS 2315, Audit Sampling</i> | 1 | 1 | 3 |
| <i>AS 2501, Auditing Accounting Estimates</i> | 0 | 0 | 1 |

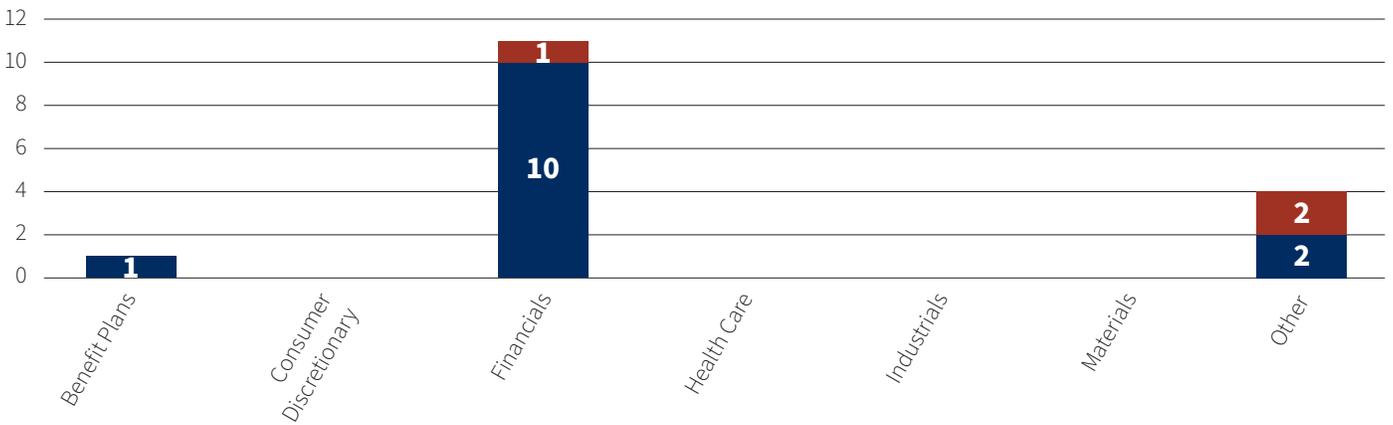
Inspection Results by Issuer Industry Sector

The majority of industry sector data is based on Global Industry Classification Standard ("GICS") data obtained from Standard & Poor's ("S&P"). In instances where GICS data for an issuer is not available from S&P, classifications are assigned based upon North American Industry Classification System data.

