



May 15, 2026

Ms. Phoebe W. Brown
Secretary
Public Company Accounting Oversight Board
1666 K Street, NW
Washington, DC 20006-2803

Re: Request for Public Comment, PCAOB Strategic Priorities, PCAOB Release No. 2026-001

Dear Ms. Brown:

The U.S. Chamber of Commerce (“Chamber”) appreciates the opportunity to comment on the Public Company Accounting Oversight Board (“PCAOB” or “Board”) request for public comment on the Board’s 2026-2030 strategic plan (the “2026 Plan”). We commend the Board for accepting public input to help shape its strategic priorities and agenda over the next several years.

The Chamber has long supported the Board’s mission to protect investors and further the public interest in the preparation of informative, accurate, and independent audit reports. We have expressed concern in recent years, however, that a noticeable shift in the Board’s standard-setting, inspection, and enforcement priorities has risked undermining audit quality, investor protection, and market confidence.

At times, the Chamber has also been critical of the Board’s expansive agenda, as well as the unprecedented breadth, pace, and process for promulgating new standards. We are pleased that the recently appointed Board is prioritizing transparency and engagement with stakeholders as it reconsiders the PCAOB’s strategic direction and operations.

As the Board formulates the 2026 Plan, we believe it should prioritize the following actions:

- Improve the Standard-Setting Process
- Recalibrate the Inspections Process
- Recalibrate Enforcement
- Deploy Artificial Intelligence Responsibly
- Encourage Small Business
- Set Reasonable Standards
- Foster Competition

Improving the Standard-Setting Process

Meaningful due process and robust economic analysis are essential when promulgating new regulatory requirements. Historically, a deliberative standard-setting process with ample time for stakeholder input has been the hallmark of PCAOB standard-setting. In recent years, however, the Board has rushed against artificial deadlines to promulgate a flurry of new PCAOB standards and rules. In doing so, the Board has prioritized speed and volume over quality and due process, while often failing to justify its actions reasonably. At times, we believe these actions have compromised the quality of new PCAOB standards and rules. The Board should formally commit to incorporating robust economic analysis in its standard-setting process.

We urge the Board as it moves forward on future standards to return to a more reasonable and predictable cadence by providing stakeholders a meaningful opportunity to review and comment on Board proposals. The PCAOB should avoid making use of condensed and overlapping comment periods, with minimum public comment periods of at least 90 days. The comment period should be longer when the Board has proposed multiple standards in rapid succession.

The PCAOB should consider holding more open meetings where Board members can offer their views on proposed standards which would give the public greater awareness about the potential impact of a standard. This could ultimately lead to a better process and more informed public comments.

Additionally, more robust outreach and direct engagement with issuers can assist the Board in carrying out its duties more effectively, particularly with respect to the standard-setting process. The Board should solicit issuer input on a regular basis and not be limited to issue-specific items, but rather an ongoing approach to issuer engagement.

We are also concerned that recent standard-setting initiatives relied on inadequate economic analyses that failed to provide comprehensive cost-benefit analysis. We urge the PCAOB to observe its own published guidelines for conducting economic analysis, with due regard for avoiding unnecessary costs and creating unintended consequences. We also request that the PCAOB provide sufficient transition periods for newly adopted standards to ensure audit firms, particularly smaller audit firms, have adequate time to implement new requirements.

A proposed PCAOB standard that remains in limbo is AS 2405, *A Company's Noncompliance with Laws and Regulations*, and the Chamber has previously expressed its deep concern over structural and policy flaws that are manifest in the proposed standard.¹ The process around the so-called "NOCLAR" standard also suffers from many of the infirmities we

¹ The Chamber's full comment letter dated August 2, 2023, is available at https://assets.pcaobus.org/pcaob-dev/docs/default-source/rulemaking/docket-051/22_chamber.pdf?sfvrsn=a67832d5_4.

outlined in the preceding paragraphs. Repeating our deep concerns with this proposed standard, we again call for the Board to formally withdraw the proposal from its standard-setting agenda.

Recalibrating the Inspections Process

The Chamber encourages the Board to reform its inspection process by increasing transparency both to the public and the audit profession. For example, we understand much of the guidance the PCAOB staff provides to audit firms is informal and not provided in writing. Similarly, in some cases, we have heard that the oral guidance from one inspection team may conflict with the oral guidance from another. These circumstances create challenges for firms to comply with PCAOB standards by creating uncertainty around the standards of conduct for auditors.

