

May 15, 2026

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, NW
Washington, DC 20006-2803

Submitted via email to: comments@pcaobus.org

Re: PCAOB No. 2026-001—Request for Public Comment on PCAOB Strategic Priorities

Dear Members of the Board:

We are audit academics writing in response to the Board’s March 31, 2026, Request for Public Comment on the PCAOB’s strategic priorities. We commend the Board for inviting early stakeholder engagement and for signaling that the 2026–2030 Plan should be informed by the perspectives of investors, audit committees, preparers, auditors, and academics.

This letter draws on a decade of peer-reviewed and in-press academic research conducted by the signatories and their colleagues, including evidence on PCAOB inspections, enforcement, and audit-firm behavior. Consistent with audit academia’s meta-professional role of enhancing audit practice, legitimating audit services, and instructing new auditors (Maksymov, 2026), we offer concrete, evidence-based recommendations responsive to each of the seven questions posed in PCAOB Release No. 2026-001.

Our recommendations share a common premise: the PCAOB’s effectiveness depends on (1) procedurally fair, transparent oversight grounded in responsive regulation; (2) information flows that reach the parties best positioned to act on them—particularly audit committees; and (3) a deliberate, structured channel between the PCAOB and independent academic researchers.

Q1. Strategic Priorities in Registration, Inspections, and Enforcement

Independent research on the PCAOB’s relationships with the audit profession identifies several strategic shifts that would strengthen investor protection over the next two to five years.

1. **Adopt a tiered, responsive-regulation enforcement posture.** Multi-method evidence shows that the PCAOB’s long-standing punishment-first approach has produced a culture of resentment and resistance, suppressed legitimate technical disagreement, and weakened the persuasion layer essential to compliance (Ege, Knechel, Lamoreaux, & Maksymov, 2020). The PCAOB should formally adopt the responsive-regulation pyramid—persuasion, then penalties, then suspension, with revocation as a last resort—and document the criteria for escalation.

2. **Realign enforcement with the SOX mandate for fair procedures.** Interviews with 20 sanctioned auditors and 13 former PCAOB enforcement staff document systematic shortfalls in representation, consistency, impartiality, accuracy, correctability, and transparency, applying procedural justice theory (Cannon, Lamoreaux, Maksymov, & Myers, 2025). Specific reforms include (a) eliminating one-sided language in public orders, (b) requiring an explicit assessment of investor harm, (c) reforming staff incentives to reward work quality rather than the count or severity of sanctions, and (d) addressing the disproportionate burden on small firms.
3. **Recognize improvements, not only deficiencies, at individual firms.** The PCAOB rarely publicly recognizes audit-quality improvements at individual firms even when remediation is successful, undermining the persuasion layer of regulation (Ege et al., 2020). Inspection reports and annual briefs should include firm-specific improvement findings as a counterpart to deficiencies.
4. **Treat enforcement and inspection as strategically distinct programs.** Inspection and enforcement are distinct divisions with different procedures, leadership, and expert composition (Cannon et al., 2025). Strategic planning, performance metrics, and stakeholder communications should reflect that distinction.

Q2. Changes to the Inspections Program (Including QC 1000)

Interviews with 29 former PCAOB inspectors and complementary management evidence point to several inspection-program improvements that align with QC 1000's quality-control focus.

5. **Move remediation from reactive to preventive.** Former inspectors describe remediation as “reactive” and “focused on compliance rather than prevention” (Maksymov & Westermann, 2026). QC 1000 inspections should require firms to demonstrate forward-looking risk indicators and preventive controls, not only post-deficiency corrective actions.
6. **Address the remediation-assessment lag and hindsight bias.** Remediation determinations are significantly delayed and inadvertently incorporate post-inspection information, raising fairness and consistency concerns (Maksymov & Westermann, 2026). The PCAOB should publish target remediation timelines, formalize the contemporaneous-information principle in writing, and disclose whether re-inspections of remediation occurred.
7. **Implement a formal, disclosed severity scale for deficiencies.** Gradations of severity exist among reported findings but are not formally assessed or disclosed, leading external users to treat all deficiencies as equivalent (Maksymov & Westermann, 2026). A published severity scale—modeled on internal-control deficiency classifications—would substantially improve interpretability.
8. **Publish a clear, written definition of “deficiency.”** The PCAOB has not published a clear deficiency definition, allowing significant inspector discretion and contributing to inconsistency across firms and years (Ege et al., 2020). A QC 1000-aligned, publicly available definition would reduce inconsistency and improve due process.

