



May 12, 2026

Demetrios Logothetis, Chair
Office of the Secretary
Public Company Accounting Oversight Board
1666 K St. NW
Washington, DC 20006-2803
comments@pcaobus.org

Re: PCAOB No. 2026-001

Dear Chair Logothetis:

The Pennsylvania Institute of Certified Public Accountants (PICPA) appreciates the opportunity to provide input on Public Company Accounting Oversight Board's (PCAOB) Strategic Priorities. The PICPA is a professional CPA association of about 16,000 members working to improve the profession and better serve the public interest. Founded in 1897, the PICPA is the second-oldest CPA organization in the United States. Membership includes practitioners in public accounting, education, government, and industry. The PICPA's comments are included below.

General Comments

Thank you for the opportunity to share our feedback regarding PCAOB's strategic priorities.

Our advocacy is centered on promoting high audit quality and strong ethical standards while supporting the continued participation of small to midsize audit firms in the capital markets – an essential component of resilient and well-functioning markets. We are concerned by a continuing decline in small exchange-listed companies, as well as the notable reduction in PCAOB-registered firms – estimated at nearly 21% since 2021. A diverse audit firm landscape is critical to enabling companies of all sizes to access capital markets. Accordingly, the scalability of standards and the broader regulatory framework should be carefully evaluated to ensure they do not create unintended barriers for small and midsize firms. Further, we have heard concerns from smaller firms about an adversarial tone from PCAOB inspectors toward smaller firms and a lack of

understanding of the operating environment of small public companies. We commend the PCAOB for establishing a resource group for smaller firms, which is a step in the right direction.

We believe PCAOB's most important strategic priority should be the development of a unified, forward-looking technology strategy. Rapid innovation is transforming how audits are planned, executed, and reviewed, and without a stable, expert-led framework to guide the responsible use of emerging tools, regulators risk either falling behind industry practices or unintentionally impeding advancements that could enhance audit quality. Technological capabilities are increasingly enabling more comprehensive and effective audit procedures, in some cases rendering traditional approaches less relevant. Balancing these advancements with the need for stable, principles-based standards presents a challenge and calls for a more adaptive and innovative approach to standard-setting.

In a rapidly evolving environment, flexibility in standard setting is essential. For example, the use of technology to gain a deeper understanding of a client's financial data should be encouraged, where appropriate. However, the impact of these technologies needs to be evaluated, and the standards revised to ensure that the audit scope remains reasonable. While standards do not need to *mandate the adoption of specific technologies, firms that choose to leverage them should have clear guidance – supported by inspection and oversight processes – to do so with confidence. The recently established audit consultation line, operating independently from enforcement, is positive movement toward fostering constructive dialogue on these issues.

The PCAOB should also proactively identify barriers to technology adoption and evaluate opportunities to promote broader, responsible use of innovative tools to improve audit quality. This includes assessing whether existing standards, inspections, or enforcement practices may be inadvertently hindering adoption. To support this effort, we recommend adding a standard-setting project focused on the integration of technology into the audit process, ensuring that the regulatory framework evolves in step with advancements in practice.

Finally, the PICPA has frequently expressed that the overpoliticization of the PCAOB has led to wild policy swings following changes in presidential leadership, which we believe hinders its mission. Some practitioners have observed that the PCAOB is organized in ways similar to

government agencies, such as by using job titles like Chief of Staff, and have raised concerns about whether Washington D.C.'s political climate might have an undue impact on how it operates. We support improved guardrails around enforcement, standard-setting, and the inspection program to insulate the PCAOB from political changes.

Additional Comments – See the attached Appendix for our comments to specific questions.

We appreciate your consideration of our comments and are available to discuss any of these submission with you at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read 'AM Henry', is enclosed in a thin black rectangular border.

Allison M. Henry, CPA
Vice President - Professional & Technical Standards
PICPA

Appendix – Comments to Specific Questions

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?

We believe enforcement should be better aligned with investor protection.

Actions should target egregious audit quality failures – not technical or administrative errors that can be addressed through remediation or guidance. The use of enforcement actions for administrative errors (e.g., Form AP 60 filings) is not clearly tied to improving audit quality or to the quality of the financial statements.

Enforcement also should be more clearly separated from inspections to avoid incentives that distort inspection outcomes. We have noted, for example, enforcement actions against individuals for workpaper document failures (e.g., engagement letters and audit committee communications). We support high-quality audit documentation requirements, documentation failures of this level should be covered by the inspection program and not be singled out for enforcement penalties and censure. Some of these enforcement actions have been disproportionate to the identified issue (akin to being sentenced to prison for a parking ticket) and can have a significant impact on an individual's career, including automatic ethics and state board actions.

We appreciate that recent enforcements trends have been more targeted and focused on audit quality, but we believe there should be a transparent accountability framework for enforcement actions. Clear and reasonable guidelines for these actions should include reasonable parameters for the amounts of the fines, which currently seem unbounded. Where PCAOB enforcement overlaps with Securities and Exchange Commission (SEC) authority, both entities should pursue efficiencies to reduce duplication of effort. The enforcement framework should balance transparency, consistency, due process, and measurable outcomes while still preserving confidentiality where appropriate. An accessible appeals process should be provided to ensure that there are checks and balances integrated into the system to ensure that enforcement actions and related fines are balanced.