The simple solution is to adopt certain practices of other supervisory agencies, such as the U.S. Securities and Exchange Commission (“SEC”) and federal banking regulators, by publishing in writing staff interpretive positions and inspection objectives. The federal banking regulators, for example, publish their examination manuals so banks can tailor their compliance policies and procedures accordingly. The SEC’s Division of Examinations also publishes useful guidance for SEC registrants subject to inspection and examination.

Further, the Board and its staff should engage more proactively with audit firms and provide timely clarification and implementation guidance to address questions and issues as they arise during the inspection process. The Board should also establish an audit consultation process similar to the consultation process used by the SEC Office of the Chief Accountant and Division of Corporation Finance for companies and audit firms on accounting and other interpretive matters.

The Chamber is also concerned that the inspections process has at times become more adversarial. The inspections process should provide an opportunity for affirmative, constructive two-way communication between the inspection team and the audit firm so that PCAOB registrants understand the Board’s inspection objectives and are empowered to improve audit quality.

An adversarial approach to inspections chills that dynamic, undermining a supervisory approach to PCAOB oversight of registered firms and associated persons. We encourage the Board to improve the inspections dynamic. The inspections process should be more risk-based and prioritize issues material to the capital markets and investors, not compliance ‘foot faults’ that are minor and technical in nature.

Inspection teams should also consider both quantitative and qualitative materiality. For example, the PCAOB adopted an approach that requires audit firms to apply the same level of quantitative materiality for errors on the face of the financial statements as to errors/omissions for disclosures in the footnotes. There does not appear to be a consideration by the inspection

teams of the qualitative aspect of the error, which is required by GAAP. This position creates huge inefficiencies in audits and requires a degree of precision of auditors that is not useful to investors.

A common concern is the difficulty interpreting and assessing the Board's inspection reports on audit firms. We encourage the Board to improve the format and usability of these reports. A good model the Board should consider emulating is that of the inspection reports produced by the United Kingdom's Financial Reporting Council ("FRC"). Both the PCAOB and FRC use risk-based sampling to review select audit engagements as a foundation for a given firm's inspection report, but the content of the two regulators' reports is notably different.

PCAOB inspection reports focus on audit deficiencies and quality control criticisms, whereas FRC reports provide overall audit quality ratings expressed as a percentage of "good" or "limited improvements required." FRC reports also include key findings and themes, as well as sector commentary. The PCAOB is focused on failure rates, whereas the FRC measures success rates. The overall tone of a PCAOB inspection report is often adversarial, while an FRC report is narrative-driven and focuses on broader performance feedback and trends.

We believe an FRC inspection report is much more useful as a tool to put inspection results in context and conduct market-wide analysis. The FRC model is therefore one we hope the Board will carefully consider for its own reports in the future.

Recalibrating Enforcement

The Chamber appreciates that targeted enforcement has a role in the Board's oversight of registered accounting firms and associated persons. Bad actors should be kept out of the securities markets. But at the same time, overly aggressive enforcement, particularly concerning technical violations of complex PCAOB standards, can deter innovation, burden smaller entities, increase audit costs, and discourage smaller firms from auditing public companies and broker-dealers.

The PCAOB is well aware of the struggle to attract and retain talent in the accounting profession as university accounting programs continue to face declining enrollments and CPAs seek employment outside the accounting field. While several factors contribute to this trend, enhancing the attractiveness of the accounting profession, including public company auditing, should be an important goal for the PCAOB. An unduly aggressive enforcement program is antithetical to that goal.

A misallocation of limited PCAOB resources does not benefit investors who are victims of real harm. We urge the Board to recalibrate its enforcement priorities and resources to focus on clear, intentional violations of PCAOB standards that lead to demonstrable investor harm.

We also encourage the Board to coordinate its enforcement docket with other regulators, particularly the SEC, who may share jurisdiction over an alleged violation. Doing so

will also help to avoid duplication of efforts across agencies and a piling-on effect over registered firms and associated persons.

Deploying Artificial Intelligence Responsibly

Technology continues to transform the practice of auditing as well as the systems and processes of PCAOB registrants. We believe the PCAOB should continue to engage in activities to ensure that it is on the cutting edge of issue identification and solution development. The Board's request for public comment specifically calls out Artificial Intelligence ("AI"), and how the Board could consider deploying AI to further its investor-protection mission. We concur that developing policies to promote responsible AI must be a top priority for the Board.

