

NOTICE: This is an unofficial transcript of the portions of the Public Company Accounting Oversight Board's Standards and Emerging Issues Advisory Group meeting on May 6, 2026 that relate to the PCAOB's strategic priorities. The other topics discussed during the May 6, 2026 meeting are not included in this transcript excerpt.

The Public Company Accounting Oversight Board does not certify the accuracy of this unofficial transcript, which may contain typographical or other errors or omissions. An archive of the webcast of the entire meeting can be found on the Public Company Accounting Oversight Board's website at: <https://pcaobus.org/news-events/events/event-details/pcaob-standards-and-emerging-issues-advisory-group-meeting-may-2026>.

PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD
(PCAOB)

+ + + + +

STANDARDS AND EMERGING ISSUES ADVISORY GROUP

+ + + + +

MEETING

+ + + + +

WEDNESDAY
MAY 6, 2026

+ + + + +

The Advisory Group met via
videoconference, at 10:00 a.m. EDT, Demetrios
Logothetis, Chairman, presiding.

PCAOB BOARD OF DIRECTORS

DEMETRIOS LOGOTHETIS, Chairman
GEORGE R. BOTIC, Board Member
MARK A. CALABRIA, Board Member
STEVEN D. LAUGHTON, Board Member

STANDARDS AND EMERGING ISSUES ADVISORY GROUP

JOAN LORDI AMBLE
LILLIAN CEYNOWA, CPA
PREETY CHOUDHARY, Ph.D.
BRIAN T. CROTEAU, CPA
ANGELA DONNELLY, CPA
DAVID FABRICANT, CPA
JAMES H. FREIS, JR., J.D., CFA
LISA M. HALPER, CPA, CGMA
ROBERT HIRTH, JR.
COLLEEN THERESA HONIGSBERG, Ph.D.
JENNIFER R. JOE, Ph.D., CPA
KATRINA KIMPEL, CPA
JAGAN (KRISH) KRISHNAN, Ph.D., FCA
JEFFERY P. MAHONEY, J.D., CPA
JAMILA ABSTON MAYFIELD, CPA, CFE, CFF
ELIZABETH MOONEY, CPA, CFA
JASON NAGLER
SANDRA J. PETERS, CPA, CFA
LAURA J. PHILLIPS, CPA
STEPHEN D. RIVERA, CPA
KURT N. SCHACHT, J.D., CFA
G. ALAN SKINNER, CPA
HASITHA VERMA, CPA
JOHN W. WHITE

OBSERVERS

JENNIFER BURNS, American Institute of Certified
Public Accountants
MICHAL DUSZA, U.S. Securities and Exchange
Commission
JESSICA LUTTRELL, National Association of State
Boards of Accountancy
HILLARY H. SALO, Financial Accounting Standards
Board

1 PCAOB STAFF

2 BARBARA VANICH, Chief Auditor

3 CHRISTINE GUNIA, Director, Division of
Registration and Inspections (DRI)

4 BRENT SIMER, Chief of Staff

5 ANNIE TORRES, Associate Director, DRI

MATT ULAN, Senior Inspector, DRI

DANI VERBECK, Office of the Chief Auditor

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

1

[REDACTED]

2

[REDACTED]. [REDACTED]

3

[REDACTED]

4

[REDACTED]

5

[REDACTED]

6

[REDACTED]

7

[REDACTED]

8

[REDACTED]

9

[REDACTED]

10

[REDACTED]

11

[REDACTED]

12

[REDACTED]

13

[REDACTED]

14

[REDACTED]

15

MS. VANICH: So, welcome back,

16

everyone. As part of this next session, we'd

17

like to get your perspectives on the PCAOB

18

strategic priorities as the Board begins

19

developing its next five-year strategic plan.

20

The questions we'll discuss this

21

afternoon are drawn from the public request for

22

comment. We did, however, take a few liberties

1 to tailor them a little bit more towards
2 standard setting out of selfishness. But
3 consistent with the Chair's March 31 remarks, we
4 are seeking input early, so before a plan has
5 been developed, so that the views can really
6 inform the Board's direction and subsequent
7 public consultation. You don't have to feel
8 bound, although I don't think this group will,
9 by the specific questions on the slide. Broader
10 perspectives on opportunities, challenges,
11 that's all very much appreciated. We really
12 appreciate your advice.

13 So this is an opportunity to share what
14 you think that we should prioritize over the
15 next five years as we work to fulfill our
16 statutory mission of protecting investors and
17 furthering the public interest and informative,
18 accurate, and independent audit reports. At
19 this point, I would also remind people that
20 while I understand many of you are parts of
21 other groups or firms that will issue comment
22 letters, you're here to represent yourselves.

1 And so, you know, that's how we will take your
2 views and we understand your views may not be
3 repeated in your firm's comment letter.

4 As part of his March 31st remarks,
5 Chairman Logothetis referred to a framework
6 recently articulated by Chair Atkins as serving
7 as a thoughtful approach for the direction that
8 PCAOB must take as well. And this framework,
9 which you see on the screen, focuses on the
10 concepts of advance, clarify, and transform or
11 ACT. In using the ACT framework, Chair
12 Logothetis has highlighted several things that
13 we are currently considering as an organization
14 and in some circumstances, things that have
15 already been actioned. We thought it would be
16 helpful today to outline certain external
17 initiatives as a backdrop and food for thought
18 as we start our discussion.

19 So, first, we're looking to refresh our
20 standard-setting initiatives. We're looking to
21 assess our inspections process to determine how
22 best to tailor it and generate more meaningful

1 outputs. We're also in the process of designing
2 a formal consultation process within the Office
3 of the Chief Auditor and announcing the launch
4 of an audit practitioner fellowship program
5 within the Office of the Chief Auditor. Echoing
6 the Chair's remarks, we want perspectives from
7 the full financial reporting ecosystem and from
8 voices that may not have engaged with us
9 previously. As part of this, we're looking for
10 ways to strengthen engagement with investors,
11 audit committees, preparers, and audit firms.
12 And so with that backdrop, the next slides lay
13 out specific discussion questions, which we're
14 looking for your input.

15 MS. VERBECK: Great. Thanks, Barb.

16 So we'll go ahead and start today with
17 the discussions on standard setting, but as Barb
18 said, feel free to provide any remarks as we go
19 through the afternoon session. But to outline
20 those questions as a starting point, so priority
21 projects, what standard-setting projects should
22 the PCAOB be prioritized to address emerging

1 risks, evolving market practices, and
2 stakeholder needs? International standards,
3 where helpful, where could increased
4 consideration of international auditing
5 standards be useful and what are pragmatic paths
6 forward consistent with our statutory mission?

7 And then when to diverge or be
8 incremental, when might it be appropriate to
9 take a different or more incremental approach
10 relative to international auditing standards and
11 what factors should go into guiding those
12 judgements?

13 So with those questions in mind, we'll
14 go ahead and open the floor for this afternoon's
15 discussion. Again, if you would raise your tent
16 card and I will do my best to acknowledge tent
17 cards in the order they're raised.

18 Perfect. Elizabeth?

19 MS. MOONEY: Yeah. Thanks. I just was
20 wondering if -- just on the international, if we
21 could get -- if the Chair could send the members
22 the comparison between the U.S. and the

1 international equality control that was done --
2 that was already done before when it was
3 originally issued. That would be really helpful
4 to see.

5 MS. VANICH: Liz, there is a staff
6 document available on the website that the staff
7 -- there's two documents, one that highlights
8 bigger differences and a very long document that
9 kind of compares paragraph by paragraph.

10 MS. MOONEY: Is that the original
11 proposal? Is -- okay. Okay. Is that the full
12 comparison?

13 MS. VANICH: I would say so.

14 MS. MOONEY: Oh, okay. Do you mind
15 sending that link or -- okay, thanks.

16 MS. VERBECK: Great. We'll circulate
17 that post-meeting.

18 So, Brian, if you'd like to go ahead.

19 MR. CROTEAU: Thank you.

20 Yeah. So thanks again and really
21 appreciate the opportunity to, you know, comment
22 through the strategic outreach process and

1 certainly we'll be submitting a detailed comment
2 letter, but maybe some overarching thoughts in
3 this space. You know, as I think about -- and
4 certainly the updated standard-setting agenda
5 makes good sense to get QC 1000 kind of
6 ultimately finalized with hopefully some
7 opportunity for some improvement enhancements or
8 addressing some of the concerns that have been
9 raised.

10 So we look forward to seeing that and
11 makes sense and we understand the broker-dealer
12 rulemaking on the agenda and certainly the
13 research project on data and technology.

14 I would suggest that as you -- as you
15 kind of think about then what's next and ahead,
16 I kind of think about it in buckets. And the
17 first category would be things where if you
18 think about kind of the emerging risks that we
19 deal with today around technology. On certainly
20 GenAI, I think there's work to do there, whether
21 that's standards or guidance. We've talked
22 about that in prior SEIAG meetings.

1 So I do think -- and I know you've had
2 a spotlight in the past. I think there's a lot
3 that can be done to ground in existing standards
4 in that space. The FRC did some good work
5 there. It's both though from, I think, a
6 management perspective in terms of understanding
7 what they're doing, the risks it presents to the
8 audit, and then how auditors are using it in the
9 audit.

10 And again, I think there's a good
11 grounding both from a management perspective and
12 an audit perspective and existing standards for
13 management. I -- you know, at least as I think
14 about it, I look to 13(b)(2)(A) and (B) in
15 internal accounting controls and ICFR and books
16 and records requirements and then certainly
17 ultimately certification requirements in 302 and
18 906 of SOX. But then I come back from an audit
19 perspective and I think, you know, can easily be
20 grounding in existing audit concepts and I think
21 it's a good time to do that and ultimately with
22 the human accountability that goes with it.

1 And so that's one. Digital assets is
2 another space where the AICPA I think has done a
3 lot of great work relative through ASEC,
4 relative to, you know, kind of both accounting
5 and auditing topics here. But I do still think
6 that there's more that can and should be done in
7 the public company space just relative to
8 weighing in on the degree to which the PCAOB
9 agrees with perhaps all of the guidance that's
10 been issued by the AICPA in the context of a
11 public company audit. But also there are some
12 differences in terms of an integrated audit
13 perhaps and how you think about internal control
14 requirements, which is more for the SEC. But
15 then ultimately there's audit concepts that are
16 important, including those around, you know,
17 existence and ownership and sole ownership and
18 perhaps around custodial arrangements and degree
19 of audit evidence that's appropriate.

