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November 27, 2009

Ms. Elizabeth M. Murphy, Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File Number PCAOB-2009-02: Notice of Filing of Proposed Rules on Auditing Standard No. 7, *Engagement Quality Review, and Conforming Amendment*

Dear Ms. Murphy:

McGladrey & Pullen, LLP is pleased to submit written comments in response to the SEC's Notice of Filing of the Public Company Accounting Oversight Board's (PCAOB or the Board) Proposed Rules on Auditing Standard No. 7, *Engagement Quality Review (EQR), and Conforming Amendment* (the proposed standard). McGladrey & Pullen, LLP is a registered public accounting firm serving middle-market issuers.

McGladrey & Pullen, LLP supports the issuance of an engagement quality review standard that more clearly articulates the standards for performing an engagement quality review. We believe the changes that were made to the original proposed standard more appropriately define the requirements for the performance of an engagement quality review. However, we have the following concerns about certain guidance in the release to the proposed standard related to documentation of the engagement quality review that was not previously exposed for comment:

Page 21 of Release 2009-004 dated July 28, 2009 contains a paragraph that states, in part, "For example, if a reviewer identified a significant engagement deficiency to be addressed by the engagement team, the engagement team should document its response to the engagement deficiency in accordance with AS No. 3. Because AS No. 7 does not require duplication of documentation prepared by the engagement team, the engagement quality reviewer does not have to separately document the engagement team's response. Rather, the EQR documentation should contain sufficient information to enable an experienced auditor, having no previous connection to the engagement, to understand, e.g., the significant deficiency identified, how the reviewer communicated the deficiency to the engagement team, why such matter was important, and how the reviewer evaluated the engagement team's response."

In response to comments received on Release 2009-001 dated March 4, 2009, the Board removed its proposed requirement for the engagement quality reviewer to document, "the significant discussions held by the engagement quality reviewer and others who assisted the reviewer, including the date of each discussion, the specific matters discussed, the substance of the discussion, and the participants." However, by including this language in page 21 of Release 2009-004, the Board appears to have included a

documentation requirement in the release that is not included in the standard itself. We believe this guidance is inconsistent with both the proposed standard and Auditing Standard No. 3 and should be removed.

Auditing Standard No. 3 requires that the audit documentation identify all significant audit findings or issues, actions taken to address them, and the basis for the conclusions reached with respect to such matters. This requirement applies regardless of whether such matters are identified by the engagement team in the performance of the audit procedures or by reviewers, including engagement quality reviewers, in the performance of engagement reviews. The reviewers' responsibilities, therefore, are to determine, based upon the performance of their reviews in accordance with relevant standards, that all significant audit findings and issues identified and evaluated during the course of their review have been resolved, and that such matters and their resolution have been appropriately documented.

The proposed standard itself contains no requirement to document significant engagement deficiencies identified, how they were communicated, why they were important and how they were resolved. Rather, the proposed standard requires the engagement quality reviewer, and others who assisted the reviewer, to document the procedures they performed and the audit documentation they reviewed to comply with the provisions of the proposed standard. Similarly, Auditing Standard No. 3 simply requires the audit documentation to identify who reviewed the work and the date of such review. Neither the proposed standard nor Auditing Standard No. 3 contain any requirement to document the reviewer's findings, how they were communicated, why the matter was important and how the reviewer evaluated the engagement team's response, and we do not believe such documentation is necessary to evaluate whether the engagement quality review was conducted with due professional care in compliance with the proposed standard.

Thank you for the opportunity to comment on the proposed standard. Please direct any questions regarding our comments to Bruce Webb, Executive Partner, National Professional Standards Group (515.281.9240) or Scott Pohlman, National Director of SEC Services (952-921-7734).

Very truly yours,

McGladrey & Pullen, LLP