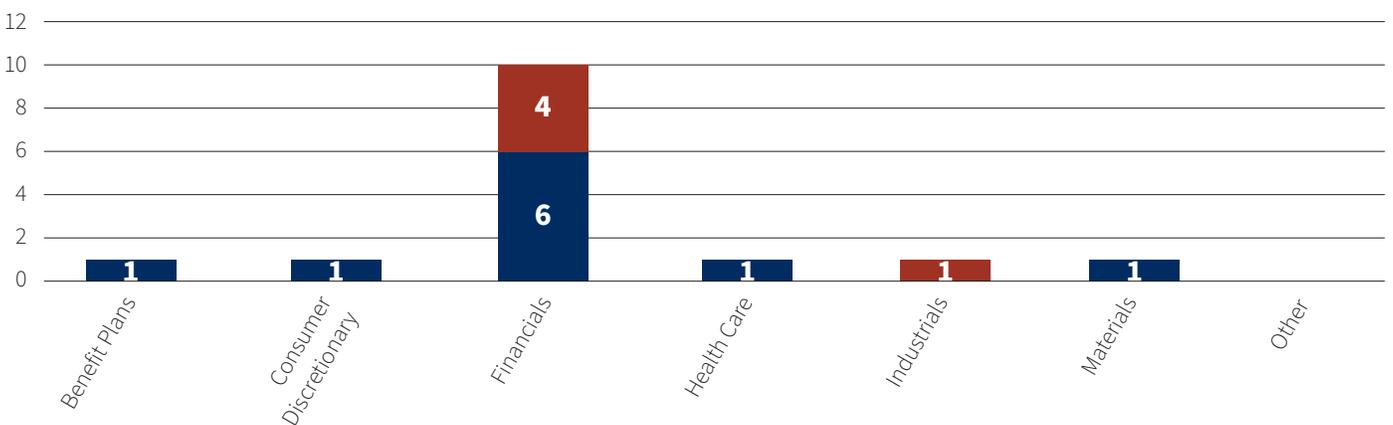
2018



2017



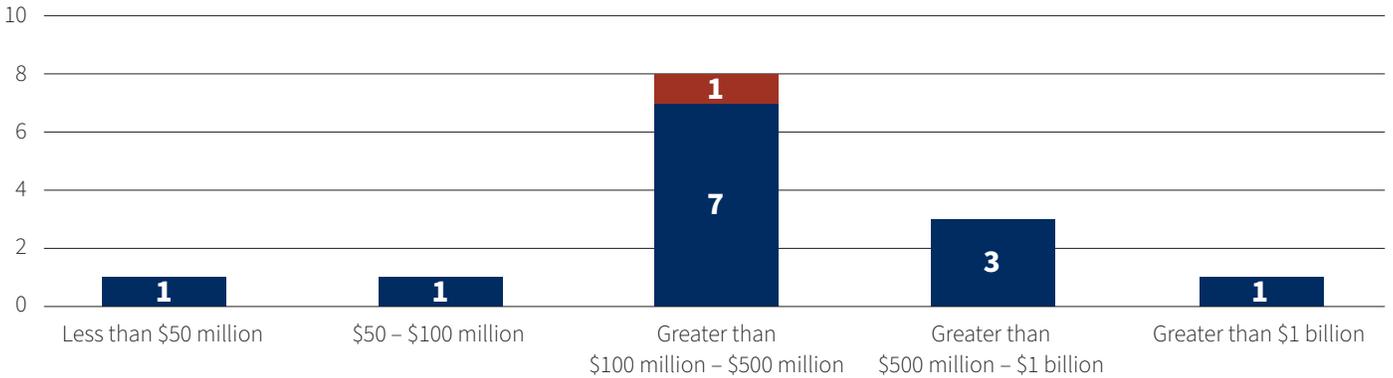
2016



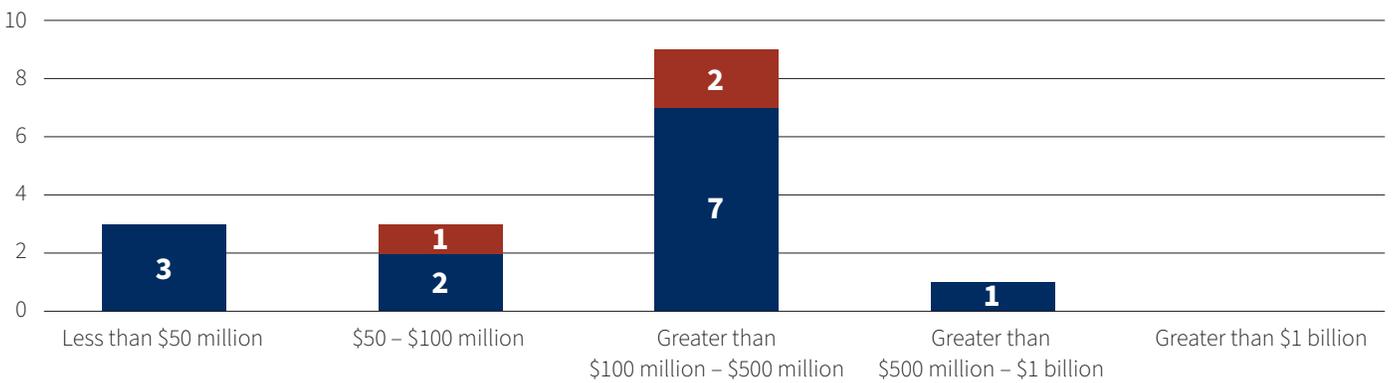
■ Audits without Part I.A deficiencies ■ Audits with Part I.A deficiencies