9. **Calibrate post-restatement inspection selection to preserve incentives for partners to surface previously missed misstatements.** Survey and interview evidence from 462 audit partners shows that the two most likely consequences of a “Big R” restatement are the partner's subsequent engagements being selected for internal quality control review (57% expect this “very much”) and for PCAOB inspection (49%) (Maksymov, Peecher, Sutherland, & Weber, 2024). Audit firms calibrate their internal responses through root-cause analysis—distinguishing negligence or repeat issues from complex accounting matters—and avoid uniformly punitive approaches precisely because doing so would deter partners from surfacing misstatements they missed in prior audits. Without analogous calibration on the regulatory side, partners may face incentives that work against the transparency the PCAOB exists to promote. Recommend the PCAOB weight post-restatement inspection selection by root cause, distinguishing partner self-detection from external discovery.
10. **Reduce indirect regulation of management through the inspections program.** Survey responses from 145 and interviews with 35 senior accounting executives show that the PCAOB’s shifting inspection priorities effectively regulate management through auditors, distract teams from genuinely risky areas, and impose ICFR documentation burdens that exceed COSO’s framework (Maksymov, Pickerd, Wilks, & Williams, 2023). Inspection priorities under QC 1000 should be coordinated with the SEC and COSO so that inspections do not impose an indirect, ever-shifting standard on management.
11. **Strengthen inspector training, performance evaluation, and retention.** Former inspectors report inconsistent performance evaluations, weak links between performance and compensation, hierarchical bottlenecks, and resulting disengagement among high-performing staff (Maksymov & Westermann, 2026). Transparent, formalized performance and advancement criteria would directly support the inspection program’s credibility.

Q3. Most Useful Inspection Information and Enhanced Reporting

Audit committees are the PCAOB’s most important domestic intermediary, yet our research shows the current information channel between the PCAOB and audit committees is underperforming.

12. **Provide engagement-level, partner-specific disclosures.** A survey of 342 audit committee members (ACMs) finds that engagement-level disclosures—particularly partner enforcement history, partner deficiency rates, partner litigation history, and team specialized expertise—are rated significantly more useful than firm-level metrics (Lamoreaux, Maksymov, Peecher, & Williams, 2026a). The PCAOB’s recent withdrawal of audit-quality disclosure proposals (PCAOB, 2024a, 2024b) was justified partly by uncertainty about AC use; this evidence, together with the comment-letter record discussed below, resolves that uncertainty.
13. **Investor demand for engagement-level metrics is well-documented; the “investor confusion” objection is not.** During the 2024–2025 comment period on the engagement-level metrics rules subsequently withdrawn, investor-protection organizations strongly endorsed those metrics, including the CFA Institute, AARP, and a coalition of twelve organizations led by the AFL-CIO that included Americans for Financial Reform, Better Markets, the Consumer Federation of America, and

Public Citizen (CFA Institute, 2025a, 2025b; AARP, 2025; AFL-CIO et al., 2024). Even the survey evidence relied upon by opponents of those rules shows that 35–50% of investors rate the proposed firm- and engagement-level metrics as “extremely useful” and “extremely likely to seek out”—conviction levels consistent with substantially higher overall support (CFA Institute, 2025a). The 2026–2030 strategic plan should treat engagement-level metric transparency as a near-term priority.

