



Crowe 2023 audit quality report

Our commitment to audit quality starts at the top





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Greetings

A message to our stakeholders:

As we report our audit quality indicators for fiscal year that ended on March 31, 2023, we reflect on the importance of our strong systems that help us deliver audit quality to our clients. Our unwavering commitment to audit quality starts at the very top of our organization.

Our firm's purpose – Shaping Your Better Tomorrow. Together. Today.™ – along with our firm values of care, trust, courage, and stewardship, drive everything we do as a firm and are uniquely aligned with foundations of the audit profession. Our leadership sets the tone and encourages all of us to care about each other, trust that our values help us to do what is right, have the courage to exercise professional skepticism and objectivity, and be good stewards of our profession.

At Crowe, audit quality starts with a foundation of solid leadership. Supported by our purpose and guided by our values, our leaders focus on having the right systems and controls in place for our audit professionals. They're committed to performing audits conducted in accordance with applicable standards and critically evaluating audit evidence while also seeking ways to innovate the process and invest in emerging technologies to further improve audit quality. Our leaders also preserve our equal sharing model, which prioritizes getting the right people, with the right expertise, on the right engagement and lined up with the clients that need their specialization – leading to both higher audit quality and a better experience for our clients.

While our leadership creates a solid foundation, audit quality is built on the commitment of all of our people. Our leaders and our teams work together to uphold the integrity of the capital markets, and we all understand what is at stake. Auditing is not just a job, it's a career and a profession – we are financial stewards trusted with the essential task of upholding our profession's high ethical standards, and we have a duty to uphold our own integrity. We also strive for diversity of people, thought, and expertise, which helps develop strong audit teams and supports continual improvement. Our people are key to our firm's delivery of audit quality, which is why our leaders are also focused on listening to and working with our people to implement best practices, maintain high standards, and keep up with changing markets.

Delivering audit quality is a journey, which is why our audit leadership prioritizes continual improvement. Better methods, new approaches, increased knowledge, and deeper analyses help us all keep pace with evolving standards, changing regulations, and new and emerging markets at all levels – but most importantly, they help us drive toward achieving audit quality in the face of volatility and change.

Sincerely,



MARK BAER
CPA, CEO

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



WENDY CAMA
CPA, MANAGING PARTNER,
AUDIT & ASSURANCE

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



2023 report highlights¹

Preface

This report provides an illustration of how Crowe is organized, operated, and monitored with respect to audit quality for audit committees, boards of directors, shareholders, regulators, investors, and other capital market stakeholders. As a privately held partnership, we voluntarily publish this report to demonstrate our commitment to audit quality.

“

Audit quality starts at the top – with solid leadership that prioritizes independence and integrity. This focus ensures our auditors are given the time, tools, and support to provide our clients with informative, accurate, and independent results – the true measure of audit quality.



WENDY CAMA
CPA, MANAGING PARTNER,
AUDIT & ASSURANCE

24
years

Partners' average years of experience*

* Includes audit, firm quality, and national office partners

-
- ▶ Leadership sets the tone for the importance of consistently enhancing audit quality.

1 to 7

Ratio of national office and firm quality partners and managing directors to audit partners and managing directors

1 to 8

Ratio of audit partners and managing directors to audit personnel

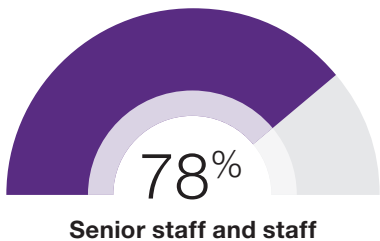
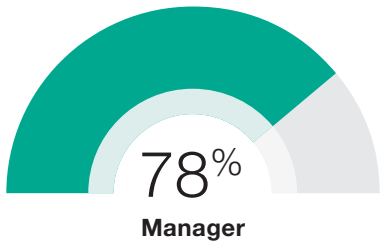
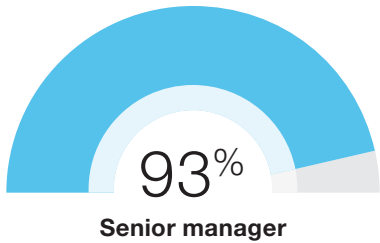
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- ▶ Our average partner and managing director-to-staff ratio brings experience and insights to our audits.

1,454 audit professionals



Average retention of audit, firm quality, and national office professionals

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



49 Average annual training hours completed per audit, firm quality, and national office professional*

* Based on 2022 calendar data

45 Number of audit engagements internally inspected

0 Number of reissuance restatements for issuer audit clients, 2018-2022*

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

2021 PCAOB inspection report²



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

- ▶ As one of 14 firms that audit more than 100 issuers, Crowe is subject to an annual inspection by the Public Company Accounting Oversight Board (PCAOB).³



Delivering audit quality



INVOICE FOR FREELANCE WORK

DATE OF INVOICE: _____
 INVOICE NO: _____
 SHEET REFERENCE NO: _____

FROM:

NAME: _____
 DATE OF BIRTH: _____
 TAXPAYER'S ID NO: _____
 GENDER: _____

HOME ADDRESS: _____
 CITY: _____
 ZIP CODE: _____

TO:

NAME: _____
 ADDRESS: _____
 ZIP CODE: _____

DESCRIPTION:
 Model Fee

BANKING DETAILS:

BANK: _____
 BRANCH CODE: _____
 TYPE OF ACCOUNT: _____
 ACCOUNT NO: _____
 REFERENCE TO BE USED FOR KEY: _____

I hereby acknowledge and agree that I am solely responsible for all tax obligations in connection with any remuneration received from the contractor.

