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Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street NW
Washington, D.C. 20006

By e-mail: comments@pcaobus.org

Re: Proposed Auditing Standard – The Auditor’s Use of Confirmation

Dear Office of the Secretary:

RSM US LLP (RSM) values the opportunity to offer our comments on the Public Company Accounting Oversight Board’s (PCAOB) Proposed Auditing Standard, *The Auditor’s Use of Confirmation, and Other Proposed Amendments to PCAOB Standards* (the proposed standard). We are generally supportive of many of the proposals to update the standard, recognizing the importance of the standard to audit quality and investor protection. RSM is a registered public accounting firm serving middle-market issuers, brokers and dealers.

Overall Comments on the Proposed Standard

We recognize the need to update this standard – the confirmation process has significantly evolved with changes in technology and electronic communications since the standard was written. Current practice by firms and others involved in the confirmation process has also evolved to incorporate these changes in technologies and electronic communications, and we acknowledge the efforts of the PCAOB in advancing the standard to capture some of these changes. However, we don’t believe that the standard has gone far enough to enable the standard to remain fit-for-purpose into the future, recognizing that technologies and communication methods will continue to evolve, as well as practices to undertake the confirmation process. We therefore encourage the PCAOB to broadly reconsider what more can be done to ‘future-proof’ the standard before it is finalized.

The structure of the standard is largely focused on the confirmation process itself. While we agree that there are unique aspects to undertaking the confirmation process that need to be addressed by the standard, we are of the view that the standard does not adequately address when confirmations are the most appropriate form of audit evidence based on risk identification and assessment, and the unique circumstances of each entity. We therefore encourage the PCAOB to further consider how the risk identification and assessment model, with appropriate responses thereto, can be better incorporated into this proposed standard, which will provide greater clarity around when confirmations are the most appropriate form of audit evidence or when other substantive procedures are appropriate, given the circumstances. For example, the proposed standard focuses on specific requirements for cash and accounts receivable confirmation, with an explanation of why confirmation is commonly seen as an appropriate substantive test. In practice, confirmation is also often used by auditors for several other significant accounts. While examples of other balances are referred to in paragraph .06, we suggest that the proposed standard go further in assisting auditors in determining when confirmation may or may not be the most appropriate test.

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With regard to the specific proposals within the proposed standard, we are generally supportive and believe that the proposals are workable, subject to the specific concerns we have detailed in this letter. We also support the PCAOB's objective of including more principles-based requirements that are designed to apply to all methods of confirmations, using risk-based considerations for obtaining relevant and reliable audit evidence through confirmation, which allows for the auditor's judgment to be used for the unique circumstances applicable to the entity and its circumstances. However, in some circumstances, the requirements appear less principles (and risk) based, which detracts from the scalability of the proposed standard. In particular, one of our main concerns relates to the requirement to confirm cash balances without consideration to the risk associated with the balance, the effectiveness of the confirmations or the standard providing for the presumption to confirm cash to be overcome. While in many situations, confirmations related to cash and cash equivalents provide sufficient and appropriate audit evidence, we strongly believe that a more risk-based approach to the requirement to confirm any balances, including cash, would be more consistent with the overall risk-based approach to audits.

We provide further detail on these broader points, as well as other comments, in our responses to the specific questions as set out below.

Comments on the Specific Aspects of the Proposals

1. Are there problems relating to the auditor's use of confirmation that are not described above? If so, what are the problems and what changes should be considered to address them?

While we agree that obtaining evidence from third parties is generally the most reliable form of audit evidence, in many instances, third parties do not return the confirmations, even after follow-up. Alternative procedures on the balance are then performed to obtain the evidence necessary to support the audit opinion. We do not believe that the standard amply recognizes that, in some cases, the confirmation process may not be the most effective audit procedure and we encourage that further consideration be given to leaving the decision to confirm with a third party to the auditor's judgment, which would allow the auditor to plan the most effective audit procedure to obtain audit evidence and would include consideration of prior experience with confirmations from the prior year's audit. This would avoid wasted effort and cost in trying to obtain confirmations that the auditor initially knows will be difficult to obtain and the likelihood is greater that other procedures will still need to be performed.