The framework should be grounded in well-defined objectives, consistent sanctioning principles, and meaningful stakeholder engagement, including enhanced transparency through aggregated reporting and thematic insights, a structured approach to sanctions that promotes fairness and predictability, and remediation-focused outcomes that incentivize corrective action. The framework should also include robust feedback loops, using post-enforcement reviews and data analytics to identify root causes, improve standards, and inform future oversight. Leveraging technology and engaging regularly with stakeholders will further ensure that enforcement remains effective, proportionate, and aligned with the goal of improving audit quality that supports the investor-protection mission of the PCAOB.

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)?

General – We advocate for an inspection program that is consistent across firms of all sizes. The inspection process should be remedial, and enforcement should be separate from the inspection process. Given PCAOB’s investor-protection mandate, we do not believe that exempt broker dealers should be a part of PCAOB’s permanent inspection program.

Communication of inspection results should be clearer and more constructive. Firms should have access to a meaningful and timely appeals process, and response timelines should reasonably accommodate firm size and capacity.

To emphasize the importance of the firm’s tone at the top, the exit conference should be held with the firm’s leadership, not just those with delegated responsibility for quality control within the firm.

Reporting – We believe that the inspection reporting process should more clearly communicate the severity of issues rather than referring to all inspection findings as “deficiencies that were of such significance that we believe the firm, at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion(s) on the issuer’s financial statements and/or ICFR.” While a note on PCAOB’s website provides context to the meaning of the terminology, we believe that it is misleading to refer to every instance of noncompliance as a deficiency. This misleading terminology led Sens.

Elizabeth Warren and Sheldon Whitehouse to conclude that a recent deficiency rating represented “a nearly complete failure, indicating that investors and the public essentially face a coin flip when it comes to whether they should believe and trust the results of public companies’ audits.”¹ Practitioners observed that audit committee members they have spoken with generally disregard PCAOB inspection deficiencies because they lack value for decision-making. This should be expected since all noncompliance cases are rated similarly.

Oversight and Due Process – In numerous instances, practitioners express disagreement with inspectors’ findings, yet find a lack of clarity, transparency, and accessibility within the current appeals process. Practitioners have observed that their feedback is not being acknowledged and feel subject to the whim of the inspectors. Field inspectors are often unresponsive to questions, and at times inquiries remain unanswered. We advocate for an appeals process that is clearly defined, transparent, and readily accessible for practitioners who contest conclusions reached by PCAOB inspectors. Furthermore, we endorse an oversight mechanism that is transparent to firms, ensuring inspection findings are consistent, balanced, and reasonable. Such oversight could also encompass firm appeals. Finally, practitioners need an ombudsman to assist them with procedural issues, answer questions, and address concerns. For example, one practitioner was asked to provide all internal inspection reports, including nonpublic company audits not subject to PCAOB oversight. This request seems to go beyond the purview of the PCAOB, but the practitioner complied to keep the regulatory relationship from becoming adversarial. Many of the practitioner’s questions remain unanswered, as it is not clear who should address these types of questions (e.g., what the retention period for provided documents is, how they are maintained to ensure client confidentiality, etc.).

Timing – We believe that inspection scheduling should take into account the limited resources of small firms, with realistic deadlines and response periods. Many practitioners have reported issues with inspections being scheduled at challenging times, such as one case where inspectors required six hours of kickoff meetings on March 31, a major deadline for the

¹ [Final Letter from Warren, Whitehouse to PCAOB on Audit Deficiencies](#)

firm. Small firms often struggle to meet unreasonable response expectations due to their limited capacity.

Logistics –We request that the meeting location for an inspection be determined by the firm’s preference, with PCAOB’s offices as an option for firms that operate in a completely remote manner. File transfer was also noted as a challenge. Working with PDFs of workpapers is not the easiest format to review, and firms would prefer the ability to provide inspectors with a file directly from their practice aids. There are only a handful of third-party practice aids on the market, and firms have requested that PCAOB inspection teams be provided with access to these practice aids.

Perspective – Small firms note that in many instances inspectors are long-tenured individuals who may be current on the standards but not necessarily familiar with the current operating environment or the unique aspects of small clients. These inspectors quote standards without seemingly understanding the application of the standards to the specific business circumstances. As a result, many practitioners in small firms sense a bias against their firms during inspections. We recommend that inspection teams include professionals who have recent experience with small clients and firms, or those with a wide-ranging business outlook. Multiple practitioners have observed a shift in how inspectors have approached inspections since 2025.

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

See previous comments at #2 regarding clarifying the severity of identified areas of noncompliance to avoid misleading stakeholders.

4. What standard-setting projects should the PCAOB pursue?

- A. QC 1000 - We support immediate changes to the new quality control standard, including the following:
 - Eliminating the design-only requirement for registered firms that do not issue public company audit reports.