Inspection Results by Issuer Revenue Range

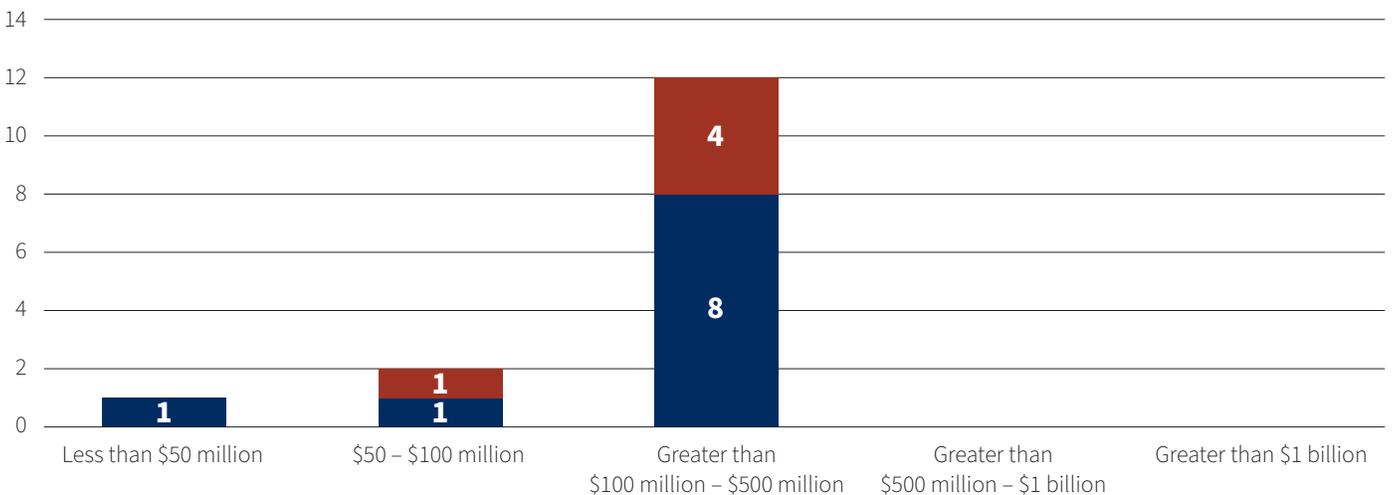
2018



2017



2016



■ Audits without Part I.A deficiencies
 ■ Audits with Part I.A deficiencies

Classification of Audits with Part I.A Deficiencies

Within Part I.A of this report, we classify each issuer audit in one of the categories discussed below based on the Part I.A deficiency or deficiencies identified in our review.

The sole purpose of this classification system is to group and present issuer audits by the number of Part I.A deficiencies we identified within the audit as well as to highlight audits with an incorrect opinion on the financial statements and/or ICFR.

Audits with an Incorrect Opinion on the Financial Statements and/or ICFR

This classification includes instances where an audit deficiency was identified in connection with our inspection and, as a result, an issuer's financial statements were determined to be materially misstated, and the issuer restated its financial statements. It also includes instances where an audit deficiency was identified in connection with our inspection and, as a result, an issuer's ICFR was determined to be ineffective, or there were additional material weaknesses that the firm did not identify, and the firm withdrew its opinion, or modified its report, on ICFR.