2. Would investors find it useful in making investment decisions to have more information about the auditor's use of confirmation in the audit of an issuer's financial statements? If so, what type of information would be useful to investors and how might it be provided?

Without speaking on behalf of investors, we would like to provide our perspective on this matter. A mechanism within the auditor's report to communicate matters of interest to investors through the disclosure of critical audit matters already exists within an audit.

The auditor's approach to obtaining sufficient and appropriate audit evidence, including determining when confirmations are undertaken, is an intricate balance of what is needed within the context of that particular audit.

3. Should the new proposed standard more explicitly address the use of technology, including situations where the use of technology might improve the quality of evidence obtained through the confirmation process? If so, how?

As noted in our introductory comments, we believe the standard should more explicitly allow for current and future technologies and practices for obtaining confirmations. To allow for continuously evolving

technology and different types of electronic communications (including how electronic confirmations may be sent today), further consideration could be given to clarifying the required elements of an electronic confirmation to explain the basis for obtaining the necessary evidence (i.e., explain the nature of the evidence that would be relevant and reliable), as this would allow auditors to ensure that these underlying characteristics are met, regardless of the technology used or the practices undertaken to obtain the confirmation. For example, it would be helpful if the proposed standard clarified what more needs to be done with regard to the reliability of the information in a confirmation when it is received electronically, or if the auditor verifies the information directly in the third party's system.

4. Is the objective of the new proposed standard clear? If not, how should it be clarified?

We believe that the objective of the standard is clear and that no further clarification is needed.

5. Does the new proposed standard provide for an appropriate amount of auditor judgment in determining whether to perform confirmation procedures in situations other than those specifically addressed in the new proposed standard?

We agree that the proposed standard allows for auditor judgment (outside of those areas specifically addressed by the proposed standard) when determining whether to use confirmations to obtain audit evidence using a risk-based approach. However, we believe additional guidance would be beneficial regarding when procedures alternative to the confirmation process may provide sufficient appropriate audit evidence. We believe that there should be sufficient judgment for the auditor to determine which procedures they will use to collect the evidence they need.

6. Are there accounts other than those addressed in the new proposed standard or financial statement assertions for which the auditor should be required to perform confirmation procedures? Why or why not?

We do not believe there are any other specific accounts or financial statement assertions for which confirmation procedures should be required. However, we believe that further clarification is needed about those areas where more persuasive evidence through the use of confirmations is required to be obtained or considered (and thus such consideration documented). Paragraph .07 of the proposed standard briefly explains that for certain areas, such as where there are fraud risks and significant unusual transactions, confirmations are generally more persuasive than audit evidence obtained through other procedures. There is not an explicit requirement and, therefore, it is difficult to understand the intent of the paragraph and assess whether the confirmation process is required for all fraud risks and significant unusual transactions, the confirmation process is required to be considered for all fraud risks and significant unusual transactions, or this is simply guidance to be considered as part of the auditor's overall determination of procedures to be performed. Paragraph .15 of the proposed standard does require the auditor to 'consider confirming' certain aspects of significant unusual transactions that are determined to be significant risks, but it is not clear how that is linked to paragraph .07, and therefore there may be confusion as to when confirmation is required. As noted previously in our letter, we suggest that the proposed standard be more broadly revised to better incorporate a risk-based approach to determining the most appropriate audit procedures to address the risks that have been identified, for example in a similar way to how an auditor considers the risks of fraud, and responses thereto, as set out in AS 2401, *Consideration of Fraud in a Financial Statement Audit* and AS 2301, *The Auditor's Responses to the Risks of Material Misstatement*.

