



Crowe Chizek and Company LLC
Member Horwath International

June 30, 2008

Advisory Committee on the Auditing Profession
Office of Financial Institutions Policy
Room 1418
Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

**Comments on the Draft Report of the Advisory Committee on the Auditing Profession,
Including the Addendum**

Dear Committee Members:

Crowe Chizek and Company LLC ("Crowe") welcomes the opportunity to comment on the Draft Report of the Advisory Committee on the Auditing Profession ("Committee") dated May 5, 2008 and the "Addendum to VI. Firms Structure and Finances" issued subsequently thereto (collectively referred to as the "Draft Report."). We have followed the work of the Committee and commend the members on effectively highlighting many of the challenges we face in the U.S. to ensure that public company financial reporting receives, on an uninterrupted basis, the critical assurance that the audit process provides. We have also provided direct input to the Committee through the testimony and written submission of Julie K. Wood, our Chief People Officer (December 3, 2007) and the written testimony of Robin G. Munden, our General Counsel (June 3, 2008).

Crowe is a member of the Center for Audit Quality ("CAQ") and Charles M. Allen, our Chief Executive Officer, is a member of the CAQ Governing Board. We have had the opportunity to provide input into the development of the CAQ's comments on the Draft Report. We believe the CAQ's comment letter, dated June 20, 2008, provides a comprehensive review of the Committee's recommendations and, together with the Draft Report, represents a thorough assessment of the state of the public company auditing profession. We support the comments included in the CAQ's letter.

Crowe is one of the very few firms which does not have over 300 public company audit clients yet is annually inspected by the PCAOB. Crowe is national in scope, and operates internationally through membership in Horwath International, a worldwide organization which is structured in a manner similar to the international structure of the largest international audit organizations. Accordingly, we are the prototype of a firm positioned to offer auditor choice to many public companies today, and we continue to make investments necessary to provide choice to a wider range of public companies tomorrow. Because of our unique positioning, we concluded that we could best assist the Committee by providing our observations on certain matters related to competitiveness contained in VI, Firm Structure & Finances, and VII, Concentration and Competition, of the Draft Report.

Competitiveness and Catastrophic Liability

We believe that the issue of catastrophic auditor liability should be framed around the issue of uninsurable risk. Uninsurable risk arises when the potential loss is so great, and unpredictable, that commercial insurers are unable to price the risk and auditors are unable to enter into normal, risk transfer transactions. This is the case with a large portion of the public company auditing profession today. Smaller firms, with few public company audit clients, can generally obtain coverage which greatly reduces the chances that a loss would threaten the firm's survival. As firms take on more, and larger, public company audits, the probability of a loss which could threaten a firm's survival increases rapidly, while the ability to mitigate the risk through normal, commercial risk transfer transactions decreases rapidly, creating an increasing "catastrophic risk gap." Thus, we have the undesirable situation of having the catastrophic risk being the greatest for those firms providing the greatest portion of assurance services to our capital markets. We do not believe this is in the public's best interest.

The reality of a growing catastrophic risk gap is very real for mid-sized and smaller firms. Many firms have made the decision to keep the number of public company audits they conduct to less than 100. While this strategy has the often-discussed effect of keeping the firm in the PCAOB's triennial rather than annual inspection program, we believe a primary reason is to minimize the catastrophic risk gap.

Crowe is committed to the public company auditing profession and we continue to make significant investments in our practice. However, we are monitoring and managing the catastrophic risk gap actively. Should the gap become too large, as indicated by increased liability losses or deterioration in the insurance markets, or other factors, we could be forced to slow, shrink or exit our public company practice.

It is common for public policy makers to create mechanisms to address uninsurable risk. The medical profession has faced losses, particularly in certain specialties, causing doctor shortages. Liability caps have served to improve the insurability of this risk and reduce the shortages. In another example, utilities were unwilling to construct nuclear power plants due to the inability to obtain insurance for accident related risk. In this case, the Price Anderson Nuclear Industries Indemnity Act created a framework which combined risk sharing among industry participants with excess coverage by the federal government. Each uninsurable risk is different, and public policy makers, industry participants and constituents should focus on developing a structure which addresses the increasing catastrophic risk gap facing public company auditing within the United States.

There is another element of the discussion surrounding catastrophic risk that needs to be publicly addressed. Some have asserted that auditors need the financial incentive of catastrophic risk to do an adequate job. We strongly object to this characterization. Crowe has hundreds of professionals engaged in auditing public companies every day. They are smart, hard-working professionals who care deeply about their role in the capital markets and are keenly aware that investors and audit committees are relying on them to perform quality work. These professionals are also acutely aware that an undetected financial reporting error at a client company could be a career ending event with devastating emotional and financial implications for them personally, while subjecting their firm to embarrassment and financial harm. Our professionals are driven to perform the highest quality work possible. Accordingly, we believe that assertions regarding the necessity of catastrophic risk as additional motivation are without merit.

Competitiveness and Transparency

While we agree with the commentary regarding transparency within the CAQ comment letter, we believe that increased disclosure of information directly related to audit quality, such as Article 40 of the EU's Eighth Company Law Directive would be helpful to audit committees and investors. We would look forward to working with the appropriate regulatory body in developing a consistent reporting standard for all firms conducting public company audits. However, we believe the disclosure of firm financial information, as the Committee has suggested, has additional inherent complications.

The Committee has heard testimony that mid-sized and smaller public accounting firms might elect not to conduct public company auditing if they were required to publish their financial information. While some have suggested a size cut-off for such disclosure to help these firms, the firms rightly point out that market pressure would likely force them to provide such information even if it was not required by regulation. Based on our participation in the market for auditing services and our observation of the business strategies of other public accounting firms, we find this testimony credible. We believe those firms, rather than succumb to market pressures, could choose to exit public company auditing, particularly given the relatively small percentage of their revenue from public company auditing. There are already sizable, credible firms which have opted out of the public company auditing market. Losing more firms from the market would reduce auditor choice, particularly for smaller public companies.

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Thank you for the opportunity to provide our comments on the Draft Report. We look forward to continuing to work with public policy makers to ensure a healthy audit profession which provides meaningful auditor choice to public companies.

Sincerely,

A handwritten signature in cursive script that reads "Crowe Chizek and Company LLC".

Crowe Chizek and Company LLC