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Submitted via email to: **comments@pcaobus.org**

June 23, 2026

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

Re: File No. 2026-001
PCAOB Request for Public Comment on Strategic Priorities
March 31, 2026

Dear Ladies and Gentlemen:

This letter is submitted to the Public Company Accounting Oversight Board (the "PCAOB" or the "Board") on behalf of the Federal Regulation of Securities Committee and the Law and Accounting Committee (together, the "Committees") of the Business Law Section (the "Section") of the American Bar Association (the "ABA") in response to the request for comments by the Board with respect to setting the Board's strategic priorities to be reflected in the Board's 2026-2030 strategic plan ("2026 Plan"). This letter was prepared by the PCAOB Strategic Priorities Drafting Committee (the "Drafting Committee") of the Committees.

The comments expressed in this letter represent the views of the Committees only and have not been reviewed or approved by the ABA's House of Delegates or Board of Governors and should not be construed as representing the official policy of the ABA. In addition, this letter does not represent the official position of the Section, nor does it necessarily reflect the views of all members of the Committees.

INTRODUCTION

In our view, the PCAOB plays a vital oversight role in the financial reporting infrastructure. Although the Board has the authority to take appropriate actions to carry out its statutory mission, we do not believe it has the mandate, or the resources, to address matters extrinsic to its core responsibilities. These core responsibilities include registration of and reporting by registered public accounting firms; the adoption of auditing standards and related matters such as standards dealing with auditor independence, communications with audit committees, auditing a company's internal controls, responsibilities relating to interim financial statements, and the form of auditors' opinions on financial statements and internal controls; periodic inspection and reporting on selected audit engagements and quality control; and investigations and disciplinary actions for violations of relevant laws or professional standards. We concur with Chairman Atkins's and Chairman Logothetis's "back to basics" approach. The time is ripe for a return to the principles envisioned by the authors of the Sarbanes-Oxley Act of 2002 ("SOX") and, against this backdrop, for a careful review of the scope of the Board's statutory authority.

THE PCAOB'S STATUTORY MISSION

SOX defines the purpose of the PCAOB as "to protect the interests of investors and further the public interest in the preparation of informative, accurate and independent audit reports."[1] The clear focus of SOX was therefore on *audit reports*. The PCAOB's mission is focused on the substance and form of the ultimate work product of the auditor and the auditor's work in providing that product. And the reference to "protection of the interests of investors" is similarly tied to investors' *interests in credible audit reports*. In our view, the PCAOB is not charged with the overall general regulation of the auditing profession. It is not empowered to regulate competition in the market for accounting services or the internal organization and management of accounting firms. As a functional regulator with limited authority, the PCAOB was envisioned to be an expert technical and disciplinary body, not a broad policy making entity. For instance, its mandate does not extend to imposing structural changes such as mandatory auditor rotation[2] or internal governance structures of accounting firms. Its authority is limited to public company and broker-dealer audits and a limited number of related matters. The bounds of this authority are clear and should not be extended by an overly expansive reading of SOX or by regulatory actions that fall outside the scope, intent or purpose of SOX.

SPECIFIC RECOMMENDATIONS

SOX gives the PCAOB the authority to regulate accounting firms that prepare or issue (or that participate in the preparation or issuance of) audit reports on the financial statements of companies that have issued securities that trade on the public markets in the United States or that have filed a registration statement with the Securities and Exchange Commission ("SEC").[3] That authority covers four principal areas: registration and reporting; auditing, independence, quality control and other standards; inspections; and investigations and disciplinary proceedings. The Board's

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[1] SOX, § 101(a), 15 U.S.C. 7211(a).
[2] See discussion of the PCAOB's authority in the comment letter of the Committees on the PCAOB Concept Release on Auditor Independence and Audit Firm Rotation (June 25, 2012) available at https://assets.pcaobus.org/pcaob-dev/docs/default-source/rulemaking/docket037/661_aba.pdf?sfvrsn=1517b3c6_0, at p. 4, and authorities cited therein.
[3] *See* SOX, §§ 2(a)(7), 102(a) 15 U.S.C. §§ 7201(a)(7), 7211(a). The PCAOB also regulates auditors of certain broker-dealers. This letter focuses on public company audits.

jurisdiction includes foreign accounting firms that prepare or furnish audit reports, or play a substantial role in the preparation or furnishing of audit reports, relating to the financial statements of securities issuers or registrants in the U.S. public markets.[4] In response to the Board's request for comments on its strategic priorities, the Committees submit the following recommendations as to matters for the Board to consider for each of its four principal regulatory functions.

Registration and Reporting

In our view, it would be appropriate for the Board to conduct an overall review of the current reporting regime for registered public accounting firms and to consider focused improvements—which may mean eliminating some requirements and expanding others.