Paragraph .15 also addresses 'complex transactions that are significant risks,' but fraud risks are not addressed. We believe that the standard should be clear when confirmation is required, or when it is left

to the auditor's judgment based on the persuasiveness of evidence needed. The PCAOB's explanations about the requirements of the standard provide more clarity for which areas confirmations are required or are required to be considered, and we encourage that this clarity is reflected in the final standard. We also believe that 'general principles' for determining when confirmations are required should have more prominence than the requirements addressing specific areas, and therefore we have the view that paragraph .15 should be elevated above the more specific requirements.

7. As discussed above, the new proposed standard would not include a requirement to send confirmation requests in response to significant risks related to assertions that could be adequately addressed through confirmation. Is the proposed approach appropriate? Why or why not?

We support that the decision to not include a requirement to send confirmation requests for significant risks and rather allow the auditor to use judgment as to the most appropriate way to obtain sufficient appropriate audit evidence about the balance or disclosure. We believe that the decisions about how the auditor chooses to obtain evidence should be left to the auditor's judgment based on the identified and assessed risks of material misstatement.

8. Is the new proposed standard sufficiently flexible to accommodate situations where an auditor chooses to confirm information about newer types of assets (e.g., existence, and rights and obligations of digital assets based on blockchain or similar technologies)? If not, what changes or additions should we consider to address confirmation of newer types of assets?

Taking into account our comments about the proposed standard more broadly addressing a risk-based approach to confirmations rather than addressing specific balances to be confirmed, we believe that the proposed standard is sufficiently flexible and scalable to allow for these areas that are evolving and other new emerging areas to be appropriately addressed by the auditor based on the identified and assessed risks of material misstatement.

9. Are there ways in which the new proposed standard should be changed to further align with the PCAOB's risk assessment standards? If so, how should the new proposed standard be changed?

Other than our response to question 5 above regarding the prescriptive nature of some requirements, we do not believe that there are further changes needed.

10. Are the requirements in the new proposed standard regarding confirming cash held by third parties, as well as other financial relationships, sufficiently clear and appropriate? If not, what changes should be considered?

The requirements in the proposed standard related to confirming other financial relationships are clear and appropriate (also, please see our response to question 12 below). However, we have concerns about the requirements regarding cash held by third parties.

As previously noted in this letter, we strongly encourage a broader risk-based approach to determining when confirmations are needed. In particular, we do not believe the proposed requirements relating to confirming cash and cash equivalents are appropriate. We believe that in certain circumstances it is not necessary to confirm cash and cash equivalents with a third party (e.g., there may be cash balances that are clearly trivial), which was also recognized by the PCAOB in the explanatory material. We therefore encourage the PCAOB to revise the requirements to achieve a more risk-based approach to determining when confirmation for cash and cash equivalents is required. This could be achieved through allowing a rebuttal if there is an alternative procedure that will provide the persuasive evidence that is needed, or

there is no or low risk of material misstatement. Such an approach would be consistent with the requirement for confirming accounts receivable, which can be rebutted, and therefore allows the auditor to exercise judgment about how to respond to the auditor's risk assessment and the entity's unique circumstances (as set out in paragraphs .12 and .14 of the proposed standard).

It is also not clear from the proposed standard which cash and cash equivalents held by third parties are required to be confirmed. Paragraph .10 of the proposed standard explains, "When confirming individual items of cash and cash equivalents, the auditor should take into account the auditor's understanding of the company's cash management system and treasury function, and the substance of the company's arrangements and transactions with third parties." It is not clear what the intent of that paragraph is. The explanatory part of the exposure draft explains that the PCAOB, "...notes that an auditor need not necessarily confirm all cash accounts in all cases, that there may be other means of testing (selecting all items, selecting specific items and audit sampling)." It goes on to explain that the auditor would, "... select individual cash items to confirm following relevant PCAOB standards, including identifying and assessing the risks of material misstatement." This suggests that the selection of individual cash items to be confirmed would depend on the evidence necessary to address the assessed risks of material misstatement. This in turn may suggest that if there is no or a low risk of material misstatement (i.e., there is not a significant amount of persuasive evidence needed), there may be limited or no confirmation with a third party of cash and cash equivalents balances. We therefore encourage that if the intent is that not all cash and cash equivalents are required to be confirmed, explicit clarification be added to the standard to align the determination about the cash and cash equivalents that need to be confirmed with the response to the auditor's risk assessment.