SIGNED:
 FULL NAME: _____
 DATE: _____

DESCRIPTION	QUANTITY	UNIT PRICE	COST
Model Fee			

INVOICE FOR FREELANCE WORK

DATE OF INVOICE: _____
 INVOICE NO: _____
 SHEET REFERENCE NO: _____

FROM:

NAME: _____
 DATE OF BIRTH: _____
 TAXPAYER'S ID NO: _____
 GENDER: _____

HOME ADDRESS: _____
 CITY: _____
 ZIP CODE: _____

TO:

NAME: _____
 ADDRESS: _____
 ZIP CODE: _____

DESCRIPTION:
 Model Fee

BANKING DETAILS:

BANK: _____
 BRANCH CODE: _____
 TYPE OF ACCOUNT: _____
 ACCOUNT NO: _____
 REFERENCE TO BE USED FOR KEY: _____

I hereby acknowledge and agree that I am solely responsible for all tax obligations in connection with any remuneration received from the contractor.

SIGNED:
 FULL NAME: _____
 DATE: _____



Our commitment starts with our leaders

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 innovative technology to deliver audit quality with professional and responsive service.

That commitment starts at the top with our firm leadership and partners, who set the tone and expectations that drive audit quality throughout our firm and help us support the advancement of the audit profession. We know that audit integrity is key to establishing confidence in our capital markets, and we know what's at stake. The firm's commitment to ethics, independence, and integrity along with our rigorous system of quality management and oversight set the foundation for audit quality. In every audit engagement, our team of more than 1,400 Crowe audit professionals demonstrates our commitment to our values, our clients, and the audit profession. Our accomplished auditors use their combination of extensive experience and deep specialization to perform audits for a wide array of public and private companies, offering critical evaluations of the audit evidence and conducting audits in accordance with the applicable standards. We use innovative technology and proprietary systems to assist us in delivering quality audits to our clients.

24 Partners' average years of experience*
years

* Includes audit, firm quality, and national office partners

- ▶ For more about our management structure and partner compensation policies, see pages 44-47.

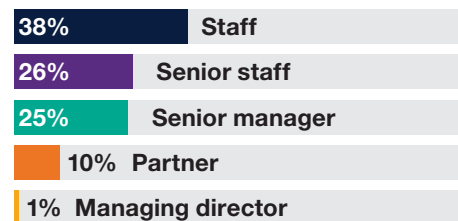


Our leaders' commitment to integrity, objectivity, and quality set the tone for our auditors to be respected, accountable stewards of our profession.



WENDY CAMA
CPA, MANAGING PARTNER,
AUDIT & ASSURANCE

1,454
audit professionals



SHAPING YOUR BETTER TOMORROW. TOGETHER. TODAY.



CARETRUSTCOURAGESTEWARDSHIP

Our leaders are rooted in our purpose and values

Our leaders aim to represent our purpose – “Shaping Your Better Tomorrow. Together. Today.” – and gain inspiration in how they lead from our core values – care, trust, courage, and stewardship. Our purpose and values drive them and their teams 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 competence, maintaining our focus on audit quality. What does this look like in our work? We lead with insights driven by a deep understanding of those we serve. Our leaders and teams show up every day with purpose and passion.



Leadership’s commitment to our values creates a solid foundation for audit quality and encourages our people to collaborate in order to deliver high-quality service with technical proficiency.



JENNIFER KNECHT
CPA, PARTNER, AUDIT
QUALITY AND RISK
MANAGEMENT LEADER



Creating a strong team dynamic



Our leaders help our teams stay committed to audit quality

At Crowe, our people are the center of everything we do. That’s why we focus on both recruiting quality auditors and retaining them through investing in career development. Performing quality audits requires that our auditors have the necessary integrity, professional skills, and experience to provide excellence.



We know delivering audit quality requires a culture of continual improvement, which is why we encourage our people to share their experiences and their knowledge with their colleagues.



JENNIFER KNECHT
CPA, PARTNER, AUDIT QUALITY AND RISK MANAGEMENT LEADER

Audit leverage ratio

	FY21	FY22	FY23
Partners and managing directors to other audit personnel	1 to 7	1 to 7	1 to 8
Partners, managing directors, senior managers, and managers to senior staff and staff	1 to 2	1 to 2	1 to 2

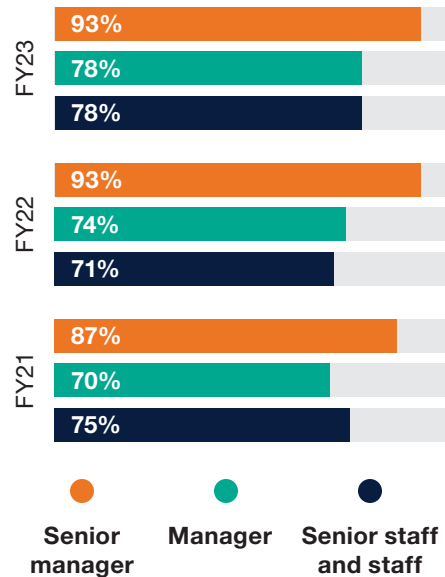
Developing future leadership sustains strong engagement teams

We believe direct senior-level involvement helps nurture future leaders to continue our focus on audit excellence. Leading by example and knowledge sharing are important components of strong engagement teams, which is why we've created leadership development programs, sponsorship programs, and individualized development plans for mentors to challenge individuals to achieve their career goals. Conversely, our upstream feedback process guides leaders and managers on their coaching and impact.

Engagement team management is key to building experienced teams

To help us build and develop experienced teams that are committed to audit quality, Crowe is focused on recruiting and retaining auditors who can perform engagements and issue reports in accordance with professional standards, regulations, and legal requirements. 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.

Average retention of audit, firm quality, and national office professionals



► Retaining qualified professionals helps us to uphold audit quality.