Recommendation: The PCAOB should revisit the disclosure requirements applicable to registered firms and reduce unnecessary items. Any new disclosure requirements should be carefully tailored to serve clearly defined disclosure objectives.

Rationale: The Board adopted the basic reporting framework for registered public accounting firms in 2009. Firms are required to file an annual report containing specified information on Form 2 and special reports disclosing certain events on Form 3. Few amendments have been made to these rules since 2009. It may be time for the Board to review the reporting requirements to identify the material information that will be decision-useful for boards, investors and other users of audit reports and eliminate any reporting requirements that do not meet this standard. Although some limited disclosure of standardized accounting firm metrics might be appropriate, the PCAOB should limit the scope of such disclosure to information that would be clearly material to investors.

Standard-Setting

The PCAOB should focus on auditing and other standards that contribute to more effective audits and more reliable audit reports. As stated by Brian Croteau (audit chief for PwC and former SEC Deputy Chief Accountant), "[m]eaningful, but appropriately measured, changes to auditing standards and regulations are important to the strength of capital markets and to the investment community."[5] At the same time, given the limits on the Board's time and resources, the Board should avoid standard setting initiatives that do not address a compelling need, such as "modernizing" standards for the sake of modernization. Any new standards should also take into consideration the financial and operational impact on the standard-setting initiatives of both audit firms and preparers of financial statements.

Recommendation No. 1: The most immediate standard-setting priorities should relate to standards involving technology.

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[4] SOX, § 106(a)(1)-(2), 15 U.S.C § 7506(1)-(2).
[5] Brian Croteau, Proposed PCAOB rule risks turning auditors into legal watchdogs, CFO Dive (April 25, 2024), available at https://www.cfodive.com/news/proposed-pcaob-rule-risks-turning-auditors-legal-watchdogs/714331/.

Rationale: Technology is ever-evolving and is central to the execution of effective audits. Audit clients are increasingly adopting and implementing new technologies to operate and manage their businesses, including data accession, management and analysis, integration of technology systems with customers, suppliers and service providers, use of blockchain and other technologies in their businesses and operations, and implementation of artificial intelligence. Accounting firms will need to be familiar with both the universe of technological products, and the implementation of such products by their audit clients, which will enable accounting firms to better plan and conduct audits. Equally important will be the ability of accounting firms to implement technological developments within their own operations, which may make their operations more efficient, and their conduct of audits more robust. The downsides of potential over-reliance on technology should also be considered. Effective auditing standards will need to respond to and help maximize the value of technology.

Recommendation No. 2: Identify specific standard-setting projects through consultation with interested parties.

Rationale: The Financial Accounting Standards Board ("FASB") uses an effective process for soliciting input from stakeholders to determine its standard-setting priorities as well as the direction which should be taken in pursuing each initiative. The PCAOB should model its approach on the FASB methodology. The hallmarks of such an approach would be transparency, development of a comprehensive review and analysis plan and timetable, stakeholder outreach throughout the process, and analytical disclosure with respect to the actions taken or proposed in connection with each project. As the PCAOB is aware, the adoption of new auditing standards is a complicated process, which involves a number of elements: (i) an identification of challenges or inadequacies the PCAOB or stakeholders believe exist under current auditing standards, (ii) a comprehensive analysis of the alternative auditing approaches that would be appropriate to resolve such challenges and inadequacies, (iii) a review of the practical implications of each of the approaches, (iv) the ability of audit clients and audit firms to implement each of the approaches without undue hardship or expense, (v) the potential unintended consequences of each approach, and (vi) the ability of audit clients to improperly avoid being subject to the scope of any new auditing standard. Full and open consideration of the foregoing should lead to more effective auditing standards.

Recommendation No. 3: Develop a standard-setting policy.

Rationale: The Auditing Standards Board of the AICPA adopted a set of policies that lay out the framework for the audit standard setting process.[6] The PCAOB should consider adopting a similar type of policy, which would guide the process.

Recommendation No. 4: Implement a post-implementation review process.

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[6] Available on the AICPA website at https://www.aicpa-cima.com/resources/download/aicpa-auditing-standards-board-operating-policies (free registration required).

Rationale: While the adoption of a new auditing standard represents the PCAOB's best expectation as to how the policy will operate in practice, sometimes a new standard fails to achieve all the benefits it was intended to achieve or involves costs or other complexities not contemplated at the time the standard was adopted. Similar to the post-implementation review process of the FASB, the PCAOB should periodically review previously adopted auditing standards to ensure that they are operating effectively in practice and meeting the Board's expectations.

Recommendation No. 5: Improve coordination with the FASB and the IASB.