11. Are there substantive audit procedures other than confirmation that would provide audit evidence that is at least as persuasive as evidence the auditor might expect to obtain through confirming cash? If so, please describe these procedures.

As noted previously, the way that confirmations are being sent and received, and the technologies involved, continue to evolve. The standard should allow for other types of persuasive evidence to be obtained, where appropriate. For example, an auditor may obtain a read-only access log-in from a third party that permits direct access to verify and validate information for an entity being audited. This validation procedure would provide substantially the same evidence as a confirmation from the third party of the same information. We believe that the standard should allow for other types of persuasive evidence such as this to be obtained where appropriate.

12. For other financial relationships with the confirming party, is the requirement in the new proposed standard that the auditor should consider confirmation sufficiently clear and appropriate?

Yes, the requirement in the new proposed standard relating to other financial relationships with the third party that the auditor should consider confirming is appropriate.

13. Are the requirements in the new proposed standard sufficiently risk-based to enable the auditor to use professional judgment in selecting which cash accounts and other relationships would be subject to confirmation?

No, please see our response to question 10 above.

14. Is the continued requirement to confirm accounts receivable sufficiently clear and appropriate? Are there other approaches that we should consider instead?

Yes, the requirement to confirm accounts receivable is sufficiently clear and appropriate. Also, please see our response to question 17 below.

15. Are the provisions of the new proposed standard sufficiently principles-based to allow auditors to use professional judgment to determine the extent of confirmation of accounts receivable?

Yes, the provisions of the new proposed standard are sufficiently principles-based to allow auditors to use professional judgment to determine the extent of confirmation of accounts receivable (i.e., through the ability to rebut the requirement for a confirmation and use other procedures).

16. Is the description of accounts receivable sufficiently clear? Is there any reason to broaden the description to include other types of receivables, and if so, which ones?

Yes, the description of accounts receivable is sufficiently clear, and we do not believe the description should be broadened.

17. Is the ability to overcome the presumption to confirm accounts receivable when another substantive audit procedure would provide evidence that is at least as persuasive as performing confirmation procedures sufficiently clear and appropriate?

Yes, we strongly support maintaining the ability to overcome the presumption to confirm accounts receivable when another substantive audit procedure would provide evidence that is at least as persuasive, as set out in the proposed standard. The ability to overcome the presumption to confirm allows for a risk-based approach.

However, we believe the PCAOB should clarify in the standard when it would be appropriate to perform alternative procedures in place of confirmations, possibly through the use of examples to explain circumstances when alternative procedures would be appropriate.

The PCAOB's explanatory material in the proposed standard provides guidance relating to the expected extent of testing for confirmation or other substantive procedures related to accounts receivable, such as:

"...the necessary nature, timing, and extent of audit procedures performed in lieu of confirmation would depend on the facts and circumstances of the company and the audit. Under PCAOB standards, as the risk of material misstatement increases, the amount of evidence that the auditor should obtain also increases. In the above example, as the risk increases, the auditor could increase the number of individual transactions for which the auditor examines third-party evidence. Further, the auditor may determine that to obtain audit evidence that is at least as persuasive as evidence from confirmation, the auditor may need to apply the other procedures to a greater number of items than the auditor would otherwise address through confirmation. The auditor's determinations (including the basis for the determinations) would be required to be documented in the working papers..."