20 But then ultimately, I think
21 transparency around, you know, kind of what
22 residual risks still exist, because no -- you

1 know, kind of still regardless of what
2 management and auditors do, there are residual
3 risks in this space and I'm not sure that
4 there's a lot of transparency around that. And
5 some of the decisions that are made relative to
6 the guidance and the ultimate underlying
7 requirements around safeguarding and ownership
8 and so on, those and the concepts that I've
9 mentioned would ultimately affect what residual
10 risks there are. And I think there still are
11 some differences in views, notwithstanding AICPA
12 guidance and probably differences in approaches
13 that are worth kind of vetting and thinking
14 about. So those couple of areas in terms of
15 emerging -- are one bucket for me in terms of
16 emerging risks.

17 I also think, you know, closure to some
18 of the prior projects. I think the NOCLAR
19 project had gotten -- non-compliance with laws
20 and regulations had gotten fairly far along. I
21 think many think there's a reset that's needed
22 there, but ultimately that standard should get

1 updated and finalized, I think, in hopefully a
2 way that's more aligned with auditors' existing
3 obligations. But I think there were some things
4 that were worth kind of picking up on. And
5 again, just in the interest of closing that
6 down, I think would be good to do. You know,
7 there's other standards that I put in another
8 bucket that are more -- like, going concern has
9 never been updated to align perfectly with 10
10 GAAP A and the accounting standards. Those
11 kinds of housekeeping things should, I think, be
12 done. And then there's still --

13 Barb, you'll correct me if I'm wrong,
14 but there's 20 something, maybe 28 standards --
15 interim standards that yet have not been
16 updated. And, you know, we're 23 years in now
17 and I think it's time to have a congruent set of
18 PCAOB standards that get maintained on a regular
19 basis. Certainly the ASB and the IAASB have had
20 their, you know, clarity projects, conversions
21 projects, they've got a congruent set of
22 standards. You know, I'd really like to see the

1 PCAOB have a congruent set of standards and a
2 lot of those standards don't have a lot of
3 change that are necessary, other than getting
4 them integrated and written in kind of the way
5 the PCAOB writes their standards. It's probably
6 not going to change practice significantly, but
7 it sort of just needs to be done. So to the
8 extent that there's a capacity to do that, I do
9 think it makes sense. So -- and it looks like
10 there's room on the agenda for some projects.
11 So I'd mention those kinds of things, I think,
12 from a standards perspective.

13 Convergence is hard because I think if
14 you don't go back to some of the other standards
15 you've already issued, it's going to be hard to
16 completely converge. But I don't say that to
17 mean -- I fully am supportive of full
18 consideration of the international standards and
19 leveraging the good work that's done there.
20 Incrementally thinking about what the ASB has
21 done because they've, for the U.S. environment,
22 made changes, some of which will be appropriate

1 or not for public companies and that has to be
2 worked through. But fully leveraging that, I
3 think, is absolutely the right thing to do.
4 There's a lot of good thinking that goes on
5 there. But then putting on top of that things
6 that might be incremental or necessary from a
7 public company perspective, I'm very, very
8 supportive of.

9 And I love the idea, Steve, that you've
10 mentioned relative to kind of a task force or a
11 working group that can inform the process,
12 doesn't cede any responsibility or authority,
13 multi-constituent.

14 But, you know, I do think -- and I've
15 said this before, but I just want to say again,
16 then I'll stop and let others chime in. But I
17 do think audit standard setting after being
18 around it from multiple angles over my career is
19 very different than other rulemaking. And every
20 word matters relative to how an audit standard
21 is written and practitioners who have to apply
22 these standards have to apply them in a

1 consistent manner. And I do think that you need
2 a particular expertise in writing these
3 standards and that's really critical. And then
4 getting feedback through a really transparent
5 process is also critical so that you can
6 understand, are you achieving the ultimate
7 objectives that you're trying to achieve?

8 Strong economic analysis that starts
9 with the problem being solved and then the
10 different alternatives is really important. And
11 by the way, not every problem that you want to
12 solve has to be solved through a standard.
13 There might be opportunity to solve problems in
14 other ways, whether it be guidance or whether it
15 be state board statements or just shining some
16 light on it sometimes can solve a problem
17 without a standard. So there's lots to think
18 about there, but I do think audit standard
19 setting is different. And the last transparency
20 point I just want to make is I think this group
21 as a SEIAG has not in the past been able to
22 comment or discuss standards and proposals after

1 they've gone out for comment.

2 And that's kind of the most critical
3 time to be able to discuss it, because different
4 constituents have come up with different ideas
5 or problems with a proposal and this group may
6 be best positioned to provide ideas to help
7 solve some of those problems, address those
8 problems, or at least understand the proposed
9 path forward and draw attention to any potential
10 problems with those. There were two examples --
11 which I won't get into details of, but I think
12 people probably will know, two examples where,
13 you know, there -- there's a lot of difficulty
14 in the SEC approval process because comments
15 went directly to the SEC because that had not
16 had a chance to be vetted really through the
17 full process. So I'm glad to hear there's
18 openness to a much more transparent process and
19 a much more -- much more ability to engage. And
20 so there's a few things for you to think about.

21 MS. VERBECK: Thank you.

22 So I'll move over to Katrina.

1 MS. KIMPEL: I will continue my pattern
2 of following Brian. Just a couple of things. I
3 would also encourage ensuring that there's --
4 and Brian mentioned this with going concern, but
5 that there's consistency between what is
6 expected of management and what is expected of
7 the auditors, given that most, if not all, audit
8 standards really are reliant on getting
9 sufficient, timely audit evidence from
10 companies. And particularly as you all are
11 thinking about changing the inspection report,
12 we heard a number of times today that the -- you
13 know, there's a view that the issuer should be
14 named.

15 I do think that there's a gap sometimes
16 between what an auditor is asking for and what
17 an issuer thinks is necessary to comply with all
18 the things that Brian mentioned the issuers have
19 to comply with. So I would, particularly on AI
20 and other developing areas, ensure that there's
21 consistency in what's expected throughout the
22 ecosystem of financial reporting. And I also

1 fully agree with transparency on the standard-
2 setting side and finding ways to have the
3 dialogue.

4 I do think, Steve, what you put forth
5 is a very compelling idea with respect to a task
6 force.

7 I think some might also view that as
8 limiting transparency to a few. So I think
9 figuring out how to ensure that the process and
10 the transparency is complete to as many
11 stakeholders as you can possibly make it
12 complete to would be important.

13 MS. VERBECK: Great. Thank you very
14 much.

15 So I'll move over to David.

16 MR. FABRICANT: Yeah, thanks.

17 I'll just hit on where you started,
18 Brian, and that is, you know, GenAI and AI.

19 I can tell you as a preparer, it's not
20 only emerging, it's emerged. It is here. We
21 are all thinking about how to bring it into our
22 controllership teams and in our operations. And

1 I -- we will all start with human in the loop,
2 but we will have to work our way to -- human on
3 the loop to human out of the loop if we're going
4 to get the full benefit of GenAI in the
5 production of accounting and financial
6 reporting. That's a certainty.

7 I think standards can be enhanced or a
8 new one potentially written to help the auditors
9 audit a probabilistic outcome that a preparer
10 would perform. That probabilistic outcome can
11 change over time as models become -- and drift.

12 The answers are not the same. We typically put
13 in technology and preparers teams that are
14 deterministic, whether it's a robot, even
15 spreadsheets, like, things that you know are
16 going to be the exact same every time. This is
17 very different from that. And I think the
18 auditors need some guidance. I don't know if
19 it's standard or spotlights or interpretive on
20 how actually to audit that.

21 Could this become a CAM for some
22 issuers in the future? Kind of how -- what

1 would that look like? How would they write a
2 CAM if this was such of a significant audit
3 matter? Not immediately, but not too far down
4 the road, I could see these -- it's not
5 farfetched to me that these could become CAMs
6 one day. I also think there could be conflicts.

7 If the auditors are using an LLM to do their
8 audit procedures and me -- we're using -- or
9 preparers are using the same LLM model to
10 determine probabilistic outcomes that then
11 present themselves on accounting and financial
12 reporting, is there an inherent conflict there?

13 And then the last thing I would mention
14 is, like, SOC reports for LOM service providers.

15 What do you do when things are reported in
16 those SOC reports? Eventually, I think we're
17 going to need them if they become significant
18 enough. How do you clear those? How would I,
19 when I receive them, clear them? What would the
20 auditors expect if there's any deficiencies
21 report in those SOC reports? Because I just
22 think down the road what could be emerging from

1 this.

2 MS. VERBECK: Thank you.

3 Elizabeth?

4 MS. MOONEY: Okay. Thanks.

5 Just piggybacking on the transparency
6 and the process and Steve's idea, I just would
7 encourage you, it's a very simple -- just to put
8 a synopsis during the rulemaking of the
9 conversations you're having of -- with
10 stakeholders on the website. I mean, that's
11 what the SEC does. I don't see any reason that
12 PCAOB wouldn't do that, but, you know, to have
13 that up there, that transparency would be super
14 helpful, I think, and help investors get a
15 little more up to speed of what the
16 conversations are because they're not the ones
17 having the conversations. It's the firms who
18 are very knowledgeable, so, thanks.

19 MS. VERBECK: Thank you.

20 Preeti?

21 MS. CHOUDHARY: Okay. So I wanted to
22 -- I think one issue that hasn't been mentioned

1 yet to consider for the agenda is the private
2 equity. I think it remains a concern to see how
3 that's affecting incentives in the marketplace.

4 I mean, I take that there may be some good and
5 some bad coming with it, but a broader
6 understanding of that and regulation of that, I
7 think, is still warranted. I wanted to expand
8 on some comments about considering international
9 audit standards. I think it's a productive way
10 to start a standards discussion, is to see, you
11 know, what the international standards are, but
12 there are two concerns I have with kind of
13 adopting international standards.

14 The first one is that international
15 standards are built in a system where they don't
16 have to consider enforcement. There's no single
17 enforcement body and enforcement, to the extent
18 it happens, varies to a great extent across the
19 different constituents. And so that leads to
20 very different nature of standards. And one of
21 the advantages the PCAOB has is that it both
22 houses enforcement -- and when I say

1 enforcement, I don't just mean enforcement
2 actions, but inspections are a softer form of
3 enforcement and a very important and valuable
4 part of that enforcement. And so if you adopt
5 those international standards, I think you're
6 going to find that they're largely written in a
7 principles-based approach where you really can't
8 enforce.

9 And that would sort of negate the whole
10 value and point, I think, of the PCAOB. So I'm
11 concerned if that approach is taken
12 holistically. A second concern I have about the
13 international audit standards is the accounting
14 standards themselves vary between the U.S. and
15 international and the type of auditing you need
16 varies with the different kinds of financial
17 models you're using, right? Historical cost is
18 different than fair value and the audit
19 considerations vary. And so I don't see how you
20 can, you know, come to a congruence on audit
21 standards when the accounting standards
22 themselves don't agree.