14. **Deliver public inspection reports directly to audit committee chairs.** ACMs rate “communicator to audit committees” among the PCAOB’s most important roles—and significantly above its role as communicator to investors (Lamoreaux et al., 2026a). Direct delivery of the public portions of inspection reports requires no statutory change under SOX §104(g)(2); it simply removes the auditor-and-management filter through which ACs currently receive them.
15. **Notify audit committee chairs when their company’s engagement has been selected for inspection.** The bare fact of selection is not the substantive finding that SOX §105(b)(5)(A) was designed to protect, and notification likely requires no statutory amendment (Lamoreaux et al., 2026a). Notification would substantially enhance AC oversight without any change to existing privilege protections.
16. **Strengthen the audit information environment, not only individual ACM expertise.** Annual-inspection regimes function as a regulatory antidote to information uncertainty, regardless of an ACM’s personal expertise; in fact, individual expertise can introduce a “CPA club” in-group dynamic that reduces willingness to challenge auditors (Lamoreaux, Maksymov, Peecher, & Williams, 2026b). Environmental supports—over which the PCAOB has direct control—should be a strategic priority.
17. **Disclose remediation outcomes and follow-up inspection results.** Selective re-inspections occur but are not disclosed to the public, and firms are typically not even notified unless issues are found (Maksymov & Westermann, 2026). Disclosing remediation outcomes (success/failure, timing) and the existence of follow-up inspections would substantially improve external evaluation of audit quality.
18. **Clarify that inspection deficiency rates do not extrapolate to firm-wide audit quality.** Inspection samples are risk-targeted, and audit-quality problems are concentrated in high-risk engagements rather than systemic across a firm’s portfolio (Ege et al., 2020). Inspection reports should explicitly note this so users do not misinterpret deficiency rates.

Q4. Standard-Setting Projects the PCAOB Should Pursue

Several near-term standard-setting projects would directly address risks documented in the academic literature.

19. **Modernize AS 1301 to expand auditor communications to audit committees.** ACMs strongly demand candid auditor feedback about management’s competence and responsiveness—information that addresses a core governance asymmetry, since management controls most of what flows to the AC (Lamoreaux et al., 2026a). AS 1301 currently requires this only in narrow circumstances. A

measured expansion of auditor “reverse feedback” about management to ACs would be high-value and impose limited burden.

20. **Develop standards for AI-enabled audit procedures.** AI is increasingly absorbing higher-order audit judgments, blurring the line between support and judgment and dispersing accountability across humans and machines (Maksymov, 2026). Standards should address AI governance, audit-trail requirements for AI-supported judgments, and human oversight requirements for AI outputs—before failures, not after.
21. **Conduct spillover-impact analyses for standard-setting projects.** PCAOB inspection focus indirectly imposes preferences on management through auditors (Maksymov et al., 2023). Standard-setting projects should include impact analyses identifying spillover effects on management, audit committees, and other non-auditors.
22. **Address risks from continued growth of consulting practices at audit firms.** Non-audit-related consulting acquisitions are associated with decreased audit quality through cultural commercialism, while audit-related (ERP/data-analytics) acquisitions are associated with improved audit quality through expertise transfer (Donelson, Ege, Imdieke, & Maksymov, 2020). Independence rules and culture-monitoring requirements should differentiate between these acquisition types.

Q5. Greater Alignment with International Auditing Standards

The academic literature offers important guideposts for international alignment.

23. **Pursue alignment that adopts best practices, not the lowest common denominator.** International audit oversight regimes have generally been less successful when relying on punitive enforcement without persuasion components (Ege et al., 2020). Alignment work should be informed by the regulatory-style evidence on what makes oversight effective.
24. **Coordinate inspection reciprocity and reduce duplicative oversight burdens for global network firms.** The PCAOB has formal cooperative agreements with non-U.S. regulators in 28 jurisdictions and conducts joint inspections of non-U.S. affiliates (Maksymov & Westermann, 2026). Continued investment in these cooperative arrangements supports alignment without sacrificing PCAOB authority over U.S. issuers.
25. **Recognize that the international evidence on PCAOB inspection access is favorable.** Foreign SEC registrants audited by firms in countries that permit PCAOB inspections exhibit higher audit quality, more accurate management forecasts, greater reporting comparability, and lower cost of capital (Lamoreaux, 2016; Fung, Raman, & Zhu, 2017; Ege, Kim, & Wang, 2021; Lamoreaux, Mauler, & Newton, 2020). Convergence priorities should be informed by this base of evidence.