The rapid expansion in the use of AI is already having a profound impact across industries and offers great hope for increasing economic opportunity, boosting incomes, accelerating innovation, and simplifying the lives of consumers. The development of AI and the introduction of AI-based systems are growing exponentially. Indeed, the audit profession and its clients are making increased use of AI across their operations. This expansion will have a profound impact on society, the economy, and national security, making it vital for regulators to establish appropriate protections to manage potential risks while maximizing potential benefits.

The Chamber is on record stating that policymakers and business leaders must work together to determine a roadmap for optimizing AI's many benefits and ensuring its responsible and ethical use.² If appropriate and reasonable protections are not put in place, AI could impact job creation, adversely affect privacy and personal liberties, or promote bias. Policymakers must debate and resolve the questions emanating from these opportunities and concerns to ensure that AI is used responsibly and ethically.

To this end, as the PCAOB develops an AI strategy, we believe the Board should be guided by the principle that its standards and regulations should be technology neutral and focus on applications and outcomes of AI, not the technologies themselves. Standards regarding AI should be created only as necessary to fill gaps in existing law, protect citizens' rights, and foster public trust. Rather than trying to develop a one-size-fits-all regulatory framework, the Board should encourage the development of flexible, industry-specific guidance and best practices.

Federal interagency collaboration is vital to developing cohesive regulation of AI across the government. AI use is cross-cutting, complex, and rapidly changing and will require a strategic and coordinated approach among agencies. We encourage the Board to liaise with relevant state and federal agencies as it develops its plans. The Board should work closely with the SEC and its approach to AI use by auditors should be consistent with that of the SEC in financial statement preparation.

² U.S. Chamber Artificial Intelligence Commission Report (March 2023)
<https://www.uschamber.com/technology/artificial-intelligence/artificial-intelligence-commission-report>

The Chamber also encourages the Board to form a working group with representatives of issuers and the audit profession to further study appropriate regulatory responses to the use of AI in conducting financial statement audits.

Finally, PCAOB standards and regulations should encourage private sector approaches to risk assessment and innovation. Accordingly, the Board should encourage soft law and best practice approaches developed collaboratively by the private sector, technical experts, civil society, and the government. Such nonbinding, self-regulatory approaches provide the flexibility of keeping up with rapidly changing technology as opposed to laws and regulations that risk becoming outdated quickly.

Encouraging Small Business

Small businesses employ nearly half the entire American workforce and represent 43.5% of America's GDP. Nearly 90% of the Chamber's members are small businesses and state and local chambers of commerce. Small businesses create jobs, foster innovation, promote economic resilience and create pathways to wealth and mobility. The Chamber takes a keen interest in initiatives that encourage growth of smaller businesses and thriving capital markets as well as those that support the unique issues that smaller audit firms face.

We commend the PCAOB for establishing the Smaller Firm Resource Group in August 2025. The Chamber also supports the Board's recent efforts to increase outreach to smaller audit firms and auditors of smaller PCAOB registrants. These firms constitute an essential part of the audit landscape but often have different attributes than their larger counterparts. In particular, smaller audit firms sometimes face unique challenges in accessing state-of-the-art technology, attracting and retaining audit partners and staff, and maintaining technical expertise to conduct audits to PCAOB standards.

We encourage the Board to keep smaller firms top of mind in developing the 2026 Plan and establishing accommodations to ensure these firms continue to deliver high-quality audits. The Board should, for example, tailor the inspections program to the size and nature of the audit firm and its audit client. Likewise, the Board should make efforts to solicit input from smaller public companies and broker-dealers as well as smaller audit firms in connection with the Board's standard-setting projects.

Setting Reasonable Standards

Under several recent standard-setting initiatives the PCAOB appears to have veered away from its specific, but important, mandate to regulate auditors. It has appeared to the Chamber that the Board has sought to expand beyond audit regulation to instead seek to regulate corporate governance and the behavior of public companies, subject areas outside the Board's jurisdiction that historically have been left to state corporate law and the SEC. For example, the NOCLAR initiative is an example of this mission creep.

For the 2026 Plan, we encourage the Board to return to basics in setting standards. Amazingly, a large number of the Board's current audit standards have not been reviewed or amended since the founding of the PCAOB in 2002. Many of these standards are those of the AICPA as they existed in 2003 when the Board adopted them verbatim as PCAOB standards.

The Board's recent recodification of its standards dispersed them among the PCAOB rulebook, but the basic substance remains unchanged. It is high time for the Board to revisit these standards in light of economic and regulatory developments over the past quarter century.