1 So those are two main concerns I have
2 about adopting international standards. And
3 then I want to echo something that Elizabeth
4 said. The FASB provides a basis of conclusion
5 for every audit standard, which is super helpful
6 when you go back in time to understand what were
7 the conversations, what were the opposing views,
8 what was the evidence, not just what the
9 standard itself was. I think it provides a very
10 valuable historical record and it allows people
11 who are not part of the process to understand
12 what's going on. So I would really encourage
13 the PCAOB to consider adding basis of conclusion
14 to their audit standards. Thank you.

15 MS. VANICH: Preeti, if I can ask two
16 just probing questions, when you say private
17 equity, like, what do you see our role as being?

18 MS. CHOUDHARY: So if you think back to
19 how the audit profession was sort of first
20 created by law, it was supposed to be a
21 partnership for a very specific reason. Then we
22 had this evolving structure to add consulting,

1 you know, became a big part of that. And the
2 only way to do the private equity deal is to
3 come up with some very complicated nexus of
4 contracts that tries to separate but keep
5 together the firm so that we can only affect
6 this side of the firm but not the other side and
7 I think that's impossible. So I think that the
8 incentives are definitely going to bleed through
9 to the audit practice and I'm pretty concerned
10 that that's not going to look good.

11 MS. VANICH: And if I could ask one
12 more question, when you -- when you're talking
13 about a basis for conclusion, so when we put out
14 a -- well, when we put out a proposal, we try to
15 put the explanation for what's in the proposal.

16 And when we put out an adopting release, we
17 talk about what comment or said and kind of try
18 to give a flavor for the Board's response to
19 those comments. Like, what else -- what do you
20 -- when you say basis for conclusion, what is
21 not in there that you would hope to see?

22 MS. CHOUDHARY: I would like to see

1 some evidence of, like, any sort of analysis or
2 papers or evidence that was considered, the
3 opposing views and why -- or what was done to
4 address maybe the concerns that were raised and
5 maybe what issues they acknowledge may remain
6 open, even though the standard has been created,
7 because we all know these things come back to
8 haunt us from time to time.

9 MS. VERBECK: Did you want to go ahead?

10 MS. DONNELLY: No.

11 MS. VERBECK: Okay. Steve, go ahead.

12 MR. RIVERA: Thank you very much.

13 Just, you know, when I think about
14 projects, you know, the PCAOB should be thinking
15 about, you know, I hear a lot of things that
16 kind of fly, you know, through some of the
17 industry groups that I deal with and talk to.
18 One thing that there's a lot of -- they would
19 like to get more information on is the audit of
20 fair value measurements. Really difficult,
21 especially now as we go into this crypto world
22 of the digital assets, how am I going to audit

1 that? And, you know, do we have the right
2 people to understand these assets and what they
3 need? And everyone's very different, is what
4 they're telling me. So I think that's kind of
5 an area of, I think we need some way to
6 straighten, you know, the audit evaluation of
7 those kinds of -- those digital assets.

8 The other thing that -- also is the use
9 of AI in financial reporting. I get a lot of
10 questions about, you know, who's testing the
11 quality of the data that's coming in from AI and
12 is that information really the right
13 information? Is it clean? Is it the -- so
14 who's validating that information and making
15 sure that there's governance over that
16 information that is being used for financial
17 reporting? The other one that popped up was
18 cybersecurity. How are the auditors evaluating
19 that risk and the response and that continuous
20 monitoring? Is that something that the auditors
21 have to have more of a hands-on and, I guess,
22 more of a say of what is going on? And we hear

1 a lot of -- a lot of companies have all their
2 data out in the cloud. So if that goes away or
3 something happens, that information is all gone
4 or -- so I'm not -- I get nervous about that.
5 And so it's not sitting anymore at the company,
6 it's somewhere else and then questioning what
7 are the controls over that data that's in the
8 cloud and can that be penetrated by
9 cybersecurity?

10 And I guess my last comment, and I
11 thought this was really interesting, is, you
12 know, we see a lot of big companies bringing
13 back their -- I would say, these global
14 services. And I think there's a reason for
15 that, is because sometimes, you know, the these
16 third parties that are doing the work, and I'm
17 not mentioning anybody, but the value of what
18 these third-party service providers provide, are
19 they doing the right work? So what's happening
20 is a lot of companies are bringing it back in
21 and I've seen this happen, this contraction.
22 And so the question is, are those -- are they

1 evaluating these -- I would say these third-
2 party service providers, making sure that they
3 are doing the work they're supposed to be doing
4 and are there controls over there to make sure
5 that they're following exactly what they were
6 contracted to do? So again, that's kind of a
7 thing that's kind of been bubbling up and I see
8 a lot of companies looking at that and making
9 sure these providers are providing quality work
10 that they're supposed to provide.

11 MS. VERBECK: Thank you, Steven.

12 Angela?

13 MS. DONNELLY: Thank you.

14 I agree with a lot of the comments that
15 have been raised already and just wanted to add
16 a few additional considerations. You know, as
17 it relates to transparency in the standard-
18 setting process, I think there's, you know,
19 potential enhancements from the very beginning
20 all the way to the end, you know, kind of
21 starting with transparency around what are the
22 research activities being done to identify the

1 problem statement and, you know, thoroughly
2 vetting it with different stakeholders to
3 understand, you know, what problem are we trying
4 to solve? And then really thinking through the
5 cost-benefit analysis of pursuing standard
6 setting or other avenues, you know, where
7 guidance might be more appropriate. And really
8 thinking about all the tools in the tool belt in
9 terms of how you can address the root cause of
10 that problem.

11 You know, for mid-size firms,
12 particularly, implementation costs can be more
13 than just financial. It can divert resources,
14 you know, away from other matters that are
15 occurring in the firm. And so, you know, just
16 really making sure that weighting that in the
17 cost-benefit analysis in terms of whether the
18 benefits that are being provided are
19 sufficiently supported. I think kind of moving
20 along the process, you know, potential for more
21 feedback during the comment process, I agree
22 with Chair Laughton's -- or Board Member

1 Laughton's comments about establishing a task
2 force. I think that's a great idea, potentially
3 having round tables with stakeholders throughout
4 the process as well. Or as Brian mentioned,
5 using this as an avenue to get feedback.

6 And then, you know, along with Chair
7 Logothetis, your comments around providing
8 transparency in terms of the comments that are
9 provided, you know, summarizing all of this
10 input that you're getting from all of these
11 various sources, whether it's through comment
12 letters, through the SEIAG or the IAG, or
13 through any additional avenues you explore with
14 task forces or round tables, et cetera, to
15 gather information, I think would be really
16 helpful to just provide transparency as to how
17 those are considered and ultimately reflected in
18 whatever avenue you pursue, whether that's
19 standard setting or otherwise.

20 And then I think my last comment I'll
21 just make is, in terms of implementation of
22 standards, it would just be really helpful to

1 provide guidance and examples as to, you know,
2 how firms should be thinking about what the
3 expectations will be related to inspections on
4 those new standards to just really guide and
5 make sure expectations are set upfront as
6 opposed to, you know, potentially running the
7 risk of, you know, judgments being applied in
8 inspection that then, you know, maybe could have
9 been established upfront through enhanced
10 guidance and expectations. Thank you.

11 MS. VERBECK: Thank you, Angela.

12 Krish?

13 MR. KRISHNAN: Yeah. Thank you. I do
14 want to emphasize or echo the fact that GenAI
15 is, you know, I left my home yesterday, things
16 may have already progressed in 24 hours. So
17 internal control standards that, you know, what
18 used to be AS5 renumbered, I think that may need
19 some additional guidance in the context of
20 GenAI. As you know, in February, COSO issued a
21 guidance specifically for GenAI. And I found
22 this to be very useful in the classroom, at

1 least. And so, there is a starting point there
2 where you can consider this as a template or
3 when you set the internal control standards. It
4 identifies the limitations, capabilities of
5 GenAI, and something that could save the
6 standard-setting process a lot of time, so
7 that's something to consider. Thank you.

8 MS. VERBECK: Thank you very much.

9 Jeff?

10 MR. MAHONEY: Thank you. Just to add a
11 few comments on some of the things that have
12 already been said. First, I think the professor
13 makes a couple of very good points about
14 international auditing standards. Let me add
15 just a couple of others. First, the SEC chief
16 accountant said recently that there were some
17 issues with the governance and funding of the
18 IAASB. So, as a governance person and CII, we
19 actually have a specific policy with respect to
20 standard setting, auditing and accounting
21 standard setting, that stable funding is
22 critical to high-quality standard setting, and

1 certainly, we believe governance is as well. So
2 my comment there is, you know, we ought to look
3 at those issues and see if the they can't be
4 resolved before we spend too much or give too
5 much reliance to international standard settings
6 of standard setters.

7 To Brian's point, I agree, Brian, that
8 to develop a single set of high-quality auditing
9 standards, that is probably a different project
10 than developing a single set of high-quality
11 accounting standards.

12 You know, we know what happened in that
13 circumstance, but I think some of the same
14 issues will pop up as well. For example, there
15 was political issues, there were legal issues,
16 there were some cultural issues. I think you're
17 going to run into some of those as well if you
18 try to have a goal of a single set of high-
19 quality auditing standards. I think those will
20 rise up again in the case of auditing standards
21 as they did with accounting standards. You
22 know, the other point with accounting standards

1 is, at the end of the day, at least the SEC and
2 others concluded that, by having a single set of
3 high-quality accounting standards in the United
4 States, it would not benefit the U.S. capital
5 markets. There was a lot of benefit to other
6 countries of having international standards and
7 something close to U.S. standards, but the
8 ultimate conclusion was having a single set of
9 high-quality accounting standards would not
10 benefit the U.S. capital markets.

11 So that's something to think about,
12 again, if our goal is to have a single set of
13 high-quality auditing standards. NOCLAR, Brian
14 mentioned NOCLAR. I agree with Brian. I think
15 we ought to try to finish that project. So much
16 work was put into that project at the staff and
17 the board level. I had some frustrations with
18 that project because I think what should have
19 happened is stakeholders should have gotten
20 together and figured out, how do we fix it?
21 There were a lot of problems with the proposal.
22 No question about it.

1 I agree with you, Brian. But I think
2 there should have been some type of an effort,
3 and maybe the PCAOB could have led it, to bring
4 the stakeholders together and figure out, how do
5 we fix this? And maybe that can still occur
6 when we hopefully move to finalize it.

