

May 11, 2026

PCAOB
Office of the Secretary
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Email: comments@pcaobus.org

RE: PCAOB No. 2026-001

We appreciate the opportunity to provide feedback on the proposed PCAOB No. 2026-001, *PCAOB Strategic Priorities*, dated March 31, 2026. PCAOB No. 2026-001 seeks input from stakeholders regarding priorities as the Board develops a new strategic plan.

The views expressed herein are written on behalf of the Professional Standards Committee (PSC) of the Texas Society of CPAs. The committee has been authorized by the Texas Society of CPAs' Leadership Council to submit comments on matters of interest to the membership. The views expressed in this document have not been approved by the Texas Society of CPAs' Leadership Council or Board of Directors and, therefore, should not be construed as representing the views or policy of the Texas Society of CPAs. Please find our responses below for the request for comment.

Question 1:

What should the PCAOB focus on as its strategic priorities in registration, inspections, and enforcement over the next two to five years to further its statutory mission?

Response:

Registration: The PSC believes the PCAOB should encourage more firms to audit public companies. However, qualification screening procedures should be implemented as part of the firm's initial registration process. In accordance with the PCAOB's 2025 annual report, 60% of registered firms are not performing audits of public companies. Proactively screening firms applying for registration with obvious size and structure issues could act as a preventative quality control. In addition, implementing a gradual, phased quality control evaluation system during a firm's early years of operation would allow regulators to identify structural weaknesses earlier, reduce the likelihood of deficient audits reaching investors and support audit firms in developing sustainable issuer-audit capabilities aligned with PCAOB expectations.

Inspection: Refer to responses to question 2 and 3 below for specific inspections-related recommendations.

In addition, the PSC recommends that the PCAOB increase the frequency and rigor of inspection of firms with private equity investments to focus on the impacts to independence and audit quality resulting from significant influence or control by PE investors on the attest entity in an alternative practice structure (APS). The Board should be transparent with the results of these specialized inspections.

Enforcement: The PSC recommends developing and publicizing a clearer distinction of enforcement responsibilities between the SEC and the PCAOB. The PSC believes the historical inconsistency and



lack of transparency can lead to unnecessary duplication and inefficiencies. Consideration should be given to full transfer of enforcement responsibilities to the SEC, resulting in lower costs.

Question 2:

What changes should the PCAOB make to its inspections program including, but not limited to, changes in light of its new quality control standard (QC 1000)?

Response:

The PSC recommends developing and publishing an enhanced framework as part of PCAOB's inspection program to better distinguish severe deficiencies from less severe deficiencies, including a revised definition of Part 1A deficiencies. The PSC believes the current process leads to misleading conclusions about audit quality as many Part 1A items identified during inspections do not represent real threats to audit quality. The PSC also recommends incorporating risk and materiality considerations when developing the framework. Materiality continues to arise frequently in inspections, yet there is currently no specific PCAOB auditing standard that establishes a clear framework for determining or evaluating materiality thresholds.

In addition, the PSC believes the new quality control standard (QC 1000) imposes disproportionate implementation burdens on smaller firms relative to larger network firms. While the objectives of QC 1000 are understandable and aligned with strengthening audit quality, several requirements appear to function as one-size-fits-all expectations that may not scale appropriately across firms of different sizes and resource levels. Use of the 100-issuer threshold as a bright-line distinction for enhanced oversight results in further issues as it may trigger additional requirements that are costly to implement and difficult for small or mid-sized firms to operationalize efficiently, such as real-time investment monitoring systems and independent QC oversight board members, which can be particularly expensive and often designed with large-firm infrastructure in mind. The automated independence system and EQCF requirements in particular could provide disincentives for mid-sized qualified firms operating at or around the 100-issuer threshold to grow their public company audit practices.

Question 3:

What inspection information would be most useful to stakeholders, and how could inspection reporting be enhanced under a quality control-focused inspection program?

Response:

The PSC recommends providing more granular-level information to increase the usability of inspection reports. The PSC finds the practical usability of inspection information is sometimes limited because inspection reports are often written at a high level and follow a relatively standardized format. As a result, while practitioners track inspection findings to identify potential areas of regulatory focus or evolving expectations, the reports frequently do not provide sufficient granularity to translate observations into actionable improvements within firm-level quality control systems or engagement-level audit execution.