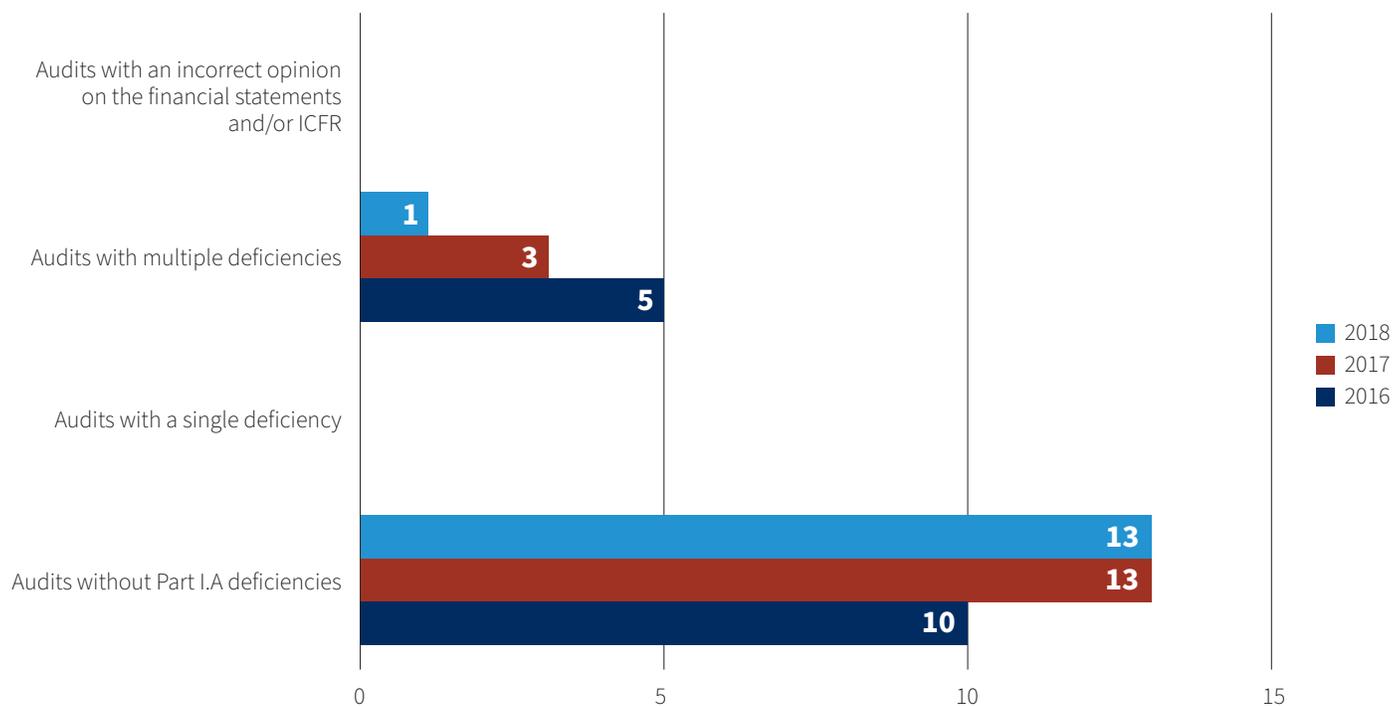
Audits with Multiple Deficiencies

This classification includes instances where multiple deficiencies were identified that related to a combination of one or more financial statement accounts, disclosures, and/or important controls in an ICFR audit.

Audits with a Single Deficiency

This classification includes instances where a single deficiency was identified that related to a financial statement account or disclosure or to an important control in an ICFR audit.

Number of Audits in Each Category



Part I: Inspection Observations

Part I.A of our report discusses deficiencies that were of such significance that we believe the firm, at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion on the issuer's financial statements and/or ICFR. Part I.B discusses deficiencies that do not relate directly to the sufficiency or appropriateness of evidence the firm obtained to support its opinion(s) but nevertheless relate to instances of non-compliance with PCAOB standards or rules. Consistent with the Act, it is the Board's assessment that nothing in Part I of this report deals with a criticism of or potential defect in the firm's quality control system. Any such criticisms or potential defects are discussed in Part II. Further, you should not infer from any Part I deficiency or combination of deficiencies that a quality control finding is identified in Part II.

Part I.A: Audits with Unsupported Opinions

This section of our report discusses the deficiencies identified, by specific issuer audit reviewed, in the audit work supporting the firm's opinion on the issuer's financial statements and/or ICFR.

We identify each issuer by a letter (e.g., Issuer A) and industry sector. Each deficiency could relate to several auditing standards, but we reference the PCAOB standard(s) that most directly relates to the requirement with which the firm did not comply.

Issuer audits are presented below within their respective deficiency classifications (as discussed previously). Within the classifications, we generally present the audits based on our assessment as to the relative significance of the identified deficiencies taking into account the significance of the financial statement accounts and/or disclosures affected, and/or the nature or extent of the deficiencies.