7 QC 1000, I would just ask, I know
8 there's discussion of a narrow amendment to
9 improve it. I don't necessarily have a problem
10 with that, but we have a new Chair. We have new
11 Board members. I would just ask you to spend a
12 little bit of time to look at what some have
13 proposed should have been in QC 1000 and were
14 rejected. Maybe we can spend just a little bit
15 of time looking at those things again with the
16 new Board, new Chair, and see if maybe some of
17 those weren't good ideas that should be in QC
18 1000. So it's just something to think about.

19 Also, agree with Brian, interim
20 standards, why can't we get rid of interim on
21 the interim standards? Let's go through a
22 process and take away the interim of interim

1 standards after we go through a thorough
2 process. Thank you.

3 MS. VERBECK: Thank you very much.

4 Jennifer Burns?

5 MS. BURNS: Thanks. And thanks for
6 that conversation today and the opportunity to
7 be here. In terms of priorities and talking
8 about technology, both on the topic of digital
9 assets and AI, the AICPA through the Auditing
10 Standards Board and the Assurance Services
11 Executive Committee, have been working hard on
12 guidance on both of those topics. We've got the
13 digital assets practice aid, as well as an AI
14 practice aid and process. And, you know, in the
15 effort of U.S. standards that are collaboration,
16 we would be more than happy to work with the
17 PCAOB.

18 And I know we do share these practice
19 aids with the staff and get their input before
20 they're published, and certainly would welcome
21 that collaboration as you all think about what
22 you might want to do in that space. And

1 hopefully, you can leverage what we've already
2 done. Sarbanes-Oxley does expressly permit the
3 PCAOB to leverage the work of other standard
4 centers.

5 And I see this as an opportunity to get
6 a jumpstart on what the PCAOB might want to
7 think about in this space. In terms of other
8 topics that the PCAOB might want to consider,
9 other things that have been on the PCAOB's
10 agenda include standards that both the IAASB and
11 the ASB have been working on.

12 So, in the area of fraud and going
13 concern, those are two places where we could,
14 again, collaborate and work with the staff to
15 talk through what has already been done at the
16 international and ASB level and stand back and
17 say, okay, this is what would be required for a
18 private company audit. What, from the PCAOB's
19 perspective, should be incremental for a public
20 company audit?

21 And so, again, open to having those
22 sorts of collaboration discussions with the team

1 here as well. And, if I'm not mistaken, I think
2 those interim standards, I think you guys did
3 take the word interim away. I'm not sure. I'm
4 not sure. But, with that body of standards, you
5 know, maybe this is lower priority, but you
6 could stand back and say, okay, what has
7 happened at the IAASB level and the ASB level,
8 and try to, again, leverage what has already
9 been done on those topics and, again, get a
10 jumpstart on updating those standards as
11 necessary for the public company arena. Thanks.

12 MS. VERBECK: Thank you, Jennifer.
13 Jim.

14 MR. FREIS: Thank you. I think
15 especially when we look at a strategy and we
16 look at things going on for years, we need to
17 make sure that we've stepped back the right way.

18 Some of this discussion, I think we quickly
19 jump into the level of the weeds, which could be
20 irrelevant in two years into a five-year
21 strategy. So, my thoughts are coming back to
22 the original investor protection mandate and

1 where that all came from, from the SEC almost a
2 century ago in terms of fraud, Blue Sky, rules,
3 abuses.

4 What are we trying to achieve here in
5 terms of transparency, comparability, not
6 materially misrepresent? When we're talking
7 about investor protection, also when we look at
8 international auditing standards, and I'm
9 building off the point that I think Jeffrey was
10 the only one who made thus far, the markets are
11 global. A home bias that exists for American
12 investors is not in their interest, the Chairman
13 said very clearly, in terms of the strength of
14 the U.S. capital markets. We want to draw upon
15 that. We want and we need foreign investors
16 coming to the U.S. And we want also foreign
17 issuers coming to the U.S.

18 And there's other aspects that
19 influence that, such as the SEC changing its
20 approach to FCPA enforcement and the like. But,
21 it's critical. When we look at issues of how we
22 harmonize, that gets to the very fundamental

1 aspect of the reason why we have accounting
2 standards for comparability, transparency, et
3 cetera, for investors that are looking across
4 analogous investments, or even those who are
5 just looking to arbitrage and increase
6 efficiency in the markets for long-term
7 investors. So, I would not forget that.

8 Again, it has been mentioned yet, but,
9 again, put that against the aspect. It's not
10 the job, in my view, the PCAOB or accounting
11 standards, to remove risks from business models,
12 right? Risk is reward when you're talking about
13 investing. And this is where I come back to
14 Brian's initial comments.

15 And, Brian, we haven't discussed this,
16 so I don't know exactly where you were going,
17 but I think I fundamentally agree with your
18 conclusion that rulemaking in terms of audit
19 standards is different, but probably for
20 completely different reasons from you.

21 Other areas of regulation actually
22 drive business models. And I say that as a

1 person who's put out regulations under my own
2 name that put people out of business, or you
3 can't do business unless you are doing certain
4 things. That is not what we're talking,
5 anything that I've heard that we're talking
6 about in this context and look at them,
7 financial services, most-heavily regulated
8 industry. Medical pharmaceutical, people die if
9 you do things wrong, second most heavily-
10 regulated industry. We're talking about
11 transparency, very different policy issues here.

12 So, when we go back, and we look at the
13 slides and the question about emerging risks,
14 emerging risks are things like Steven said, that
15 the aspect in the crypto. It's a question of,
16 is there an understanding of the valuation or
17 the transparency or the like? That's a total
18 different discussion from what's before Congress
19 and other people in the city. They're looking
20 about whether business models can exist in those
21 areas.

22 So again, I would just suggest that, as

1 we approach this, we don't get lost in the
2 weeds, but we think continually about that
3 investor-protection mission, the transparency,
4 the comparability. What is stopping us in that
5 process, and that, Chairman, I would suggest is
6 the best way we can continue to enhance the
7 strengths of the U.S. capital markets.

8 MS. VERBECK: Thank you very much, Jim.
9 Lillian.

10 MS. CEYNOWA: Thank you. Being on this
11 side, and coming from working at the PCAOB in
12 the standard setting, I have a greater
13 appreciation for harmonization. So, as a
14 general principle, harmonization should be the
15 rule as much as possible and divergence, you
16 know, good rationale, good economic analysis as
17 to why things should be different and the cost
18 for why they are different, because it does come
19 with a significant cost on the other side.
20 Having said that, the PCAOB is in a very, very
21 unique position, in that they have a lot of good
22 information, right?

1 They have the enforcement and the
2 inspection side. So, that's a very unique
3 position that they're in. And, in the true
4 spirit of the economic analysis when doing
5 research or standard setting approach in, once
6 you determine what the problem is, I would
7 suggest what Jennifer just said is the
8 collaboration or the leveraging of the great
9 work that's being done by other standard
10 setters. There's nothing, you know, wrong with
11 that, or there's good information that's
12 happening there. There's good discussion taking
13 place there. I think it should be leveraged.

14 So my point on that one is to engage
15 early with the other standard setters, both the
16 ASB and the IAASB, depending on the topic. I
17 agree with the round tables, but also keep in
18 mind that you're probably drawing from the same
19 people that IAASB is drawing from and the ASB is
20 drawing from. So, that's another good reason to
21 have collaboration because people will be
22 spending time on three different round tables.

1 So, also, I want to say when concepts are the
2 same, the terminology should remain the same.
3 There is different word. Different formats are
4 sending different signals, right, and create
5 differences in interpretations.

6 Guidance also, practical implementation
7 guidance, it's not always rulemaking that's the
8 answer. Practical implementation guidance is
9 not only good for the firms to understand the
10 Board's expectations, but I think it's also good
11 for the inspectors who are assessing compliance
12 and all working off the same song sheet, I'll
13 say. You know, but it has to come to, you know,
14 a level of specificity, which I think it's been
15 done in the past. There's been some really
16 great guidance that the PCAOB has issued that
17 has been very, very helpful.

18 I loved Board Member Laughton's idea of
19 stakeholder engagement, completely supportive of
20 that. And I think you're doing that, Chairman
21 Logothetis, with the solicitation of an
22 inspections task force, which is great. So, I

1 appreciate it all. I appreciate all that.

2 MR. LOGOTHETIS: Can I? Am I on? I
3 was based in Europe from '90 to '96, and I
4 remember back then. I was working primarily on
5 U.S. multinationals, and we were talking IFRS.
6 We were talking convergence, and here we are 30
7 years later, and we're still talking
8 aspirationally about convergence. So, let me
9 ask you this, for anyone really. If I have a
10 budget and somebody gives me \$20 million that I
11 can invest per year on convergence, what would
12 we do?

13 I mean, what's compelling out in the
14 marketplace? You know, theoretically, I get all
15 these points, right? But, maybe from the
16 practitioners and the academics and the others,
17 again, if I had a wish list, what would it be
18 that we need to accomplish in the next two,
19 three years in the context of harmonization
20 and/or convergence?

21 MS. VERBECK: Go ahead, Brian.

22 MR. CROTEAU: Well, to tell you the

1 truth, I actually wouldn't go back at this point
2 and update the old standards. I don't know that
3 there's enough incremental benefit from doing
4 that. And I actually think some things the
5 PCAOB did in their risk assessment standards,
6 while different, are actually in some ways,
7 perhaps, even better. So I don't know that I
8 would go back.

9 My point when I was saying that you
10 would need to is if you're really trying to
11 fully converge, that's what you would need to
12 do. But, you know, I would spend more of my
13 time on the things that I mentioned in terms of
14 new things that I would do, and then, going
15 forward, focus on where you can seek
16 harmonization or conversions where it makes
17 sense to do so. And I think Jeff and I are
18 fully aligned on, actually.

19 And so, you know, I do think that
20 there's enough current stuff looking forward
21 that updating risk assessment or going back and
22 starting from scratch would not be value well

1 spent.

2 MR. RIVERA: Can I just add to Brian's
3 thoughts?

4 MS. VERBECK: Go ahead.

5 MR. RIVERA: I -- maybe, Jim, another
6 thought. I mean, just reading the press, the
7 SEC is coming up with a proposal for now semi-
8 annual reporting. So maybe there's a -- maybe
9 there's some dialogue with our friends in Europe
10 because they do with semi-annual reporting. And
11 what does that look like from an auditing
12 standpoint? Maybe that's something where
13 there's convergence that can take place because
14 right now, we -- we've been doing quarterly
15 reporting since I'm -- since I was in school.

16 So now -- to do that now -- and if
17 companies want to go with six months, what does
18 that look like? What kind of audit procedures
19 will be done now on the interim basis, if any?
20 And maybe talking to some of our European
21 friends who are doing six -- doing those kind of
22 audits, and maybe there's room there, Brian. I

1 don't know what the firms do outside of the U.S.
2 when they do it six months, and what does that
3 look like?