Professional development helps maintain our focus on audit quality

Professional development helps build our capabilities as audit professionals. We offer our people the opportunity to improve their technical knowledge and managerial skills through a combination of formal development plans, coaching and mentoring, authoritative knowledge libraries, continuing professional education, and on-the-job experience.

Crowe University helps our people pursue learning experiences to build deep specialization and leadership skills. This learning portal lets our professionals take advantage of online and in-person learning courses, webinars, and other resources. We're proud that a career with Crowe is an ongoing learning experience, and we're committed to the continual enhancement of our professionals' skills to help us maintain our focus on audit quality.

Leverage ratio of audit supervisory hours

	FY21	FY22	FY23
Partners and managing directors to senior managers and managers	1 to 4	1 to 4	1 to 3
Senior managers and managers to senior staff and staff	1 to 2	1 to 3	1 to 3

► Low ratios equate to more one-on-one supervision and development.

We track licensing for Crowe audit professionals

Our licensing and CPE compliance services team tracks CPA license jurisdictions, license numbers, and expiration dates and advises staff members about renewals and related continuing professional education (CPE) requirements. Crowe professionals who are licensed to practice public accounting have passed the U.S. Uniform CPA Examination or International Qualification Examination (IQEX) and have met applicable experience and other certification requirements.

49

Average annual training hours completed per audit, firm quality, and national office professional*

* Based on 2022 calendar data

► The firm is committed to ongoing professional development to help continually improve our audit services.



Quality management: The center of our approach





Ethics and independence are essential in everything we do

Our commitment to ethics drives 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. To help maintain our integrity, our firm quality group establishes and monitors the independence policies, practices, and controls in place and documents compliance with these requirements. This includes documenting quality control, including independence tracking, as well as policies and guidance, which are available to our people on an internal intranet site.

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

- Requiring ethics and independence training at or near each professional staff member's date of initial employment and annually thereafter
- Incorporating independence-related matters in standard audit engagement documentation
- Making a confidential client list available to all personnel to identify potential independence issues
- Creating a restricted-entity list that is available to personnel and requiring 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
- Monitoring the firm's business relationships and financial transactions
- Rotating audit personnel when required
- Implementing a consultation process for ethics and independence matters



Starting with a foundation of objectivity, integrity, and independence and driven by high ethical standards, our independence process helps us succeed as an independent public accounting firm.



MARK BAER
CPA, CEO



Evaluating the acceptance and continuance of engagements helps in providing quality assurance services

Using a variety of policies and procedures specifically designed to evaluate the acceptance and continuance of clients and engagements, we assess our ability to provide quality assurance services at regular intervals. These policies and procedures include:

- Considering the reputation and integrity of the entity's directors, officers, principal shareholders, owners, and/or affiliates
- Assessing risk associated with the entity's business in terms of its ability to survive or remain profitable in the face of litigation or other controversies and in terms of other known factors that might increase audit risk
- Examining 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 assessing our independence and potential conflicts of interest as well as the competency and capabilities of firm personnel (including industry and/or regulatory expertise in relation to the need for specialized knowledge to deliver services)
- Evaluating timing and other constraints that might affect our ability to comply with professional standards or perform a quality audit

Following international standards of quality management helps improve audit quality

With the intention of improving firms' systems for audit quality, the International Auditing and Assurance Standards Board (IAASB) approved a suite of quality management standards that begin with a top-down approach from a firm's CEO or board. These standards address quality management at the firm level, requirements for the engagement quality reviewer, and requirements for the engagement authorized signer, and they collectively emphasize the responsibility for quality of all personnel. These standards are expected to transform the audit profession and help it recommit to high-quality engagements.

With support from the firm's board, CEO, and leadership teams, we invested significant resources to implement these new standards. We pulled together a variety of teams to implement the different standards, and these teams performed a detailed gap analysis, risk assessment process, and other steps to achieve a successful implementation. Working with Crowe Global and our internal teams, we rolled out new procedures, processes, and policies.

Policies and procedures help increase audit process effectiveness

Foundational policies and procedures help to provide assurance that audit engagements are conducted consistently and in accordance with regulatory and legal requirements, professional standards, and our own standards of quality. These established policies and procedures cover planning, performing, supervising, reviewing, documenting, and communicating throughout the audit.

We begin a quality audit process by working to thoroughly understand the company's business, challenges, and applicable industry trends. We have developed a highly systematized process for planning an audit, assessing risk, setting scopes, and designing procedures to respond to the risks and issues of each entity. Throughout each audit engagement, we also work to develop new ways to make practices and processes more effective. Our policies and procedures include:

- Planning and performing each engagement in accordance with applicable professional standards
- Updating proprietary audit methodology, guidance, and systems regularly to reflect changes in professional standards
- Employing and documenting appropriate supervision and review procedures
- Applying engagement quality reviews to appropriate engagements
- Designing, implementing, and maintaining practices and electronic systems to protect the confidentiality and security of client data in our possession
- Designing our proprietary engagement documentation and management system to maintain the confidentiality of client information and protect the integrity of data (allowing engagement team members to securely share information without regard to geographic location and complying with professional record retention requirements)

Consultation policies and procedures enforce quality

To help enforce consistent quality standards across our firm, Crowe has established formal policies for consultation, outlining specific matters that require consultation with our national office. The national office is available for consultations on other matters as well. We also provide reference libraries for engagement personnel to research assurance and accounting matters. These libraries include commercial subscription services, proprietary knowledge databases, and other reference materials.





A culture of quality driven by belonging

A thriving workplace culture nurtures employees

At Crowe, our people can build a meaningful and rewarding career. With real flexibility to balance work with life moments, they're trusted to deliver results and make an impact. We embrace them for who they are, care for their well-being, and nurture their career. Everyone has equitable access to opportunities for career growth and leadership. Driven by a shared purpose and values, they're continually inspired to embrace change, have fun, and shape a better tomorrow for their colleagues, clients, communities, and our firm.