- Removing overly prescriptive requirements (e.g., specified quality responses, use of Sept. 30 as the quality control period, etc.), which hamstringing professional judgment by adding unnecessarily to auditor workloads without necessarily contributing to audit quality. We support clearly defined quality risks and flexible responses similar to the international standards.
- Reevaluating key instances in which the standard is not harmonized with the international standards and unnecessarily adds to the auditor's cost of compliance without contributing to audit quality.
- Removing the requirement that firms issue audit reports for more than 100 issuers should be required to incorporate an external quality control function, EQCF, which was not included in the original proposal.
- Overall, firms noted concerns regarding what the PCAOB will do with a firm's internal inspection and monitoring results. We request further clarification of the intended use of the information and believe that firms should be given appropriate time to remediate identified inspection and monitoring findings.

B. General comments on standard-setting:

- Modernize standards through evidence-based approaches.
 - Conduct a comprehensive review of existing standards to identify opportunities for modernization that enhance audit quality.
 - Incorporate evidence-based standard-setting, including pilot testing of innovative concepts (e.g., continuous monitoring).
 - Ensure standards remain flexible to accommodate evolving technologies and do not inadvertently hinder innovation.
- Enable responsible integration of technology.
 - Update standards to explicitly address emerging areas, including auditing digital assets; use and evaluation of large and complex data sets; auditing algorithms and AI-driven processes; and documentation of audit evidence generated through generative AI.
 - Assess and remove barriers that limit access to advanced technologies, particularly for small and medium-size firms.

- Clearly articulate documentation expectations when a firm embraces AI or other technology tool. Provide practical examples to help firms meet inspection requirements.
- Provide guidance on governance, validation, and ethical use of AI in audit processes.
- Improve audit quality through technology-driven practices.
 - Recognize and support the shift toward the greater use of data analytics and AI to identify risks and anomalies; testing larger portions—or the entirety—of audit populations where appropriate.
 - Reevaluate traditional sampling methodologies in light of technological capabilities, while preserving flexibility for appropriate use cases.
 - Explore the development of a standardized audit documentation taxonomy to enable consistency, automation, and enhanced regulatory insight. The adoption could be optional with early adoption incentives such as reduced inspection focus in certain areas included in the tagged documentation. This could be piloted to determine how best to leverage the data provided by the taxonomy.
- Enhance regulatory efficiency and reduce unnecessary burden.
 - Evaluate the cost of compliance and eliminate overly burdensome requirements that do not contribute meaningfully to audit quality.
 - Consider the cumulative impact of new and existing standards, particularly on smaller firms and capital formation and market access for emerging companies.
 - Reassess requirements (e.g., documentation expectations for inactive firms) that may impose disproportionate costs.
- Strengthen economic analysis and rulemaking discipline.
 - Require robust cost-benefit analyses, including compliance with the Paperwork Reduction Act, for all new standards.
 - Aggregate proposals to assess their combined impact on the profession.
 - Explicitly evaluate effects on small and midsize firms.
- Expand field testing and post-implementation review.

- Increase the use of field testing prior to finalizing standards to ensure practicality and clarity.
- Conduct post-implementation reviews to assess effectiveness and identify needed refinements.
- Provide timely implementation guidance to support consistent adoption.
- Improve standard-setting process and implementation timing.
 - Ensure comment periods are sufficient (minimum 90 days, longer when proposals overlap).
 - Stagger effective dates to avoid operational strain from concurrent implementations.
- Leverage technology in oversight and inspections.
 - Use advanced analytics and AI to identify higher-risk engagements; detect anomalies and patterns indicative of deficiencies; and prioritize inspection focus areas.
 - Explore the use of standardized, technology-enabled documentation to streamline inspections and reduce manual review burden.
 - Shift toward a more risk-focused inspection model supported by data-driven insights.
- Address the technology adoption gap across firms.
 - Acknowledge disparities in technology adoption, and assess whether current standards adequately encourage innovation or unintentionally allow outdated practices to persist.
 - Consider whether minimum expectations should evolve to reflect capabilities that materially enhance audit quality.
- Ensure the regulatory framework remains future-ready.
 - Evaluate whether current standards, inspections, and enforcement approaches support ongoing innovation or risk rendering audits less relevant if not updated.
 - Take proactive steps to ensure the profession continues to deliver high-quality, technology-enabled audits aligned with stakeholder expectations.

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

No comment.

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

See our comments regarding a standardized documentation taxonomy (at question #5) and the potential for leveraging data to better pinpoint risks for oversight and inspection.

7. How can the PCAOB enhance transparency with its stakeholders?

PCAOB meetings and meeting materials should be readily accessible on PCAOB's website. The website is difficult to navigate. While videos of open board meetings are retained on the board's website, related materials are not easy to locate. Deliberations of key items should not be behind closed doors.

Further, it can be challenging to locate certain data points that should be reasonably accessible. For instance, when trying to determine the number of firms registered with the PCAOB in a specific year, the website only provides information about currently registered firms and does not offer access to historical data.

This concludes our remarks on PCAOB's strategic priorities. Please contact Allison Henry for elaboration on any points made herein.