4 MR. LOGOTHETIS: Yeah. When I was at
5 IFIAR two weeks ago and listened to 57 sum
6 representatives from all over the world, my
7 sense is that our markets in America are doing
8 fantastic, I mean, if you compare it to Europe,
9 for example, where Europe is 45 percent below us
10 now versus the time that they -- the European
11 Union was formed. When I -- what I hear from
12 them -- what I hear primarily from the
13 accounting firms is, it would be nice if we had
14 consistent auditing standards so that we don't
15 have to have two methodologies, one for the U.S.
16 and one for the international network.

17 That I get, and we need to think about.

18 But I don't hear -- and prospectively, there's
19 no question. As we look at new standards, we
20 have to be looking at other standard setters,
21 including international. But I'm just trying to
22 say is there an urgent or compelling need for us

1 to do something immediately that would, let's
2 say, go higher up in our priority list than what
3 we have sort of outlined to you over the last --
4 you know, this morning, for example?

5 MS. VANICH: If I could just maybe just
6 talk about that. And I'm not sure if it's why
7 you've raised your hand. I mean, the
8 International Auditing Standards Board is
9 currently looking at the standard for interim
10 reviews, so that would deal with semi-annual
11 reporting. We still have an interim standard on
12 quarterly reviews that was part of some work we
13 had done. I mean, does that strike you as a
14 good priority for the Board, because it would be
15 an area where, one, we could replace an old
16 standard, but two, we could be kind of working a
17 little bit more real time with changes?

18 MS. VERBECK: Perfect.

19 John White.

20 MR. WHITE: A couple of random
21 comments. First, Jeff, you bring back a lot of
22 memories when you talk about the -- a -- what is

1 it? A single set of high-quality accounting
2 standards, and the things you're describing are
3 all -- it was quite an adventure. I actually
4 thought successful in some cases, but when I
5 think about a single set of high-quality
6 auditing standards, I just don't see the same
7 kind of benefit for investors. I mean, one set
8 of accounting standards, that, to me, makes a
9 lot of sense to investors.

10 I mean, you want -- you -- you've got
11 comparability that makes a difference. But on
12 the auditing standards, if we have a set of
13 auditing standards that give you a high-quality
14 audit, I don't think it's a big deal with
15 investors if there are two standards out there.

16 They're certainly cost savings and efficiencies
17 for the firms, and so I wouldn't -- and for
18 companies, so looking at it that way, it would
19 be useful. But the question, is it compelling?

20 I don't think so because I don't think it may
21 -- I don't see any particular significant
22 benefit for investors.

1 Second, the mention of NOCLAR, I guess
2 I would just have to say that when I think about
3 your priorities and how you want to spend your
4 time, I would just say I would not reopen that.

5 I'm going to call it a nightmare. It will take
6 up an enormous amount of time, and I don't think
7 there's a compelling need. I mean, obviously,
8 you can do it and start down that route, but it
9 will be complicated, time-consuming, and it is
10 not where I would allocate your resources when
11 you're thinking about what to do.

12 On the semi-annual reporting front,
13 obviously, the SEC put out their very large
14 proposal yesterday. The part that I was
15 actually focusing on, you know, you -- there's a
16 lot of study to understand what they're
17 potentially proposing, but the concept appears
18 to be that a company can decide whether they
19 want to report quarterly, or they want to report
20 just semi-annually. And my sense from at least
21 listening to preparers, there's a fair amount of
22 interest in the idea of reporting semi-annually

1 in terms of filing, you know, financial
2 statements and complying in that way. But to
3 quarterly put out I'm just going to call it an
4 earnings release, but -- because you have --
5 almost have to do that to be able to deal with
6 insider trading issues and getting -- you know,
7 getting the window open and having information
8 to be able to do capital raising and other
9 things.

10 There are -- and I've only looked in
11 what I could look at overnight, but there's
12 certainly a number of references in the release
13 about what kind of auditor involvement you would
14 get, I'm going to say, with earnings releases
15 and how that could be done and the pointing at
16 the PCAOB in terms of guiding the auditors on
17 that. So if semi-annual reporting is adopted by
18 the SEC, I do think it becomes a big priority
19 for you, the PCAOB, to address how that would
20 work in terms of companies that opt for semi-
21 annual but want to put out quarterly releases.

22 You don't need to worry about it if

1 it's not adopted, but if it goes that route,
2 that belongs high on your list.

3 MS. VERBECK: Thank you, John.

4 Jennifer Burns.

5 MS. BURNS: Thanks. When I think about
6 alignment, I think about it as being beneficial
7 to all stakeholders in the financial reporting
8 ecosystem. And the reason I think about it as
9 being beneficial to everybody, including
10 investors, is because one week an auditor might
11 be working on a private company audit, and the
12 next week they might be working on a public
13 company audit and making it easier for them to
14 switch from A to B and understand what they have
15 to do on an incremental basis to make sure there
16 is enhanced appropriate quality and compliance
17 with the standards applicable for that
18 particular engagement.

19 I think that is important to investors.

20 So that's why I think alignment is a good idea.

21 I think picking up on Steve's idea this morning
22 about having perhaps a special group that comes

1 together and talks about what should be
2 incremental for public company audits is a -- is
3 an excellent idea. And I think we could
4 leverage the work of the Auditing Standards
5 Board. The ASB is made up of 19 members, ten of
6 whom represent the public and the state
7 regulators, state boards of accountancy. So
8 they have the majority of the seats at the ASB.

9 And so I think leveraging the work that
10 comes out of the ASB's process would be
11 terrific, and let's add incremental requirements
12 as needed. The ASB follows a very deliberative
13 process in considering the international
14 standards we engage early and try to influence
15 and monitor what's happening at the IAASB. We
16 conduct our own independent research to help us
17 make decisions in an informative way, and we
18 share that research with both the IAASB and the
19 PCAOB. It's a very transparent process, and at
20 the end of the day we end up with what we call
21 our Appendix B. And Appendix B actually
22 outlines the differences between GAAS and the

1 ISAs.

2 And we have documented reasons for
3 those differences. And I would fully expect for
4 the PCAOB there would need to be some
5 differences, and those could be documented in
6 quite the same way. And you could leverage what
7 the ASB has already done. You could then add to
8 that, okay, here's what we think needs to be
9 different for a public company audit. And then
10 that could be clearly documented and explained
11 so that any audit committee member, any public
12 company, any auditor can understand clearly,
13 this is what is incremental for a public company
14 audit.

15 Now, in terms of priorities and having
16 a \$20 million budget, you know, it's nice to --
17 if we had a blank sleeve of paper to do
18 everything from A to Z, and so we have to do --
19 we have to choose priorities. And so I
20 understand that dynamic and that balance needed.

21 So -- but I'm here to say, let's leverage what
22 other standard setters are doing, and I'm happy

1 to help you all do that.

2 MS. VERBECK: Thank you, Jennifer.

3 Katrina.

4 MS. KIMPEL: In response to your
5 observation about the accounting side, we've
6 sort of -- I think many in this room, having
7 worked with John at the commission on those
8 rules, have seen this movie before, if you will,
9 from an accounting perspective. So I would
10 encourage you all to do some research on the
11 accounting side, and see what can be gained from
12 there. I would argue one area to focus on is
13 the interpretation.

14 Aligning standards is just the
15 beginning, but how those standards are
16 interpreted is, of course, you know, where the
17 rubber meets the road, if you will. And there
18 are examples on the accounting side that might
19 be very informative as you all endeavor to go
20 down this path.

21 MS. VERBECK: Thank you.

22 Preeti.

1 MS. CHOUDHARY: Barb, I wanted to add
2 one thing to your question about what else to
3 include for the basis of conclusions. The
4 alternatives that were considered and why they
5 were not adopted is super helpful. And then I
6 wanted to -- oh, did you want to say something?

7 MS. VANICH: I was just going to say,
8 to some extent, that's considered in the
9 economic analysis, but point taken.

10 MS. CHOUDHARY: Okay. And then
11 somebody else had mentioned fraud as an issue,
12 and I just wanted to highlight that the SIEAG
13 subcommittee, in the past, had come up with a
14 number of recommendations based on our
15 discussions over, I think, two meetings about
16 fraud and had sent those, and it would be great
17 if you all were -- had interest in following up
18 on any of them. Thank you.

19 MS. VERBECK: Thank you. Thank you.
20 Sandy.

21 MS. PETERS: On international
22 standards, I -- you know, the notion or

1 narrative of a global set of standards is -- I
2 mean, we supported IFRS and one set of
3 standards. You know, it's -- there are so many
4 issues associated with it, as I think Jeff and
5 others have pointed out. But I think one thing
6 that's sort of lost in the conversation is it's
7 not exactly the same in the sense that the PCAOB
8 was created because the profession was setting
9 standards for itself, and they weren't working
10 for investors.

11 The ISS -- the IASB standards, they are
12 ICEs, but every country endorses them, labels
13 them, and uses them differently. So it is not
14 exactly the same comparison. And so while
15 working together may be great, the reality of it
16 is, is that only the PCAOB is perceived, from an
17 investor perspective, as having truly
18 independent standard setting because the funding
19 for the AICPA standards comes from the AICPA,
20 and the funding for the IAASB standards comes
21 from the profession, and even the PIOB has been
22 mostly funded by the profession as of late.

1 So to -- in our world and to Jeff's
2 point, funding and government -- governance are
3 the first questions. The notion of global
4 consistency is sort of -- that's good, but you
5 got to get the other stuff worked out first.
6 And on earnings releases, your comment, I hear
7 you, but I think what's really interesting is
8 that investors have generally said they don't
9 want auditors anywhere near the earnings release
10 because they want to hear from management.

11 So having a long period of time, we
12 have some really interesting survey results that
13 we'll publish on that, but I think it -- you
14 know, even non-GAAP measures, because earnings
15 releases are full of non-GAAP measures, but
16 you'll have non-GAAP measures and no financial
17 statements to anchor them to. So how do you do
18 the reconciliation? So I think there's a lot of
19 issues there, but I don't think auditors are
20 going to solve those issues because of the other
21 things around them. So anyway --

22 MS. VERBECK: Thank you, Sandy.

1 Jamila.

2 MS. MAYFIELD: Thank you. A couple of
3 things and financial services related, so bear
4 with me. The digital assets' conversation, I
5 think, is really important. So with the SEC and
6 the CFTC having this memorandum of understanding
7 and now kind of bifurcating where digital assets
8 sit, but also, you know, folks looking at audits
9 and expecting to see the full gamut covered with
10 equal expectation that no matter how they were
11 categorized, there's an understanding that
12 they've been audited fully. Materiality is
13 being considered.