Through surveys conducted among current employees, Crowe has received national recognition as a great place to work, including the Fortune 100 Best Companies to Work For® list for 2023, People magazine's 2023 Companies that Care list, and awards by other media outlets. We're delighted by the outstanding recognition we've received and continue to strive for improvement in everything we do.

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Diversity, equity, and inclusion efforts support belonging

At Crowe, we believe everyone should feel they belong, and it's our responsibility to do everything we can to increase that sense of belonging. That's why we promote diversity, equity, and inclusion (DE&I). Crowe is a founding member of the Center for Audit Quality (CAQ), which focuses on enhancing the foundations of the public accounting profession, including addressing the lack of diversity across the shrinking talent pipeline. We continue to embrace the CAQ Bold Ambition initiative for diversity, which states: "It's our Bold Ambition for the public company audit profession to pave the way towards a more inclusive, future state of community." In January 2022, the CAQ launched Accounting+, a national brand awareness campaign and platform focused on raising awareness about accounting careers with Black and Latino students at the high school and college levels. We're thrilled to be among the firms that provided initial funding for the Accounting+ campaign.

How does this work get done at Crowe? Simple: Our people. They are at the heart of everything we do. They drive our initiatives forward, make a difference, and create change every day. We are proud of how far we've come, and our journey continues. But it's about more than just reaching the numbers or achieving our aspirations – it's about what those items represent. We know we achieve more when we embrace diversity and allow it to permeate every area of our business. We know affirming equity improves not just our profession but our communities and our lives. And we know creating inclusion means that our people believe "I can be me at Crowe."



Our DE&I strategy is grounded in our purpose and values. We're proud of our initiatives that continue to advance the CAQ's Bold Ambition. Through this commitment, we believe we can create real movement and change in our firm, our profession, and our communities.



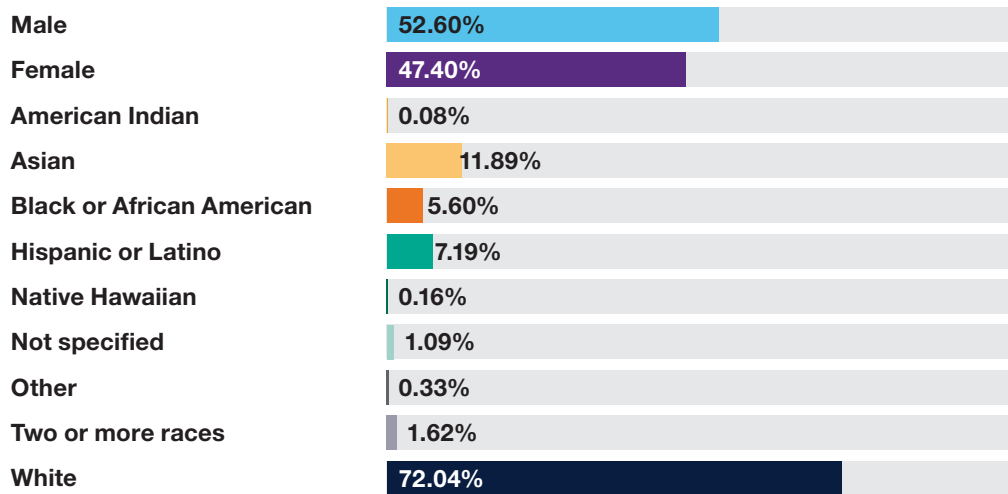
DAWNELLA JOHNSON
BOARD CHAIR



5,121

Firmwide total workforce*

* As of April 1, 2023





Checks and balances for pursuing audit quality



Internal inspections set the foundation

Crowe recognizes the significance of audit quality and the responsibility we have to our stakeholders to get it right. The foundation of audit quality is embedded in our system of quality management and our commitment to the components of audit quality. We ground everything we do in the high standards of our profession, and we independently monitor 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.

An annual, robust internal inspection process governed by our firm quality group includes monitoring of quality components, including independence and ethical requirements, engagement acceptance and continuance, leadership and engagement team responsibilities, and information and communication policies and procedures. The results of this inspection process help us maintain audit quality and help us to consistently refine and enhance our audit tools and guidance.