As written, this states that even when an auditor determined that other substantive procedures provided evidence at least as persuasive as evidence from confirmation, nonetheless the extent of procedures would need to be increased. It is not clear why the extent of tests of details would need to be expanded based upon different procedures being applied that provide equally persuasive evidence. From a practical perspective, this would then require the auditor to design a test based on a confirmation procedure that was not determined to be appropriate for the engagement simply to have a baseline upon which to select a greater number of items for testing or for firms' audit methodologies to have separate sampling factors for accounts where confirmation could have been selected, but was not. This seems overly burdensome and not aligned with the application of auditor judgment in response to risks of material misstatement.

18. Are there certain factors that should be present when determining that other substantive audit procedures would provide audit evidence that is at least as persuasive as the evidence that the auditor might expect to obtain through performing confirmation procedures for accounts receivable? If so, what are those factors?

We believe that the auditing standards should focus on the assessed risks of material misstatement and the nature of the evidence to be obtained. The auditor should be allowed to use their judgment to apply the concepts of other existing standards to design the appropriate audit procedures in response to the assessed risks of material misstatement. For example, AS 1105 describes many considerations when determining how to obtain sufficient appropriate audit evidence. Further, AS 2301 provides the concept that the quantity and persuasiveness of audit evidence needed depends on the auditor's assessment of risk.

Factors to consider when evaluating the persuasiveness of evidence for accounts receivable may include the nature of the entity's customer base and the auditor's experience in performing confirmation procedures in past audits. For example, there may be instances where an entity's customers have historically not provided persuasive evidence as a result of low confirmation response rates.

19. Is the requirement for the auditor to communicate to the audit committee instances in which the auditor has determined that the presumption to confirm accounts receivable has been overcome and the basis for the auditor's determination sufficiently clear and appropriate? Why or why not?

We do not believe this requirement is appropriate. We believe that communications to the audit committee should be based on the auditor's assessment of risks of material misstatement and the existing requirements in AS 1301 when making such communications. Current standards already require auditors to communicate other matters to the audit committee when those matters arise from the audit that are significant to the oversight of the company's financial reporting and include concerns regarding accounting or audit matters. Including the requirement for the auditor to communicate all instances in which the auditor has determined to not confirm accounts receivable is not aligned with the framework set out in AS 1301 and runs the risk of providing information that is not decision-useful and obviates the ability of auditor and audit committee communications to be focused on the risks identified in the audit.

20. Are the provisions of the new proposed standard related to confirming the terms of certain transactions that have a significant risk of material misstatement sufficiently clear and appropriate?

We agree that the auditor "should consider" (i.e., exercise their professional judgment) whether to confirm terms for transactions that are considered significant risks, and the decision to do so should be based upon the assessed risks of material misstatement and the persuasiveness of other evidence to support the balance or disclosures. However, it is not clear what the term "complex transaction" means because it is not defined in the PCAOB's literature. We therefore believe the references to "complex transaction" should be removed or that it should be clarified whether a "complex transaction" is a transaction that is determined to be a significant risk.

21. Is the new proposed standard sufficiently clear that an auditor's use of confirmation is not limited to the circumstances discussed in paragraphs .09 through .15 of the new proposed standard? If not, how should it be clarified?

Although we have specific concerns about the requirement for confirmations as set out in paragraphs .09-.15 as detailed above, it is clear that there may be other circumstances where confirmations are the appropriate audit procedure to obtain audit evidence.

22. Are the provisions of the new proposed standard related to identifying information to confirm sufficiently clear and appropriate?

While we believe that the provisions of the new proposed standard related to identifying information to confirm are clear and appropriate, we believe that there should be consistency in how the accuracy and completeness of the information can be tested (in paragraph .17 of the proposed standard) with paragraph .10 of AS 1105, *Audit Evidence*, which also allows the testing of controls over the accuracy and completeness of the information.

23. Are the provisions of the new proposed standard related to identifying confirming parties sufficiently clear and appropriate?

Yes, the provisions of the new proposed standard related to identifying confirming parties are clear and appropriate.