Rationale: Auditing is inherently intertwined with the accounting standards applied by audit clients. Although we understand that the staff of the PCAOB regularly communicates with the staffs of the FASB and the IASB, we believe an increased focus should be placed on the coordination among the standard-setters (which should also include the SEC). This may result in both improved accounting standards and improved auditing standards. In particular, the PCAOB should proactively engage with the FASB during the FASB standard-setting process to assist the FASB in obtaining input on the audibility of proposed new accounting rules and in taking auditability considerations into account in developing final standards. In this regard, we note that it is not within the authority of the PCAOB to adopt accounting standards, and the PCAOB should be careful to avoid adopting auditing standards that represent de facto accounting standards or that may affect the ability of preparers to implement substantive accounting standards.

Inspections

The PCAOB inspection program is critical to ensuring audit quality. The program has been effective in identifying many issues and deficiencies in specific audit engagements as well as promoting accounting firm quality control. However, there continues to be room for improvement. Since its creation, the PCAOB has been challenged to undertake inspections and to prepare inspection reports that are meaningful and useful to audit firms and investors. Challenges to this process include timing of issuance of the reports, the form of the reports and limitations on the information that is disclosed. The result has been a process that identifies "deficiencies" in audit evidence in individual engagements, even though the inspections rarely identify audit failures that render the auditor's opinion unreliable. These inspection results, in turn, have been used primarily as a score-keeping mechanism to compare firms and/or draw generalized conclusions about "audit quality" at individual firms or the profession as a whole.

Recommendation: The Board should develop a new method of preparing and evaluating inspection reports that more fairly and realistically evaluates the significance of issues identified by the staff in the inspection process. These could include:

- Avoiding simplistic statistical conclusions based on "deficiencies" identified in inspections of individual audit engagements;

- o Developing a system of differentiating deficiency findings by severity or other criteria;
- o Providing data on restatements as an additional data point to inform investors about the impact of audit deficiencies on financial reporting overall; and
- o Recognizing that auditing requires judgment, the inspection process should ensure that inspectors are not merely substituting their judgment for that of the audit firm on any given engagement.

Enforcement

SOX refers consistently to the Board's power to initiate "disciplinary proceedings" against registered public accounting firms and associated persons.[7] While the scope of matters subject to the Board's investigative and disciplinary power are broadly defined,[8] this terminology suggests that the PCAOB's disciplinary function could be oriented principally to identifying and rectifying violations of professional standards that relate directly to audit reports. It should be corrective, not punitive. These are appropriate matters for the Board's professional staff, particularly in light of the SEC's more extensive authority regarding violations of the securities laws.

Recommendation No. 1: Potential violations of the securities laws or professional standards by auditors that involve auditor conduct in relation to accounting fraud or other disclosure violations should be handled by the SEC's Division of Enforcement.

Rationale: Given SOX's emphasis on disciplinary proceedings rather than enforcement, the PCAOB's role should be to monitor compliance with the auditing and quality control standards, similar to the traditional role of the state boards of accountancy. The Board's disciplinary efforts should be focused on the substance of audits and audit reports, not technical violations or matters that relate to compliance with laws and regulations. More significant violations of law or misconduct should be referred to the SEC for enforcement. This should better use available resources and minimize duplicative efforts.

Recommendation No. 2: The Board should review past fines imposed and consider whether they were proportional to misconduct alleged.

Rationale: The PCAOB has imposed a broad range of disciplinary fines, and while there appears to be a general correlation between the significance of the violation and the amount of the fines, it appears to some observers that there is an inconsistency across various actions taken in the past. The PCAOB should study past disciplinary actions and consider what its approach should be going forward. See also recommendation 3 below.

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[7] For example, Section 105 of SOX is entitled "Investigations and Disciplinary Proceedings" (15 U.S.C.§ 7215) and Section 105(c) is entitled "Disciplinary Procedures" (15 U.S.C. § 7215(c). *See also* SOX § 105(c)(4), 15 U.S.C. § 7215(c)(4) (referring to "disciplinary or remedial sanctions").

[8] *See* SOX § 105(b)(1), 15 U.S.C. § 7215(b)(1).

Recommendation No. 3: The Board should publish a policy regarding how the level of fines is determined in disciplinary proceedings.

Rationale: A more transparent approach would be fairer and more effective in encouraging compliance among registered firms.

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We greatly appreciate the opportunity to provide comments with respect to this important initiative. Members of the Drafting Committee are available to meet and discuss these matters with the PCAOB and the Staff and to respond to any questions.

Very truly yours,

Federal Regulation of Securities Committee

By: /s/ Brian V. Breheny
Brian V. Breheny, Co-Chair

By: /s/ Lillian Brown
Lillian Brown, Co-Chair

Law and Accounting Committee

By: /s/ Jeffrey W. Rubin
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