14 I think walking in lockstep with the
15 SEC and the CFTC as they develop things and the
16 standards and give some insights to the industry
17 is so important so that there can be an
18 expectation from an audit perspective. And then
19 again, on that same financial services train, BD
20 audits, are we going to get a full force program
21 that is codified, right, from the PCAOB? I was
22 at the SEC when this was launched, right? Right

1 around the crisis, it made sense, custody being
2 a primary concern, right, for the brokerage
3 business.

4 But now, you know, where are we? Is it
5 going to continue to be an interim program, or
6 will there be more fulsome development or not?
7 I think that is something that would be
8 interesting to hear from this new group.

9 MR. CALABRIA: It -- so I'm somewhat
10 been deputized. Maybe I think about and drawing
11 the short straw, if you will, about the broker-
12 dealer program. Our intention is to get to a
13 permanent program. You, hopefully at some point
14 soon, will see a list of questions and a list of
15 topics. And we're certainly going to be looking
16 at what types of broker-dealers should be
17 covered. As you know, Dodd-Frank gives us a lot
18 of flexibility over timing. So all of these
19 will be a set of questions that we'll put out
20 where we want to get feedback from the public
21 on.

22 And I'm hopeful that, you know, by day

1 -- maybe the middle of next year, we'll have a
2 permanent program, but that -- that's kind of
3 what we're shooting for with a wide margin of
4 error.

5 MS. VERBECK: Thank you.

6 John?

7 MR. WHITE: So, Sandy, I agree with
8 everything you said on -- oh, where did Sandy
9 go? Well, I agree with everything that Sandy
10 said on the convergence or harmonization of the
11 auditing standards. The -- I was a little
12 surprised by the comment that investors don't
13 want auditors close to earnings releases. I
14 will at least say my experience is that audit
15 committees want auditors really close to
16 earnings releases. And in fact, any, you know,
17 I'll say, responsible audit committee is going
18 to grill their auditors before the earnings
19 release goes out that the auditors are onboard
20 with the accounting principles.

21 I mean, what's reflected in the
22 earnings release? The last thing that a company

1 wants is for the earnings release to have one
2 set of numbers and then when the ultimate 10-K
3 or 10-Q comes out, that there's a different set
4 of numbers. So I think that at least audit
5 committees in fulfilling their roles very much
6 care about auditor involvement with earnings
7 releases.

8 MR. LOGOTHETIS: The complication I see
9 there, and I think Sandy kind of talked about
10 it, is they -- if there's no financial
11 statements, would you anchor this release to,
12 you know, the press release? So there's got to
13 be a set of financial statements that you kind
14 of relate it to. And if you say to the audit
15 committee, yes, we've done this, and what did
16 you cover? You know, did you trace the numbers
17 back to the general ledger?

18 You know, it's going to be harder to
19 explain the work that we, the auditors, would
20 do, so obviously something for us to think about
21 in the context of the review procedures. And as
22 you all know, it's not an audit. It's limited

1 review procedures that are generally done in the
2 queue and even less on the press release, but
3 they are connected. I mean, at a minimum, as I
4 recall, the requirement was that we at least
5 read the press release, tie the numbers back to
6 the queue, and make sure that there were no
7 inconsistencies.

8 MR. WHITE: Yeah. I mean, I thought
9 that the agreed-upon procedures process worked
10 here, but I think the reporting standard is in
11 one of the categories that Jennifer described
12 that the actual standard is what's left over
13 from the PCAOB -- from the AICPA standard, which
14 has subsequently been revised, I believe, but
15 yours hasn't. Am I remembering that right?
16 Barbara is nodding. Yeah. Yeah.

17 So I mean, I think there's space for
18 the PCAOB to look at this because I think your
19 -- I think your standard on agreed-upon
20 procedures in this space is the original AICPA
21 standard, which has now been revised by the
22 AICPA even. So I think -- I mean, I just think

1 the PCAOB is behind on that one.

2 MR. LOGOTHETIS: Yeah. I'm not
3 familiar with the specifics.

4 MS. VERBECK: Jennifer Burns.

5 MS. BURNS: Thanks. I just wanted to
6 clarify that the IAASB has 18 members, only five
7 of whom are practitioners. So the way the IAASB
8 standards are set, it has limited input, you
9 know, five board members. No more than five
10 board members can be practitioners. And at the
11 ASB, again, our makeup was changed after
12 Sarbanes-Oxley, and ten of the 19 members are
13 public members and representatives of NASBA. So
14 just wanted to make that clear.

15 MS. VERBECK: Brian.

16 MR. CROTEAU: I'll just add to
17 Jennifer's comment, and that does create risk at
18 some point that you may not have enough
19 technicians involved in writing standards. And
20 I was going to ask Sandy, so I guess I'll just
21 leave for the record since she left, but I
22 believe she was a PIOB member from '23 to '25,

1 right?

2 MS. VERBECK: Yes.

3 MR. CROTEAU: So, maybe she has some
4 ideas when she comes back as to how the firms
5 could pay less, and others could pay more and
6 help with the funding given that that seems to
7 be an issue from at least an optics perspective
8 from her perspective. So maybe when she's with
9 us next, she can highlight some ideas.

10 MS. VERBECK: Okay. So, not seeing any
11 tent cards up. We did have additional questions
12 planned. However, this discussion has, for the
13 most part, addressed those additional questions
14 in combination with this morning's discussion on
15 the inspection report, which also touched on the
16 inspection process. So by all means, if anyone
17 has additional comments on transparency or
18 inspections, please feel free to raise those.
19 But I think we've had a wholesome discussion
20 that has covered those things already.

21 MR. WHITE: Do we have time?

22 MS. VERBECK: Yeah, we have time. Go

1 ahead, John.

2 MR. WHITE: Whoops. So we had -- we
3 talked this morning about the reporting as it --
4 inspections. I guess I've, you know, felt like
5 I had to say something about materiality and the
6 inspection reports. We're obviously at a stage
7 where, I guess, there's a current focus on, to
8 use Chairman Atkins' words, the north star of
9 materiality and the concept of providing
10 decision-useful information to investors.

11 And I know he -- I believe that he's
12 been saying that with respect to the PCAOB as
13 well, remembering always that the Supreme Court
14 standard is the materiality standard of the --
15 you know, of the land. A principle, I guess,
16 that I've seen play out in over the years in
17 many arenas, I'll just say, is you get what you
18 measure. And applying that to inspection
19 programs, you get from the audit firms what you
20 inspect for. And, you know, kind of continuing
21 with observations on that audit firms are good
22 listeners, and so when you inspect for

1 something, they listen and they respond.

2 You also -- I also hear from the
3 preparers. I'm looking at Steve and Lisa, that
4 flows through to the preparers. So whatever you
5 tell -- whatever you inspect for, the auditors
6 do that, but it then flows through to the
7 issuers because they want the same kind -- they
8 need the same kind of information from the
9 issuers. So how does all this translate through
10 to the inspection program, which was, I guess,
11 my comment. I think that there should be a
12 focus in the inspection program on materiality
13 of what's inspected for.

14 I mean, just as an -- to use Chair
15 Atkins' words, you know, the north star of the
16 inspection program should be the materiality of
17 what you're inspecting for. You know, I realize
18 this is all part of the theme that I raised
19 earlier about capital raising and being less
20 burdensome for public companies to be public
21 companies, but I will just leave materiality as
22 a standard that I think should be governing what

1 we're doing in the inspection area.

2 MR. RIVERA: And John, can I just add
3 to your point. It's materiality, but also it's
4 the quality of the materiality because it --
5 because we've seen companies changing accounting
6 principles, right, and don't disclose that,
7 right? And we've seen that in the Wall Street
8 Journal. And so there's a question of, well,
9 shouldn't the audit committee know about that,
10 you know? Even if it's immaterial, that's still
11 important for the audit committee to know that
12 the company changed the useful lives of their
13 assets. And that's me. If I'm a board member,
14 I would want -- I want to know that. So it's
15 not just the number, but the quality of what
16 that change represents.

17 MR. LOGOTHETIS: Yeah, John, if I can
18 respond, that's kind of at the heart of
19 everything, isn't it? You know, in terms of
20 what we need to do. And we've talked about it
21 this morning, not to go through more details
22 here. But, in my mind, what I think about when

1 I hear the Chairman's comments or read the
2 Chairman's comments and I think about our
3 mandate and what we have to do, what I think
4 about is appropriate, cost-effective regulation.

5 That's when I think about going back to basics.

6 Now, the question is, what is
7 appropriate, right, in the context of
8 inspections? There's judgment involved, right?

9 And we need -- in terms of coming to a judgment
10 conclusion, you take into consideration
11 everything, including materiality, at least not
12 so much maybe materiality measured in the
13 context of that we do as auditors, but
14 materiality in terms of what does this finding
15 do? You know, how is it important? How does it
16 relate to the account? How does it relate to
17 the year-end results, to the audit opinion?

18 So I'm not sure that I have a direct
19 answer for you, but we need to make sure that
20 whatever we come out with in terms of findings
21 is at the appropriate level. It's not
22 excessive, it's not meaningless, but it's

1 appropriate. And that requires a lot of
2 judgment.

3 And, going back to a comment that I
4 made earlier that perhaps was not, again,
5 articulated properly, we can only get to this
6 appropriate level if there's the reasonable
7 discussion, appropriate discussion, between the
8 auditors, especially the team that worked on it,
9 and the inspectors. And I think I'm optimistic
10 that we can get to those levels, because at the
11 heart of everything is that, it's our
12 credibility.

13 If people look at these -- like, the
14 surveys that were distributed at IFIAR that show
15 that we have a 34 percent, or whatever it is,
16 exception or findings for the last, I don't
17 know, five, six, ten years. In the meantime,
18 everyone's talking about the improvements that
19 the profession has made. And then you look at
20 the Part II and there's no public statements, no
21 public reports that show that these firms did
22 not follow the remediation, didn't do the

1 remediation. There's a disconnect, right?

2 There's nothing in Part II -- because I
3 think Congress basically said give the firms
4 ample time to fix it. You have the
5 responsibility, if they don't fix it, to go out
6 and tell the world, which would be devastating
7 for the accounting firms, right? And so if, on
8 one hand, we don't have those reports because
9 the firms are doing the remediation, but on top
10 we still have 34 percent findings, we've got to
11 deal with that.

12 And when I think about appropriate, we
13 need to go back and make sure that we both agree
14 on it. And we also should be very mindful that
15 there is no magic in terms of what the
16 exceptions should be. The exceptions should be
17 what they should be based on the appropriateness
18 of the situation. There's nothing wrong if the
19 exceptions are 6 percent or 60 percent, if
20 that's what it has to be.