Number of audit engagements internally inspected.⁴



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

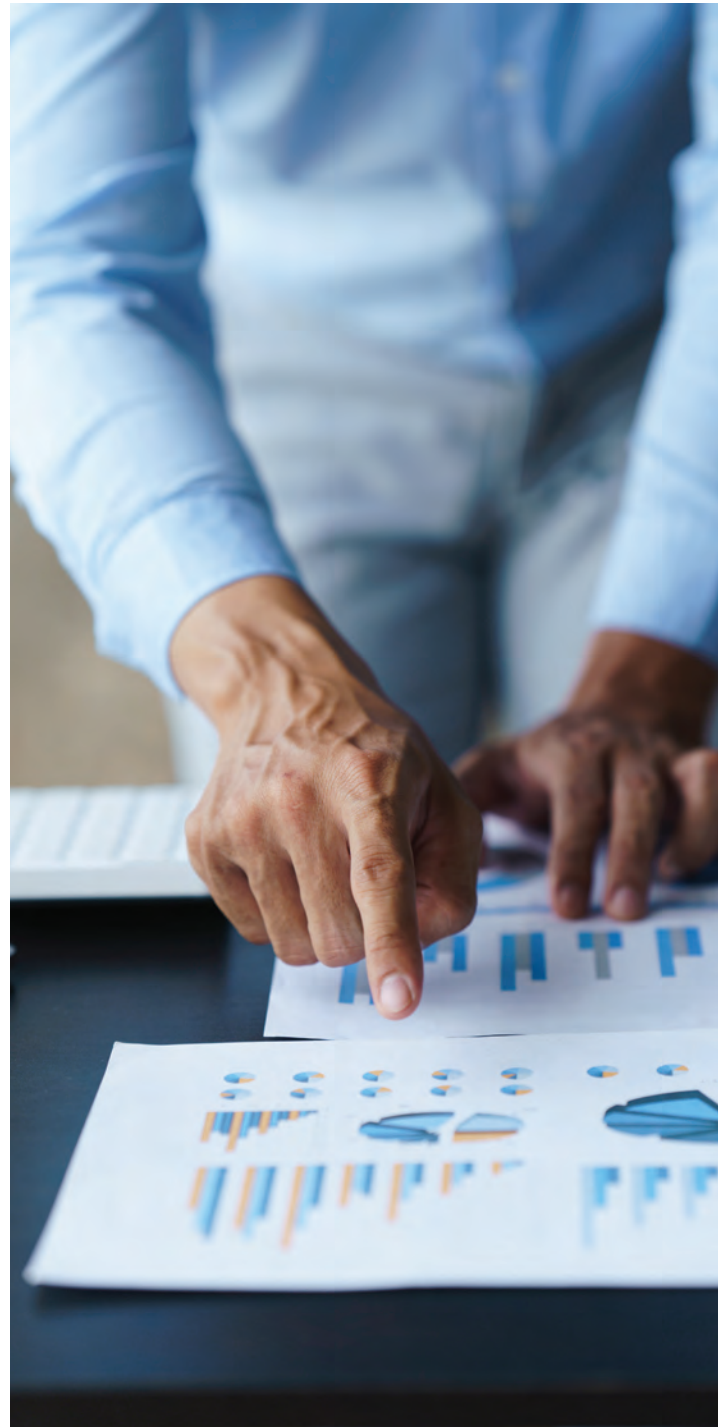


National office offers perspectives

The national office group leads the development of perspectives and points of view to inform stakeholders, including policymakers, regulators, and industry professionals. This team consults on accounting principles, audit and assurance standards, independence and ethics standards, and regulatory requirements. It works with the standard-setting and regulatory bodies on activities that affect the profession. The team drives strategic thought leadership through internal and external guidance, publications, webcasts, training sessions, and other forums.

Firm quality monitors compliance with professional standards

The firm quality group leads the development and implementation of the firm's system of quality management. This team focuses broadly on quality, ethics, and independence matters throughout the firm, including monitoring the firm's compliance with professional standards and requirements. It works with regulators in relation to compliance with standards including overseeing the firm's internal and external inspections. This team also drives quality and compliance through internal and external guidance, publications, webcasts, internal consultations, training sessions, and other forums.



PCAOB inspection checks quality from an outside perspective

Each year, the PCAOB inspects registered public accounting firms, including Crowe LLP, to assess compliance with the *Sarbanes-Oxley Act of 2002* (SOX), the standards and rules of the PCAOB, and the rules of the SEC.

The PCAOB prepares a written report on each inspection and makes portions available to the public, as required by SOX. The first part of the PCAOB inspection report includes comments on any significant audit deficiencies in the context of the specific engagement and the current environment and is released publicly. The second part includes comments related to quality control improvement areas of the firm and is considered confidential.

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 inspections, helping to support continual audit improvement.

Number of PCAOB-inspected audits included in Part I.A

	2019	2020	2021
Audits included in Part I.A	7	4	3
Total audits inspected	14	15	17
Percentage Part I.A comments*	50%	27%	18%

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

The PCAOB report on the 2021 inspection of Crowe LLP, dated Nov. 16, 2022, 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 reviews provide accountability

Crowe is required to have a peer review of its accounting and auditing practices for nonissuer clients, as are all other audit firms registered and inspected by the PCAOB. The AICPA National Peer Review Committee (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.

Peer reviews include assessments of both quality control processes and specific audit engagements to identify any potential deficiencies. Our firm's most recent peer review was performed in 2022. Crowe LLP received the highest rating, which is "pass."⁶ This rating is unchanged from the prior peer review in 2019.

Crowe Global quality assurance review (QAR) adds an extra level of internal 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. At least once every three years, Crowe LLP receives a review of its audit services via the Crowe Global QAR process. No significant matters arose during the most recent QAR of Crowe LLP completed by Crowe Global.



We follow professional quality standards

Our system of quality management (SOQM) is designed to comply with the requirements of International Standard of Quality Management 1 (ISQM 1), which was effective Dec. 15, 2022, and to comply with other quality control standards issued by the PCAOB, the AICPA, and other regulators. Our SOQM has firm- and engagement-level requirements, which collectively emphasize the responsibility for quality of all personnel.



To help maintain audit quality, Crowe has a robust system of quality management.



JENNIFER KARY
CPA, MANAGING PARTNER,
FIRM QUALITY

We monitor the effectiveness of our SOQM, including:

- Monitoring and evaluating our responses to quality risks
- Monitoring independence compliance
- Performing in-process monitoring of targeted areas of selected engagements, which provides additional assurance that reports issued by Crowe are appropriate
- Annually inspecting a cross-section of assurance engagements based on established criteria and risks, including engagement reports, financial statements, and supporting documentation for selected audit areas
- Communicating any deficiencies noted during monitoring processes, along with recommendations for appropriate action, to relevant people

Annually we evaluate the effectiveness of our SOQM by considering the nature and extent of findings from monitoring activities, external inspections, and other relevant sources. Each finding is evaluated to determine whether it represents a deficiency in our SOQM, and then deficiencies are evaluated for severity and pervasiveness. This evaluation is a rigorous process and includes considering the root cause of the deficiency. Remedial action steps are implemented for each deficiency, and our firm quality group monitors the implementation of those steps. Every effort is made to timely and effectively remediate any deficiencies.