Q6. Deploying Technology, Including AI

AI raises genuinely new oversight questions, but deployment within the PCAOB should be paired with clear governance and a serious investment in academic input.

26. **Use AI for inspection-resource allocation, not as a substitute for inspector judgment.** AI is well suited to risk-based engagement selection, anomaly detection across inspection histories, and consistency monitoring across inspection teams—uses that improve efficiency without delegating judgment.
27. **Establish AI governance standards for audit firms before failures occur.** AI accelerates and intensifies the very check-the-box mentality the inspection program is meant to counter, and it disperses accountability across humans and systems in ways that are not always transparent (Maksymov, 2026). The PCAOB should partner with academic researchers to develop AI governance frameworks proactively.
28. **Address AI's effect on inspector training and the CPA pipeline.** PCAOB technology deployment should include investment in inspector training that emphasizes AI oversight capability, complemented by partnerships with academia to prepare future auditors (and inspectors) for an AI-enabled environment (Maksymov, 2026).
29. **Approach AI's questions of dispersed agency and accountability through theory-grounded, independent research.** Questions about how to govern dispersed agency, how to identify accountability when humans and machines act jointly, and how to preserve professional judgment under conditions of opacity are the kind of abstract, normatively charged questions that an independent meta-profession is well positioned to investigate (Maksymov, 2026). The PCAOB should leverage that capacity.

Q7. Enhancing Transparency with Stakeholders

Transparency has been repeatedly identified by current and former PCAOB Board members, auditors, investors, and academics as the area where additional progress is most urgently needed (Maksymov & Westermann, 2026).

30. **Publish enforcement-process documentation and decision rationales.** Significant transparency gaps exist in enforcement—including one-sided narrative orders and the absence of investor-harm assessments (Cannon et al., 2025). Recommended steps include (a) representing both sides of disputed findings in public orders, (b) including investor-harm analysis in every public order, and (c) publishing aggregate enforcement statistics by firm size to enable evaluation of consistency.
31. **Disclose inspector selection criteria, training, and performance-evaluation framework.** Significant opacity exists around how inspectors are hired, trained, staffed, and evaluated (Maksymov & Westermann, 2026). Public documentation of these processes would substantially improve stakeholder trust without compromising inspector independence.
32. **Disclose remediation outcomes, including whether and when re-inspections occurred.** As discussed under Q3, remediation is currently opaque to external stakeholders even though it is central to the inspection program's effectiveness.

33. **Communicate directly with audit committee chairs about substantive audit-quality matters.** ACMs rate “communicator to audit committees” among the PCAOB's most important roles—and significantly above its role as a communicator to investors (Lamoreaux et al., 2026a). The PCAOB already conducts hundreds of dialogues annually with AC chairs of inspected engagements; this channel should be expanded and made systematic.
34. **Publicly recognize quality improvements at individual firms.** As noted under Q1, the absence of recognition undermines the legitimacy of enforcement when it does occur (Ege et al., 2020).
35. **Establish a structured, ongoing engagement channel with the academic community.** Independent, theory-grounded academic research is the kind of input the PCAOB cannot generate internally and that audit firms have economic incentives not to support unaided (Maksymov, 2026). Specific proposals: (a) establish a formal academic-engagement portal where audit staff can voluntarily participate in IRB-approved research, (b) publish anonymized inspection data on a regular cadence for academic analysis, and (c) expand the academic fellowship program with broader topical scope, including enforcement and AI governance.

Closing

The 2026–2030 strategic plan is an opportunity to strengthen the PCAOB’s effectiveness across registration, inspections, enforcement, standard-setting, international alignment, technology, and transparency. The recommendations above are grounded in peer-reviewed and in-press evidence developed by audit academics over more than a decade. We would welcome the opportunity to discuss any of them further with the Board or with PCAOB staff.

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The views expressed in this letter are those of the signatories and do not necessarily reflect the views of their respective institutions. The signatories report no conflicts of interest. The co-signers are listed in alphabetical order.

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