Audits with an Incorrect Opinion on the Financial Statements and/or ICFR

None

Audits with Multiple Deficiencies

Issuer A – Financials

Type of audit and related area affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Deposit Liabilities**.

Description of the deficiencies identified

The firm did not identify and test any controls over the accuracy and completeness of reports that the issuer used in the performance of various controls that the firm tested over deposit liabilities. (AS 2201.39)

The sample size the firm used in certain of its substantive procedures to test deposit liabilities was too small to provide sufficient appropriate audit evidence because these procedures were designed based on a level of control reliance that was not supported due to the deficiency in the firm's control testing discussed above. (AS 2301.16, .18, and .37; AS 2315.19, .23, and .23A)

Audits with a Single Deficiency

None

Part I.B: Other Instances of Non-Compliance with PCAOB Standards or Rules

In the 2018 inspection, we did not identify any deficiencies related to other instances of non-compliance with PCAOB standards or rules.

Part II: Observations Related To Quality Control

Part II of our report discusses criticisms of, and potential defects in, the firm's system of quality control.

Deficiencies are included in Part II if an analysis of the inspection results, including the results of the reviews of individual audits, indicates that the firm's system of quality control does not provide reasonable assurance that firm personnel will comply with applicable professional standards and requirements. Generally, the report's description of quality control criticisms is based on observations from our inspection procedures.

Any changes or improvements to its system of quality control that the firm may have brought to the Board's attention may not be reflected in this report, but are taken into account during the Board's assessment of whether the firm has satisfactorily addressed the quality control criticisms or defects no later than 12 months after the issuance of this report.

Criticisms of, and potential defects in, the firm's system of quality control, to the extent any are identified, are nonpublic when the reports are issued. If a firm does not address to the Board's satisfaction any criticism of, or potential defect in, the firm's system of quality control within 12 months after the issuance of our report, any such deficiency will be made public.

Appendix A: Firm's Response to the Draft Inspection Report

Pursuant to section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(a), the firm provided a written response to a draft of this report. Pursuant to section 104(f) of the Act and PCAOB Rule 4007(b), the firm's response, excluding any portion granted confidential treatment, is attached hereto and made part of this final inspection report.

The Board does not make public any of a firm's comments that address a nonpublic portion of the report unless a firm specifically requests otherwise. In some cases, the result may be that none of a firm's response is made publicly available.

In addition, pursuant to section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(b), if a firm requests, and the Board grants, confidential treatment for any of the firm's comments on a draft report, the Board does not include those comments in the final report. The Board routinely grants confidential treatment, if requested, for any portion of a firm's response that addresses any point in the draft that the Board omits from, or any inaccurate statement in the draft that the Board corrects in, the final report.



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June 29, 2020

Mr. George Botic, Director
Division of Registration and Inspections
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, DC 20006

Re: Response to Part I of the Draft Report on the 2018 Inspection of Crowe LLP

Dear Mr. Botic:

Crowe LLP appreciates the opportunity to respond to the Public Company Accounting Oversight Board's ("PCAOB") draft report on the 2018 Inspection of Crowe LLP (the "Report").

We believe the PCAOB's inspection process serves an important role in improving audit quality for the benefit of investors and the public interest. We take seriously the matters identified by the PCAOB, which we analyze in our ongoing efforts to strengthen our quality control processes and audit performance. We appreciate the professionalism of the PCAOB's inspectors and staff in their interactions with our personnel, and we commend the PCAOB's efforts to streamline and enhance the inspection report format.

We have carefully considered the matters identified in Part I.A of the Report and have taken actions to address the matters in accordance with PCAOB standards and our policies. These actions include performing additional procedures when appropriate and including additional documentation in our files to more completely describe and support our procedures and conclusions.

Crowe LLP is committed to performing high quality audits, and we have designed our quality control and monitoring systems to drive continuous improvement. We look forward to continued dialogue with the PCAOB to advance the shared goal of audit quality.

Sincerely,

Crowe LLP
Crowe LLP