Ratio of national office and firm quality partners and managing directors to audit partners and managing directors



► Our national office and firm quality groups work closely with audit leadership.

Audit quality leadership reviews reinforce our commitment

To help uphold our commitment to audit quality, all Crowe audit partners, managing directors, and senior managers undergo an audit quality evaluation annually. This evaluation sets the foundation for each leader's personalized development plan, which helps our people continue to grow through assignment of engagements, formal development, and coaching.

Values Helpline allows all our people to report unethical behavior

As a firm, our leadership goal is to support our people so they may live our firm values every day, in everything they do. In return, we require our people to act with integrity and professionalism, including identifying and reporting wrongful behavior. When our people discover ethical or compliance concerns, they have several avenues to bring forward issues including the Values Helpline, a confidential reporting system from ComplianceLine. Complaints are investigated and quickly resolved by key firm leaders.

We address complaints and allegations promptly

Crowe takes all work performance or quality control deficiencies, complaints, and allegations very seriously. We have a process to report any concerns involving ethics and independence, conflicts of interest, professional standards, noncompliance, or other matters to firm leadership. Anyone who reports a concern in good faith is protected from reprisals or retaliation.



We take restatements seriously

Material misstatements can affect the integrity of financial reporting and undermine investor and stakeholder confidence. Any restatement is evaluated to determine whether we need to make changes to our audit methodology, guidance, or training.

0 Number of reissuance restatements for issuer audit clients, 2018-2022*

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



**Audit technology
innovation
informs our
commitment
to audit quality**



We embrace audit transformation

Audit transformation refers to the process of reimagining and reshaping traditional audit practices to adapt to the changing landscape of business and technology. Today, organizations are facing complex risks and rapidly evolving business models. Transforming audit practices involves leveraging innovative technologies, such as artificial intelligence, data analytics, and automation, to enhance the efficiency, effectiveness, and value of the auditing process. These technologies enable us to collect, analyze, and interpret vast amounts of data; identify patterns, anomalies, and potential risks; and gain a deeper understanding of the client's operations.

Additionally, audit transformation enhances our risk-based audit approach, focusing on key audit risks and providing proactive recommendations to improve internal controls. By embracing audit transformation and the use of various technologies, we benefit from comprehensive and dynamic tools that offer valuable insights to assist us in delivering audit quality.



Audit transformation opens up a world of possibilities, where data-driven insights, advanced technologies, and strategic thinking converge.



KEVIN WYDRA
CPA, PARTNER,
AUDIT & ASSURANCE

The Crowe Insight® platform supports our risk-based approach

A risk-based audit approach that targets the underlying transaction data most important to financial reporting is the foundation of our audit work. The **Crowe Insight** cloud-based platform offers a variety of features, including advanced collaboration capabilities and the flexibility to integrate modern advancements in real time. The platform also supports our audit approach, using deep industry expertise to analyze risks, document controls, and react to changes in the audit plan. The effective workflow and exchange of information seamlessly integrate with the [Crowe Secure Information Exchange](#), or Crowe Exchange, platform to enhance efficiency.

Crowe Exchange aids communication for our teams and clients

With an easy-to-use interface, important security controls, and connectivity across all engagements, our **Crowe Secure Information Exchange** tool provides a simple, secure, and streamlined user experience for coordination and communication among audit stakeholders and engagement teams. Designed based on feedback from clients and our team's deep industry knowledge, the tool securely streamlines workflow, provides visibility to status of requests, and allows users to seamlessly share data with Crowe. It also helps engagements stay on plan and enhances our audit quality.

Accessible knowledge for our teams lives on Crowe Clarity

Crowe Clarity gives our people the information they need on accounting, audit and assurance guidance, policies, manuals, and practice aids, and it's available anytime and anywhere via the cloud. This single point of access supports our audit quality by providing a centralized knowledge hub for the Crowe audit and assurance services teams. In addition, Crowe Clarity is integrated in our Crowe Insight platform to provide knowledge within the path of the user to increase audit quality as the work is being performed.



The Crowe Account Confirmation tool drives process automation

Developed by Crowe auditors, the **Crowe Account Confirmation** tool is designed to minimize disruption to our clients' businesses, helping us to provide an exceptional client experience. The tool allows our clients to request customer responses by electronic portal as well as paper, offering a quicker option for our clients. This innovative technology supports an environmentally friendly, paperless approach, using robotic process automation (RPA) and secure, encrypted data transfer to streamline communication, improve information security, and expedite the account confirmation process. It helps drive audit quality through a consistent approach, guided workflow, and documentation that includes embedded methodology and reduces the risk of data errors associated with manual entry.

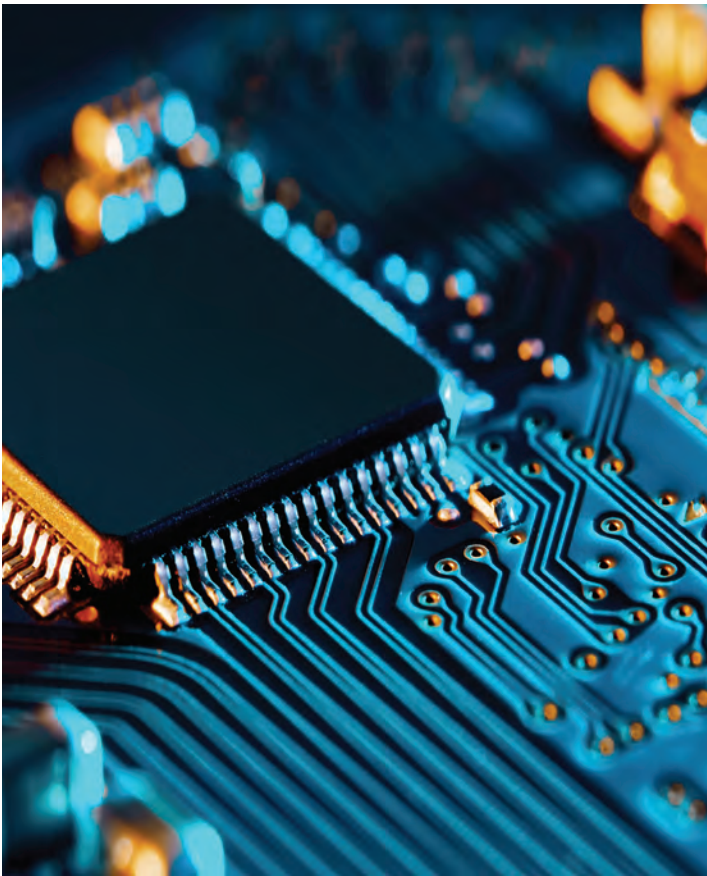
Global delivery team enhances audit quality