24. Is the requirement in the new proposed standard to send a confirmation request directly to the confirming party, and determine that the request is properly addressed, sufficiently clear and appropriate? Should the new proposed standard contain specific procedures for the auditor to test information about the confirming party such as the address?

We believe that this requirement is clear and appropriate, and do not believe that any further procedures are required, other than our response to question 3 above.

25. Are the provisions of the new proposed standard related to the auditor's use of negative confirmation requests sufficiently clear and appropriate?

We believe the provisions of the new proposed standard related to the auditor's use of negative confirmation requests are sufficiently clear and appropriate. However, we would like to encourage the PCAOB to further consider adding more guidance about the types of substantive analytical procedures that may be appropriate when negative confirmations are used, and the impact of those particular substantive procedures on the extent of confirmations required.

26. Are the requirements in the new proposed standard to evaluate the implications of using an intermediary to facilitate direct electronic transmission of confirmation requests and responses (including as set forth in paragraph .B2 of the new proposed standard) sufficiently clear and appropriate? Are there other requirements or considerations that the auditor should perform or take into account when using an intermediary in the confirmation process?

We have a number of concerns related to paragraphs .22 to .24 of the proposed standard:

- The existing version of the standard defines "maintain control." In the proposed standard, the requirement to "maintain control" and the sending of the confirmation request directly are in separate paragraphs, which may suggest there are different responsibilities for the auditor. We suggest combining paragraphs .22 and .23, with the requirement to "maintain control" coming after the requirement to send the confirmation request directly so that it is clear that the auditor's responsibility is to send the confirmation directly while maintaining control of this process.
- It is not clear from the standard what an "intermediary" is – further clarity to ringfence the types of intermediaries, available now or in the future, that should be considered for the purpose of this requirement will help auditors understand for whom the controls need to be further considered as current technology advances.

- It is not clear from the standard what should be done in instances when the intermediary's controls cannot be relied on (e.g., the intermediary's report on internal controls is qualified or the report is issued at a different time of year from the annual audit and, for example, a "gap letter" is not available). We encourage that the standard, when finalized, explains the process to be followed when the intermediary's controls cannot be relied on.

27. Is the potential interaction between using an intermediary in the new proposed standard and the proposed requirements in QC 1000 related to third-party providers sufficiently clear?

We do not believe that the interaction between an 'intermediary' in the proposed standard and 'third-party provider' in QC 1000 is clear. While an intermediary is a type of third-party provider, the description of each is different, which may be confusing and suggest that they are something separate. We do not believe this is the intent. We therefore encourage the PCAOB to use consistent language to describe an intermediary in this proposed standard and a third-party in QC 1000 so that it is clear how these interact.

28. Are the provisions of the new proposed standard related to evaluating the reliability of confirmation responses sufficiently clear and appropriate?

We believe the provisions of the new proposed standard related to evaluating the reliability of confirmation responses is sufficiently clear and appropriate. The indicators that a confirmation response may have been intercepted or altered provided in paragraph .25 are helpful, with the example provide in paragraph .25a. being experienced commonly in practice.

29. Are the provisions of the new proposed standard related to confirmation exceptions and nonresponses sufficiently clear and appropriate?

We believe the provisions of the new proposed standard related to confirmation exceptions and nonresponses is sufficiently clear and appropriate.

30. Are the provisions about when the auditor should send a second positive confirmation request sufficiently clear and appropriate? Would this provision be a change from current practice?

We believe sending second positive confirmations may be appropriate, but not necessarily in all circumstances, and therefore the standard should allow for more judgment when determining whether to send a second confirmation or not. In addition, we believe that it should be clarified when confirmations should be sent, either the initial or the second request, when the auditor is aware of "information that indicates that the confirming party would be unlikely to respond to the auditor" (paragraph .28 of the proposed standard) or whether the auditor should then proceed to use alternative procedures.