Although the PSC is in agreement that a shift to a more quality control focused inspection program is an idea worth exploring, we recommend that the Board move deliberately with extensive input, discussion and analysis before making wholesale changes to the existing engagement-focused inspection program.

Question 4:

What standard-setting projects should PCAOB pursue?

Response:

The PSC recommends the following areas as potential priority standard-setting projects:

- A new definition of audit quality: The PSC believes clarifying how the PCAOB defines and evaluates audit quality within its inspection framework will enhance inspection reporting and provide a more balanced and useful disclosure of firm audit quality results to the public.
- Attestation Standards: The PSC recommends fully aligning PCAOB attestation standards with AICPA attestation standards (currently in the process of being updated). Overlapping requirements can create operational inefficiencies and increase compliance burden without necessarily improving audit quality. Most attestation engagements are currently performed under AICPA standards. There is no clear benefit to expanding those standards.
- Substantive Analytics: The PSC recommends updating standards related to substantive analytics as firms currently often discourage the use of efficient substantive analytic procedures as a primary means of testing because of inspection uncertainty and inconsistency.
- Use of service organizations: The dramatically increasing use of service organizations and shared service centers in the audit process presents significant audit quality risks due to remoteness, language issues, time zone differences and adequacy of guidance and review by core engagement teams.

The PSC recommends the following projects be discontinued or significantly revised:

- Engagement Metrics: Projects relating to engagement metrics should be discontinued as the information generated is time consuming, costly and of limited value without extensive context.
- NOCLAR Standard: The PSC strongly recommends terminating the NOCLAR project as the standard would unnecessarily overturn traditional auditing concepts and dramatically expand costly auditing procedures with no demonstrated beneficial cost/benefit results.

Question 5:

How can the PCAOB achieve greater alignment of its auditing standards with international auditing standards?

Response:

The PSC believes that greater cooperation with the AICPA and the International Auditing and Assurance Standards Board (IAASB) should be a priority goal for the PCAOB, with substantial convergence wherever possible. Greater consistency across standard-setting bodies would help reduce complexity for practitioners operating in environments where multiple regulatory frameworks apply. For example, while QC 1000 (PCAOB) and ISQM 1 (IAASB) are both risk-based quality management standards, QC 1000 is generally stricter and often considered more prescriptive than the principle-based ISQM.

Question 6:

In what ways should the PCAOB consider deploying technology, including AI, to help further its investor-protection mission?

Response:

The PSC supports the PCAOB's consideration of AI primarily as a tool to enhance risk assessment and trend identification, rather than as a substitute for professional judgment in performing inspection procedures. Furthermore, the PSC suggests that PCAOB consideration of AI should address two distinct but related areas:

- The auditor's use of AI in performing audits, including expectations for validation, documentation and appropriate reliance on technology-assisted procedures; and
- The audit of client-developed AI systems, which presents emerging challenges related to controls evaluation, risk assessment and assurance over increasingly complex technology environments.

Question 7:

How can the PCAOB enhance transparency with its stakeholders?

Response:

The PSC suggests the following areas to enhance transparency of the PCAOB with its stakeholders:

- The PSC recommends further enhancements to Board publications relating to specific areas of concern or focus by the Board building on the existing Spotlight and Audit Focus series. Timely guidance on emerging or difficult topics is a key element of improving audit quality.
- Relating to the above suggestion, the PSC recommends the Board establish a rapid response group to address difficult evolving issues on a timely basis, along the lines of FASB's Emerging Issues Task Force. The PCAOB EITF should be comprised of staff and a small number of outside advisors. Large advisory boards move too slowly to effectively contribute to providing critical, timely guidance to firms and engagement teams. The level of authoritative guidance can be set when the group is established.
- The PSC also believes that reporting statistics, such as audit deficiency and failure rates, without adequate context and balance, may unintentionally undermine confidence in the audit industry. Providing greater clarity and further context around this information could improve stakeholder understanding. A revised definition of audit quality (as discussed in our response to Question 4 above) will assist in achievement of transparency in this area.

We appreciate the opportunity to submit comments on the proposed PCAOB No. 2026-001, *PCAOB Strategic Priorities*, dated March 31, 2026.

Sincerely,



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