Our global delivery team helps us enhance audit quality. Often aided by innovative Crowe technology and deep process specialization, members of this team handle a range of audit tasks, including administering project requests, facilitating multifaceted processes, and completing audit procedures. Deeply embedded within our transformation group, this team helps standardize processes, improve consistency, and identify opportunities for technology and process innovation in our audit engagements.

Data management is vital for secure audits

Crowe has a responsibility to protect client and employee data, and we understand our obligations for client confidentiality as well as the dynamic nature of security threats and regulations. We have resources that focus on privacy and security functions such as privacy governance, regulation compliance, privacy education and training, information security management, security architecture, security administration, penetration and vulnerability testing, and security awareness and training.

Our firm continually makes significant investments in data systems and resources and employs a variety of security professionals and technologies. Additionally, we regularly review, update, and test our systems and processes to help protect the security and confidentiality of client records and information. We also obtain Statement on Standards for Attestation Engagements (SSAE) 18 System and Organization Controls (SOC) 2 type 2 audits and external penetration tests from independent third parties to validate the effectiveness of our controls and processes. All of this is 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.



We embrace the future of audit technology innovation

The use of artificial intelligence (AI) is expected to have a transformative impact on the future of auditing. With the explosion of AI technologies, such as large language models and data analytics, the audit of the future is destined to look and feel different. What we could have only dreamed of as recently as last year is almost reality. Crowe continues to invest in our data analytics approach, and as we believe the use of AI will transform our profession, we are investing in AI to make this happen. However, it's important to note that while AI has tremendous potential in auditing, human judgment and expertise will remain crucial. Auditors will still be needed to interpret the results, exercise professional skepticism, and make informed decisions based on their experience and knowledge. AI will empower our people by enabling greater efficiency and effectiveness.



Environmental, social, and governance (ESG) assurance continues to evolve

Environmental, social, and governance (ESG) strategy deals with how these issues affect a business's strategies and practices – and ultimately, a company's value. Currently, no requirements exist for companies to either report on or receive any level of assurance on ESG metrics – that said, we recognize regulations are shifting regularly. Our audit teams work closely with our clients to understand their ESG plans and strategy, and they work closely with our internal ESG team to help educate clients through ESG publications, webinars, and more.

Currently, we are building a methodology and approach to support our teams and clients in understanding the ESG space. Our national office, as well as Crowe Global, continue to monitor proposed and approved legislation in the U.S. and European Union (EU), including engaging with standard-setters (such as the AICPA and IAASB) to evaluate existing standards. Additionally, we are working to keep our audit teams and clients informed about developing issues and requirements related to ESG through various publications and webinars, including a short presentation that covers the levels of assurance and criteria required to provide assurance over the subject matter. Finally, our methodology team is developing an assurance approach and work papers to support our auditors as they address client goals for providing stakeholders with assurance on ESG metrics.

Future growth in ESG reporting will certainly be affected by regulatory requirements. As of summer 2023, the EU is close to passing the Corporate Sustainability Reporting Directive (CSRD), a standard that would be phased in and require some companies to start reporting in 2025. In the U.S., the SEC is expected to act on its proposed rule perhaps as early as fall of 2023. However, regulation isn't the only driver for ESG reporting, as many companies have evaluated the ESG landscape and are incorporating ESG reporting into their business operations. In fact, according to the CAQ,⁸ most S&P 500 companies have already started reporting ESG metrics voluntarily.



**Committed to
our progress
as audit
professionals**



Involvement in our profession improves audit quality

To continually improve our audit quality and knowledge, our audit professionals are involved in a variety of standard-setting activities and professional associations including the AICPA and the CAQ. We serve on committees and task forces and consider how to best implement the measures of audit quality brought forth by these groups in our continual audit quality improvement processes.



We will continue to contribute to our profession. Leaders are shaped by the expertise they contribute as well as their ability to learn from the expertise of others.



SYDNEY GARMONG
CPA, PARTNER,
NATIONAL OFFICE



CAQ

Serving as the voice of U.S. public company auditors and matters related to the audits of public companies, the CAQ is a nonpartisan public policy organization. Crowe has been a member since the CAQ was created in 2007, and we support the organization's mission to enhance investor confidence and public trust in the global capital markets. The CAQ is led by a governing board that comprises leaders from the public company auditing firms, the AICPA, and the investor and issuer communities. Board members, including the Crowe CEO, are committed to the concept that a robust public company auditing profession is fundamental to the public interest and the capital markets.

Our people serve on standing committees, including the CAQ Advisory Council, the Professional Practice Executive Committee, and the SEC Regulations Committee. We also serve on a variety of CAQ task forces focused on enhancing public company auditing through areas such as anti-fraud, climate change disclosures, cybersecurity, audit evidence, data analytics, estimates, talent initiatives, and the auditor's reporting model.