31. Are the proposed circumstances in the new proposed standard under which the auditor generally would be required to perform alternative procedures sufficiently clear and appropriate?

While we believe that the requirements in new proposed standard for which the auditor generally would be required to perform alternative procedures is appropriate, we do not believe the intent of the "note" in paragraph .31 is clear. The interaction between this note and AS 2810.17 (describing the auditor's responsibilities to evaluate the effect of uncorrected misstatements) is confusing and should be clarified.

33. Are the requirements in the new proposed standard to exclude the internal auditor from selecting items to be confirmed, sending confirmation requests, and receiving confirmation responses sufficiently clear and appropriate? If not, what changes should be considered?

While we believe that the requirements in the new proposed standard to exclude the internal auditor from selecting items to be confirmed are appropriate, there are other aspects of direct assistance where we do not agree with the proposals because prohibiting such activities would conflict with the ability to use internal auditors to provide direct assistance to the auditor as set out in paragraph .27 of AS 2605, *Consideration of the Internal Audit Function*. We encourage that the requirements within the proposed standard be modified to be consistent with what is currently allowable under AS 2605.

34. Based upon information available, we understand auditors' use of internal audit in a direct assistance capacity to send confirmation requests or receive confirmation responses to be infrequent. Are commenters aware of information to the contrary?

For audit engagements conducted by our firm, we are not aware of internal audit being used in a direct capacity to send and receive responses on a frequent basis.

35. In the event of a management request not to confirm a certain item, are there procedures that the auditor should perform which are not currently required by other PCAOB standards? If so, what other procedures should be required?

We do not believe that there are other procedures that should be included in the proposed standard that are not currently required by other PCAOB standards.

36. Based upon information available, we understand management requests not to confirm certain items or accounts to be infrequent. Are commenters aware of information to the contrary? If so, in what circumstances do management requests not to confirm commonly arise in practice?

Based on our experience, this is primarily relevant in the financial institution industry where management may request the auditor not to confirm certain accounts if they are in the process of collection (e.g., bankruptcy, restructure) or if the customer has elected not to receive mail. For other industries, we have experienced infrequent instances of management requesting us not to confirm certain items or accounts.

37. Are the definitions included in the new proposed standard sufficiently clear and appropriate? If not, what changes should be made to the definitions?

We have detailed in our comments to question 26 that further clarification (including possible definitions) be made regarding the term's "intermediaries" and "maintaining control."

In addition, we believe in the definition of "nonresponse" it should be made clear that this means the confirmation is received 'directly' by the auditor (i.e., add 'directly' to (ii) within that definition).

.A8 Nonresponse – A situation in which (i) after sending a confirmation request(s), the request is returned undelivered; (ii) the auditor does not receive a confirmation response to a positive confirmation request **directly** from the intended confirming party; (iii) the auditor receives correspondence from the intended confirming party indicating that the confirming party is unable or unwilling to respond to the confirmation request; or (iv) the auditor receives an oral response only.

38. Are there other amendments that should be made to the PCAOB's existing standards to conform them with the new proposed standard?

We do not believe any other changes are needed.

48. How much time following SEC approval would audit firms need to implement the proposed requirements?

We believe that an effective date that is two years after SEC approval would allow firms sufficient time for the implementation of the changes needed.

49. Would requiring compliance for fiscal years beginning after the year of SEC approval present challenges for auditors? If so, what are those challenges, and how should they be addressed?

This would be dependent on when the SEC approves the final standard. We encourage that sufficient time be allowed for effective implementation, which would involve changes to methodologies, manuals and procedures, training and appropriate planning for audits following the effective date.

We would be pleased to respond to any questions the PCAOB or its staff may have about our comments. Please direct any questions to Adam Hallemeier, Deputy Chief Auditor, at 619.641.7318, or Sara Lord, Chief Auditor, at 612.376.9572.

Sincerely,

RSM US LLP

RSM US LLP