Rather than a grand re-imagination of auditing standards in the mold of NOCLAR, the initiative should focus instead on incremental improvements to align the Board's rules with current market practices and ensure consistency with other U.S. accounting and auditing rules, such as those of the Financial Accounting Standards Board (FASB) and the SEC, where there may be misalignment or conflict.

To that end, we recommend that the Board establish a formal, ongoing dialogue with fellow regulators in the U.S. to consider the auditability of accounting standards. This initiative would allow for the auditing of accounting standards to work in conjunction with standard development. It would also provide for the identification and resolution of issues that arise in practice. A similar process should be created to ensure that regulators have an understanding of standards and that different entities are not working at cross purposes.

In setting standards, the Board should not lose sight of the important role that the concept of materiality plays. Auditors use materiality in planning and conducting their audits, and they assess the risk of material weaknesses and material misstatements. At its core, the Chamber is motivated by a desire to ensure investors have access to essential, decision-useful information without unnecessary surplusage. By right-sizing disclosure, investors are not buried in the "avalanche of trivial information" that Justice Thurgood Marshall famously warned about fifty years ago. At base, the Board should develop standards that are focused on issues material to investors.

Future standards should also preserve the ability of auditors to exercise reasonable judgment, and such standards should not be overly prescriptive. An ever-increasing number of prescriptive rules and regulations limits the perspective of auditors by displacing the application of principles and the exercise of judgment. This situation has the potential to create a system that has a one-size-fits-all approach and check-the-box mentality that is at odds with the ever-evolving dynamics of change inherent in the U.S. economy and financial statement audits.

The Board should also consider post-implementation reviews of standards that occur on a regular interval. Such reviews should weigh the real-time costs and benefits that have resulted from adopted standards which can help the Board decide whether a particular standard should be revisited and also inform the Board about its standard-setting process more generally.

While the unique nature of the U.S. capital markets sometimes makes comparisons to other jurisdictions inapt, the Board should remain abreast of developments outside the U.S. as it reviews and promulgates audit standards. In particular, the PCAOB should interact with the International Auditing and Assurance Standards Board (IAASB) to determine what is working well and what might be refined or improved in other markets. As described above, the FRC can also be a useful resource to inform PCAOB standard-setting.

Additionally, the Board should continue to use roundtables to solicit input and insights from stakeholders, including auditors, public companies, broker-dealers, audit committees, attorneys, academics, and other specialists, along with investor representatives. There is likewise an important role to play for the PCAOB's Standards and Emerging Issues Advisory Group. Finally, we recommend the Board field test proposed requirements during the development of a proposal to identify challenges, including ones related to implementation, and assess the reasonableness of provisions under consideration.

Fostering Competition

Building on several of our earlier points, we would request that the Board remain focused in formulating the 2026 Plan on the need to foster competition across the audit industry. The Board is no doubt aware of the growing amount of consolidation across the audit profession at the same time smaller firms are deregistering with the PCAOB. Various factors have contributed to these trends, but the increased complexity of auditing to PCAOB standards and heightened risk of PCAOB enforcement are two key drivers.

Commentators have identified a number of concerns associated with concentration among larger firms in the audit industry. These concerns include fewer choices for audit committees, diminished innovation across the industry, the potential for higher audit fees, and a systemic risk if one of the larger firms were to fail. Consistent with our observations above in respect of smaller audit firms, ensuring the viability of these firms in the public company and broker-dealer audit marketplace is also critical.

The Board has several levers to pull to foster greater competition in the audit industry and encourage the registration of new audit firms. It has the power to lower barriers to entry by reducing the complexity of its standards, for example. Likewise, and further to our comments above, the Board can ensure greater public transparency in the staff's interpretive positions.

Larger firms have the human capital and financial resources to track and catalog the staff's numerous unwritten interpretive positions (many of which change year to year as staff priorities shift), whereas smaller firms often do not, which places them at an inherent disadvantage.

Additionally, and in line with our comments above regarding inspection reports, reports that state results in plain English with greater comparability across firms should make it less difficult for audit committees to interpret reports when tendering for a new audit firm.

Finally, by restoring a collaborative tone to the inspection process and right-sizing the enforcement docket, new market entrants will see less downside to PCAOB registration.

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Thank you for your consideration and we stand ready to discuss these matters with you further.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mike Flood", is centered on the page. The signature is fluid and cursive, with a large initial "M" and "F".

Mike Flood
Senior Vice President
Center for Capital Markets Competitiveness
U.S. Chamber of Commerce