AICPA Professional Ethics Executive Committee

The AICPA's Professional Ethics Executive Committee (PEEC) interprets and enforces the AICPA Code of Professional Conduct and focuses on 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, a voluntary membership group established to promote the quality of governmental audits. It offers support and resources for firms that perform governmental audits including single audits, audits under Government Auditing Standards, and state and local government financial statement audits. A Crowe partner serves on the State and Local Government Expert Panel, and Crowe partners have served on the Governmental Audit Quality Center Executive Committee.

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 established to promote the quality of employee benefit plan audits. It offers support and resources for firms that perform Employee Retirement Income Security Act employee benefit plan audits. A Crowe partner serves on the Employee Benefit Plan Expert Panel, and Crowe partners have served on the Employee Benefit Plan Audit Quality Center Executive Committee.



Our firm composition and leadership

Our 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 equity partners and principals (referred to collectively as equity partners hereafter), all of whom are individuals active in the firm. The firm is capitalized by contributions from the equity partners. The firm's income partners have no equity ownership in the firm. There were 495 partners as of March 31, 2023. The accounting records of Crowe LLP are prepared on an accrual basis and in a manner that management uses to operate the business. For the fiscal year ending March 31, 2023, Crowe had total revenues of \$1.3 billion. 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 equity 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.

Our membership in Crowe Global

Crowe LLP is an independent member of Crowe Global. The diverse knowledge of business, local laws, and customs that comes with this membership provides our clients with access to global expertise. Crowe Global includes more than 200 independent accounting and advisory firms in more than 145 countries. The member firms work with respective governments, regulatory bodies, and industry groups to help shape the future of the profession worldwide.



Our governance structure

CEO

The firm's current CEO, Mark Baer, is a CPA. The CEO directs the ongoing management of the firm, 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. 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.



Solid leadership is the foundation for our firm's future – and we're wholeheartedly committed to shaping a better tomorrow for our people, our communities, and our profession.



MARK BAER
CPA, CEO

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 June 7, 2023:



DAWNELLA JOHNSON
CPA (chair)



BRIAN HECKER
CPA



NICK HOLLINDEN
CPA



KEVIN HOVORKA
CPA



JOHN KURKOWSKI
CPA



LOU MILLER
CPA



GREG HAHN



MARK BAER
CPA, CEO (nonvoting member)



Senior leadership team

The CEO appoints the senior leadership team, which assists the CEO with discharging the responsibilities of managing the operations of the firm and its components. As of June 1, 2023, 73% of the members of the senior leadership team are CPAs.

Members of the senior leadership team, as of June 1, 2023:



MARK BAER
CPA, CEO (chair)



NICOLE BENCIK
CPA, MANAGING PARTNER,
TAX



RAY CALVEY
CPA, CHIEF FINANCIAL
OFFICER



WENDY CAMA
CPA, MANAGING PARTNER,
AUDIT & ASSURANCE



JOSH COLE
MANAGING PRINCIPAL,
CONSULTING



MANUEL GONCALVES
CHIEF STRATEGY AND
COMMUNICATIONS OFFICER



KATIE HAMADA
CHIEF PEOPLE OFFICER



CHAD KELLAR
CPA, MANAGING PARTNER,
ADVISORY



TONY KLAICH
CPA, MANAGING PARTNER,
MARKETS & INDUSTRIES



STEVE STRAMMELLO
CPA, CHIEF RISK OFFICER



BRENDA TORRES
CPA, CHIEF OPERATING
OFFICER

Audit DE&I council

DE&I councils in our audit, consulting, and tax businesses help lead the charge in our DE&I efforts. Offering mentoring, support, and resources, these councils are at the heart of making Crowe a more diverse, equitable, and inclusive workplace. Additionally, through the sponsorship program, these councils create a pipeline for leadership and other opportunities to advance. Plans are underway to enhance the program through targeted forums and supporting documentation.

The audit DE&I council:

- Created an advisory team of staff and senior staff to share perspectives on DE&I, developing suggestions for a variety of programs
- Supported 10 promotions of individuals from underrepresented groups since August 2020, including four to partner level, one to director level, and five to senior manager level, with several others in the pipeline
- Established a webinar targeting new hires from underrepresented groups, connecting them with supportive business resource groups



Our partner compensation

The Crowe partner compensation system reflects a structure that promotes the highest ethical behavior and compliance with professional standards and is rooted in sharing common values and culture. The equity partner compensation 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 equity partner contributes capital, and net income is allocated primarily based on the amount of capital held by each partner. The determination of net income to be allocated to an individual equity partner 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 also has a group of income, or nonequity, partners whose base and variable income are evaluated using the same audit quality evaluation system criteria and expectations of equity partners.

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

- ¹ Unless otherwise noted, statistics shown within the report are for the fiscal year beginning April 1, 2022, and ending March 31, 2023. Numbers and percentages have been rounded to the nearest whole number.
- ² 2021 inspection work has been completed; however, the final report had not been issued at the time of this publication.
- ³ "2022 Annually Inspected Firms," Public Company Accounting Oversight Board, accessed July 31, 2023, <https://pcaobus.org/Inspections/Pages/InspectedFirms.aspx>
- ⁴ Includes both issuer and nonissuer.
- ⁵ Peer review is required on a triennial basis, and Crowe has had a peer review every three years since 1980.
- ⁶ 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 Oct. 13, 2022, see https://peerreview.aicpa.org/public_file_search.html
- ⁷ 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.
- ⁸ "S&P 500 ESG Reporting and Assurance Analysis," Center for Audit Quality, updated June 2023, <https://www.thecaq.org/sp-500-and-esg-reporting>

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 for more information about Crowe LLP, its subsidiaries, and Crowe Global.

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