21 But we also need to be careful that we
22 don't draw conclusions from the 34 percent,

1 because if you think about the 34 as if we -- I
2 always like to make the analogy to the airline
3 industry, right? We at the PCAOB are kind of
4 like the FAA, right? We're trying to prevent
5 airplane crashes or audit failures, audit
6 crashes, right? And if the FAA had 34 percent
7 exceptions looking at airplanes or looking at
8 the maintenance system of the airlines, right,
9 nobody would get on an airplane. Does that make
10 sense?

11 So we need to put all this stuff in
12 context. So, materiality, I'm not quite sure
13 exactly how it relates, but it's an important, I
14 think, distinction we need to make. People get
15 on an airplane, they don't ask the airline to
16 give them a certificate that the airplane has
17 been inspected, right, to get on an airplane.
18 But they expect the FAA to have checked the
19 specific airline to let it be in business.

20 Now, they may make the decision to go
21 with a low-cost airline where maybe in the back
22 of their mind they're thinking, well, it's

1 probably good enough. But, even there, they
2 expect the FAA to have checked that and passed
3 it at the minimum level.

4 So I think our responsibility here is
5 to make sure that whatever these findings are,
6 these deficiencies are, one, to make sure that
7 they're appropriate, taking to consideration
8 everything, including materiality, and then
9 distribute that information. Several of you
10 talked about this. Distribute it to the firms
11 to make sure that they are remediating what they
12 have to remediate, what we give them in Part II,
13 but also to look at those things that are going
14 wrong with the other firms, right?

15 What the FAA does, as far as I know,
16 whenever they see an issue with an airplane or
17 some maintenance issue, they get that
18 information out to all the airlines, and, if
19 necessary, they tell the airlines to stop flying
20 that particular model, right? So, again, going
21 back to basics, to me, if there is -- if Part II
22 are fixed by the firms, that means that we're

1 making progress. Obviously, if there is,
2 unfortunately ,an airline crash, what does the
3 FAA do and NTSB and all of them? They want to
4 make sure they understand what happened and get
5 that information back to the airlines.

6 So, an important role that the PCAOB
7 can make is to provide all of you, as decision-
8 makers, whether you're looking at it at the
9 investor level or at the audit committee level
10 or the filer level, everyone needs to understand
11 the details behind every restatement, at least
12 in total. Every restatement is a potential
13 future disaster, right? So we need to analyze
14 it. We need to own that. That's what we're
15 here. We're the auditors of the country, right?
16 We need to provide that to everyone.

17 Similarly, we need to understand the
18 CAMs. We need to understand what are difficult
19 areas that auditors are facing, how they're
20 dealing with them, and they get to the decision-
21 makers. And, obviously, if there is a disaster
22 and we look at that, we need to get back to them

1 and say, what caused it, right? So that you
2 don't have to be guessing. That -- to me, those
3 are going back to basics.

4 And, yes, John, you're right,
5 materiality somehow needs to come into it.

6 MR. WHITE: Well, you know, one of the
7 ways I was thinking about this is there are a
8 lot of judgments -- Steve will, I'm sure, agree
9 with me on this -- there are an enormous amount
10 of judgments made in accounting and in preparing
11 accounting -- in preparing financial statements.

12 I would suggest that -- the preparers are
13 making those judgments, that perhaps an
14 increased level of deference to preparer
15 judgments. When I say deference to them, I mean
16 the auditors look at the judgments, they
17 evaluate them, and obviously agree with them if
18 they're going to sign their audit opinion.

19 But when you inspect, you know, are you
20 looking at -- agreeing with the auditors looking
21 at the preparer's judgments? And I'll say
22 giving deference to both the preparer's judgment

1 and the auditors', I'm going to say, agreement
2 with that judgment. If you are in the
3 inspection process challenging the auditors in
4 their application -- or their judgments about
5 materiality, you are going to change the
6 behavior of the auditors, because the auditors,
7 you know, they say -- they're very good. They
8 respond to what they're inspected for. So I
9 guess I would say, in the materiality process,
10 that's how I would think about applying it to
11 the inspection process.

12 Would also say just about, you know,
13 airplane crashes and so on, just as a general
14 matter, if you think about what, you know,
15 created the PCAOB, it was Enron and WorldCom and
16 Adelphia and a bunch of other accounting
17 disasters. If you look forward at the 2008
18 situation, those were not -- those were not
19 accounting disasters. I mean, the PCAOB has
20 been enormously successful, in my view, in
21 helping the auditors -- you know, helping the
22 process of high-quality audits. We have not had

1 accounting disasters. We've had problems, but
2 they're not accounting disasters like what
3 created the PCAOB. And the PCAOB has done a
4 great job in this space, in my view.

5 MR. LOGOTHETIS: I agree, and I would
6 not be doing this job if I didn't believe in the
7 PCAOB and its mission. You know, that's the
8 most important thing that I can say. But we
9 also have to keep in mind that, God forbid,
10 there is a disaster, the first people that are
11 going to be -- the first organization that will
12 be held accountable is the PCAOB, right? And
13 just like an airline, you know, when something
14 happens, where's the government, where's the
15 FAA?

16 The point that you're making about the
17 inspector challenging, let's say, the audit
18 partner or the entire team is really, really
19 important, because professional skepticism is at
20 the heart of everything, right? There is the
21 filer, there's the registrant, and then there's
22 the auditor. And the auditor has to be -- has

1 to apply professional skepticism on everything,
2 including materiality.

3 And the addition, you might say, the
4 reason we're there, is the third line of
5 defense, or whatever line of defense you want to
6 think about, is because we, our inspectors
7 working with the team, provide that final, that
8 ultimate professional skepticism, right? They
9 challenge the partner decisions that they have
10 made on what areas are risky, how they audited
11 those areas, how they evaluated the evidence,
12 and so on and so forth.

13 So, for us, the way -- in my mind,
14 anyway, professional skepticism is critical and
15 -- but in order to do the right job as an
16 inspector, you need to, just like an auditor,
17 you need to understand the business. If you
18 don't understand the business, it's difficult to
19 get to the right issues and how you deal with
20 the right issues. You need to have specialists
21 to help you, if necessary, in certain
22 industries, for example. That's the additional

1 layer of support that the government anticipated
2 when they set us up.

3 Now, let me go back, since I have this
4 opportunity, and also mention one of the first
5 questions that I asked when I came in is, tell
6 me more. I was trying to find people that were
7 there at the beginning to figure out what is
8 this mandate, how it came about, and what is it
9 that we need to be honest to, we need to be true
10 to in the North Star concept, and that is our
11 mission.

12 And so one of our lawyers, who retired
13 about a month ago, two months ago now, who was
14 there at the very beginning and apparently was
15 one of the authors of the PCAOB law, Sarbanes-
16 Oxley, I went out to lunch with him on his last
17 day and I said, Steve, take me back to those
18 days. Take me to the room where these
19 discussions were taking place. What did you
20 intend to do?

21 And he said, well, we didn't even know
22 how to start. We had these disasters, we had to

1 come up with something, we were going back and
2 forth, and finally we said, let's start -- let's
3 have a starting point, okay, for this law. And
4 the starting point, he said, was the concept of
5 cars speeding through traffic lights and causing
6 accidents. So, he said the concept, the idea
7 that we visualized, was we would put a cop, a
8 police car, at the corner of these intersections
9 where there's a lot of accidents and then we
10 would change behavior because people then would
11 be more careful in what they do, how they audit,
12 you know, what are the incentives and so on and
13 so forth.

14 And he said after that, we said, let's
15 let the law evolve. Let good people that come
16 on to run the PCAOB figure out, together with
17 advisors and others, figure out what it should
18 evolve to, right? And what we know, if we go
19 back to the analogy and the way I think about
20 it, is, for one thing, in most traffic stops
21 now, especially in the big cities, you don't
22 have this fake cop car at the corner, right?

1 You have a camera. And a camera changes
2 behavior as well, right, because people are
3 careful.

4 That's technology, you know? That's
5 something we have to think about when we talk
6 about automating and modernizing the inspection
7 process, for example. But, more importantly,
8 the question I asked of my team -- obviously I
9 ask myself all the time -- is -- and by the way,
10 the law, at the beginning, if you look at the
11 discussion, talked specifically about setting up
12 the PCAOB as an independent entity, right? Not
13 a governmental entity, even though it's overseen
14 by the SEC; to make sure that they, how does it
15 say, continue to innovate and leverage private
16 sector experiences.

17 So the question we have to ask
18 ourselves is, what innovations have we made? We
19 inspect files. We've been doing that from day
20 one. How do we come about in providing
21 additional value to the investors, to the audit
22 committees, and, of course, to the accounting

1 firms so they can get better and, in turn,
2 everyone gets better, right?

3 And that's what I challenge us to do
4 every day. And I challenge all of you to bring
5 up your ideas and to challenge us, because you
6 are ultimately, if I go back to my days in
7 public accounting, my clients. That's who we
8 work for.

9 So the question is, how do we get from
10 just simply being there? Obviously, we provide
11 value by doing that. We have provided value.
12 John, to your comments, you can see based on the
13 lack -- based on the improvements that the
14 accounting firms have made, based on the fact
15 that we don't have major issues, disasters,
16 whatever, that we provide a lot of value, okay?

17 For, you know, 20-some years of its
18 existence, 24 years, and, you know, what is our
19 budget over 24 years, \$5 billion or whatever
20 we've invested? Based on the value of what's in
21 the stock market, it's peanuts, right? So we've
22 done our job. The question is, do we stay there

1 as the traffic cop at the corner and look to
2 have deficiencies, or can we evolve into
3 something much more valuable that contributes to
4 what Chairman Atkins and others talk about,
5 right?

6 And, Brian, please.

7 MR. CROTEAU: Thanks for all that. And
8 I love the analogies to the FAA. From many
9 years ago in my time back at the SEC, I had
10 several sets of speeches around this. And the
11 NTSB is actually a great place to look because
12 one of the things back then that I remember the
13 then head of the NTSB used to say frequently is,
14 air travel is safe, but we can do better.

15 MR. LOGOTHETIS: Right.

16 MR. CROTEAU: And I just pulled up
17 while you were talking the NTSB monthly
18 dashboard and annual reporting. I like to look
19 at that occasionally. Over the last 10 years,
20 there were 12,017 non-fatal accidents. There
21 were some fatal accidents, but we're not afraid
22 to fly, right, to your point. And I think

1 there's a lot that can be learned from the way
2 the NTSB, for example, has been able to
3 articulate their results while not scaring
4 people from flying.

5 MR. LOGOTHETIS: Exactly.

6 MR. CROTEAU: And I think that's been
7 part of the issue. And, look, you have an
8 enforcement program, and where there's egregious
9 behavior you can deal with that through
10 enforcement, and should. And so I think in a
11 supervisory kind of model approach, and as you
12 think about the inspection program, I like your
13 analogies and I think that you are onto
14 something relative to the, you know, rates of
15 deficiencies and what they really mean and how
16 they've been portrayed over time, in some cases,
17 being either perhaps sensationalized or
18 overstated relative to the importance of them.

19 Not to say that they shouldn't be
20 addressed at the same time, because I think
21 firms are very responsive to these kinds of
22 things. I know our firm is. We're very

1 responsive. It doesn't mean that we won't
2 continue to improve, but we shouldn't alarm
3 people unnecessarily at the same time while
4 we're -- especially the ones that are more
5 around the margins, that there are very few,
6 thankfully, that go from the inspections
7 process, that I'm aware of, to enforcement.
8 And, you know, there's a range and it may differ
9 over time and over -- but that's a step that
10 people can look at and you can look at the
11 results of your enforcement program and you get
12 a sense for whether there's some egregious
13 behavior, and that's a different set of facts
14 and circumstances. So, anyway, it's a long way
15 to say that I love the analogies to NTSB, FAA.

16 MS. VERBECK: Thank you very much. We
17 are at time, but I'm conscious -- I want Jim and
18 then Jeff, I know you guys have had your tent
19 cards up, if you want to make some brief
20 remarks, and then we'll close things out.

21 MR. FREIS: So I can just say, Mr.
22 Chairman, I commend you for asking what I think

1 are the right questions, but I also have to
2 insist, again, as does Jamila, there's other
3 regulators that have gone through some of the
4 same things and there are some proven ways to
5 address these issues. And using some of the
6 same words that have been used in other
7 comments, but for a different purpose, there's a
8 fundamental understanding in other regulated
9 areas, usually as applied in the enforcement
10 context, that there's two things that you come
11 down on for. One is the egregious, it can be
12 the one-off situation, that is material. That's
13 your Part I.A. And there are aspects of the
14 little things that add up over time that call
15 into question whether you have serious
16 processes. What you need to do is be able to
17 explain those.

18 Coming back to your FAA example, all
19 great, except every single pilot still does a
20 walk around the plane themselves before they get
21 in and put their life at risk. Why is that?
22 Because they're not trusting all of those

1 mechanics and all the tests and everything that
2 went through. And I flown, like, eight of the
3 last 10 days and I had two flights because there
4 was some light on. None of that was material,
5 but they weren't going to start without it.

6 It's the same reason why also surgeons
7 have checklists. Not because they've not done
8 that, but, but for a smart nurse, they would've
9 cut off the left arm instead of the right arm
10 because of the way they walked into the room,
11 right? We still -- the more we are
12 professionals, the more we need those type of
13 checklists. And, again, coming back to your
14 question, and I've said it before to the staff
15 and the team, you just need to explain that.

16 The fact that we have deficiencies in
17 the Part I.B, I would expect it, because we're
18 not perfect, and we're not looking for
19 perfection because that would impose unnecessary
20 costs, ultimately, that are borne by the
21 investors. But we are looking for people to
22 continually improve, otherwise, we might as well

1 just do the Part I.A, you failed, you need to
2 restate, and nothing else we want to talk about.

3 But we have an expectation, I have an
4 expectation from the public, that we continually
5 improve. We're kidding ourselves as an audit
6 profession when every single public company --
7 ask every single public company CEO, they are on
8 pressure constantly to change, evolve, pay out
9 more in the dividend each time, try to figure
10 out what's going on with AI, how the markets are
11 going to change. They could be obsolete in two
12 years' time. And we're going to sit here and
13 we're going to complain that, oh, it was good
14 enough last year, this inspection, and now
15 you're dinging on me on little things.

16 No, I want you to improve. And,
17 frankly, I want the PCAOB to go out there and
18 push the industry to continually improve.

19 MR. LOGOTHETIS: Yeah. Let me just
20 address that, because it's really, really
21 important. Absolutely. We're in total
22 agreement. But let's put it at -- put it in

1 context, okay? Every investor, whether it's a
2 small company or a big company, but let's just
3 talk about public companies now. As an
4 investor, theoretically, okay, you can go in and
5 audit the company yourself, right? Obviously,
6 practically, it's not possible.

7 MR. FREIS: Yeah. Yeah.

8 MR. LOGOTHETIS: So what do you do
9 instead? You hire an audit firm. Okay. You go
10 through the process of the board, blah, blah,
11 blah, and you audit -- you hire an audit firm.
12 You always have the option, if the investors are
13 willing to pay the money, to hire a second firm
14 to do another audit. You can hire a third firm
15 to do three audits.

16 And then -- but because it's not
17 practical and because we living in a society and
18 a big capital markets group, and because it's
19 good for everyone given what has happened in
20 history, even before the -- you know, don't
21 forget the SEC was set up because of what had
22 happened back then. We set up, they set up, the

1 PCAOB. The PCAOB, as you know, is funded by the
2 filers. As long as the SEC approves my budget,
3 I can determine, together with my Board members
4 here, if I can convince them, for next year, to
5 spend a billion dollars and I can inspect 1,000
6 files. Today, we do, I don't know, whatever the
7 number is -- three times as much, four times.
8 Pick a number, okay? But that's not what the
9 law was intended to, based on what I can tell.
10 It gives us, as a Board, the opportunity to come
11 up with some level of reasonableness.

12 But also, from an expectations point of
13 view, keep in mind that our report is almost
14 like an agreed-upon procedures report. We give
15 you, based on those findings, not a statistical
16 basis to rely on anything, but simply an
17 indication of how the profession is doing,
18 individually and in the aggregate, right?

19 We're not giving you reasonable
20 assurance, but since you're paying for the
21 service through this independent entity, if you,
22 the investors out there, believe that we should

1 be inspecting a thousand files a year, you need
2 to tell us. And through your input, I can make
3 up -- I can go up to the Hill -- not to the
4 Hill, but to the SEC -- Michal, I'm looking at
5 you -- and ask them to double, triple my budget.

6 All we're trying to do here is to find
7 a reasonable level of assurance, if you can call
8 it that, I guess, comfort, to be able to go back
9 to the investors and the audit committees and
10 say the accounting firms are doing a good job
11 and improving.

12 We're not trying to kill the accounting
13 profession, for God's sakes. Exactly the
14 opposite. But, to your point, which is a very
15 good point, and I've thought about it many
16 times, interestingly enough, just a few days
17 ago, exactly the same situation you pointed out,
18 the pilot came on and said -- I was coming back
19 from Chicago and the pilot came on and said
20 there's a mechanical issue, I won't let this
21 thing go. They're telling me it's not
22 important, but I won't -- I'm not going to move

1 forward.

2 Instead of getting to D.C. at 9
3 o'clock, I got in at 2 o'clock in the morning,
4 and it was fine. I accepted that. But the
5 equivalent in the public accounting profession,
6 since I lived it for 29 years as a partner, I
7 was the guy, I was the pilot, and I would not
8 sign my name to it unless I went around the
9 files and I knew my team knew what they were
10 doing and I checked with the people that gave me
11 input on technical issues.

12 So there is a pilot there and these
13 pilots, these partners that have gotten to their
14 level, they can go -- many of them, if not all
15 of them, can be working somewhere else and can
16 be doing -- can be making as much money, perhaps
17 even more. But they believe in what they do.
18 They think that this -- that they're working for
19 a cause, let's say, for public service. It's a
20 noble profession. George talked about it
21 earlier, and I appreciate that, George. It's a
22 noble profession. These people -- yes, there's

1 always exceptions. There was a pilot in Germany
2 a few years ago that ran the airplane with a
3 bunch of kids in there onto the mountain, right,
4 and committed suicide.

5 Yes, there's partners that, you know,
6 have challenges, whatever they might be. I'm
7 not saying that it's -- they're 100 percent, but
8 rest assured that these people are trying to do
9 a good job. But we also need to allow for the
10 fact they may not always have the right
11 resources, they may be under a lot of pressure,
12 a lot of other challenges. And, yes, once in a
13 while, they make mistakes. And those are the
14 mistakes, whether it's documentation or
15 judgments, that we're there to address and to
16 help the firms make themselves better.

17 And, again, I think -- I honestly
18 believe that the PCAOB has done a great job, a
19 great service. And, if I may say so, with some
20 disappointment, that I feel sometimes that the
21 credibility and the standing that the PCAOB
22 deserves is not always there. And it's my job

1 to spend the time internally, address whatever
2 issues -- you know, things we need to do,
3 transform, and, let's say, modernize, so that
4 each one of us at the PCAOB can stand up every
5 day and be very proud of what we do. I'm not
6 saying we're not doing it now, but even more
7 proud, and make sure that the PCAOB deserves the
8 attention that it gets.

9 It's not lost on me that there were
10 discussions a year and a half ago about doing
11 away with the PCAOB, right? And what we're all
12 here to do, I believe you're all here to do to
13 help us, right, get -- make sure that we get the
14 attention and the recognition and the credit
15 that we deserve, because we are such an integral
16 part of the ecosystem. And, yes, I was there.
17 I know the firms mean well, they're going to do
18 their best, they're going to improve, they have
19 improved, but we're there to help them and we've
20 made a difference. So I hope that helps.

21 MS. VERBECK: Okay. I will hand it
22 over, Jeff, for our last member comment of the

1 day. And I am conscious -- apologies for
2 running over here, folks.

3 MR. MAHONEY: I'm sorry. It's a very
4 minor point based on what the Chair just went
5 through. But, John, with respect to
6 materiality, you know more about materiality
7 than I'll ever know, but some of the people
8 around the table might not be as familiar with
9 it. And the TSC Industries v. Northway, Supreme
10 Court decision says, an admitted fact is
11 material if there's a substantial likelihood
12 that a reasonable shareholder would consider it
13 important in deciding how to vote or invest.

14 And that word "vote" is important. It
15 relates back to the comments I made earlier that
16 many institutional investors have voting
17 guidelines for voting on the chair and the
18 members of the audit committee, as well as
19 voting on the ratification of the audit. And
20 some of those guidelines talk about audit
21 quality and the independence of the external
22 auditor and that they look to public disclosures

1 to get information about those two things.

2 Thank you.

3 MS. VANICH: Well, thank you, everyone,
4 for that great discussion. I think you learned
5 from the earlier session that Dani's a great
6 note-taker, so I don't think you have any fear
7 we haven't captured your views. And we'll be
8 reviewing the transcripts.

9 I would encourage those of you who may
10 have not submitted comment letters in the past
11 to please submit letters. You know, don't have
12 to be long, but we're very grateful for them and
13 understand they take time to do.

14 So, again, thank you. [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]