

# Small Business and Broker- Dealer Auditor Forum

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Jersey City, NJ  
May 13, 2026

# WELCOME AGENDA

- Disclaimer
- Learning Objectives and Course Description
- Forum Information
  - Evaluation
  - Polling
  - Q&A
  - CPE Codes

# DISCLAIMER

One of the benefits of today's session is that you will hear firsthand from numerous PCAOB staff members. You should keep in mind, though, that the views we express are in our official capacity as PCAOB Board or staff members but are our own and do not necessarily reflect the views of the Board, other Board Members, or other members of the staff.

# LEARNING OBJECTIVES

- To discuss important information concerning PCAOB activities with registered public accounting firms that audit the financial statements of public companies operating in the small business community or broker-dealers. The forum also provides an opportunity for Board members and PCAOB staff to hear comments, concerns and questions from auditors
- PCAOB presentations will include updates from the PCAOB's Standards and Enforcement groups. Additionally, staff from the PCAOB's Division of Registration and Inspections will provide an overview of inspections and discuss recent inspection findings
- In addition, staff from the Securities and Exchange Commission and FINRA will provide updates on topics of current interest

# COURSE DESCRIPTION

The PCAOB Small Business and Broker-Dealer Forum is a one-day program that will offer attendees the opportunity to interact with the PCAOB and learn more about its programs and activities, including updates on current activities.

# FORUM CHECK-IN

<https://pcaobext.cnf.io/>



# FORUM CHECK IN

## Sessions

### 2026 Jersey City Forum

9:00am - 4:30pm in Jersey City, NJ

-  Duane Abel    Glenn Tempro    Lisa Calandriello    Mark Ramler    Kathleen McGovern  
 Scott Martinek    Sarah Kenny    Shirley Wee    Steven Attard    Heather Jossem  
 Jim Logothetis

### Check In To This Session

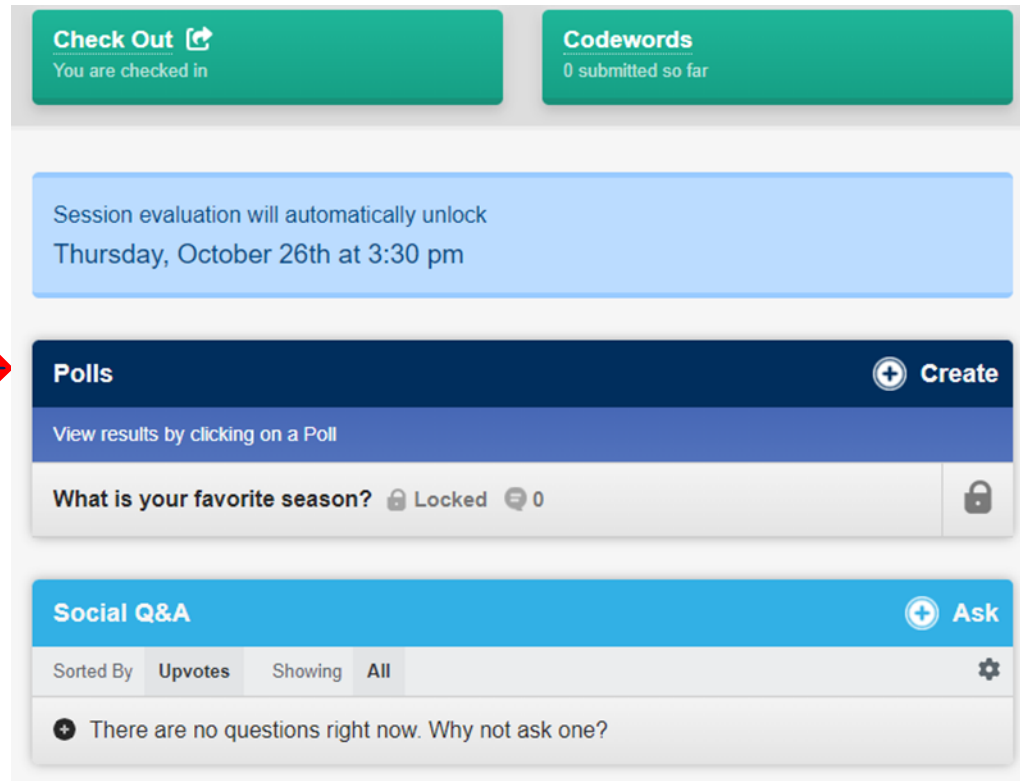
First Name


Last Name

Email Address

Check In Now


# POLLING






**Check Out**   
You are checked in


**Codewords**  
0 submitted so far


Session evaluation will automatically unlock  
Thursday, October 26th at 3:30 pm


**Polls**  **Create**

View results by clicking on a Poll

**What is your favorite season?**  Locked  0 

**Social Q&A**  **Ask**

Sorted By **Upvotes** Showing **All** 

 There are no questions right now. Why not ask one?

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# Q&A AND COMMENTS

The screenshot shows a user interface with several components:

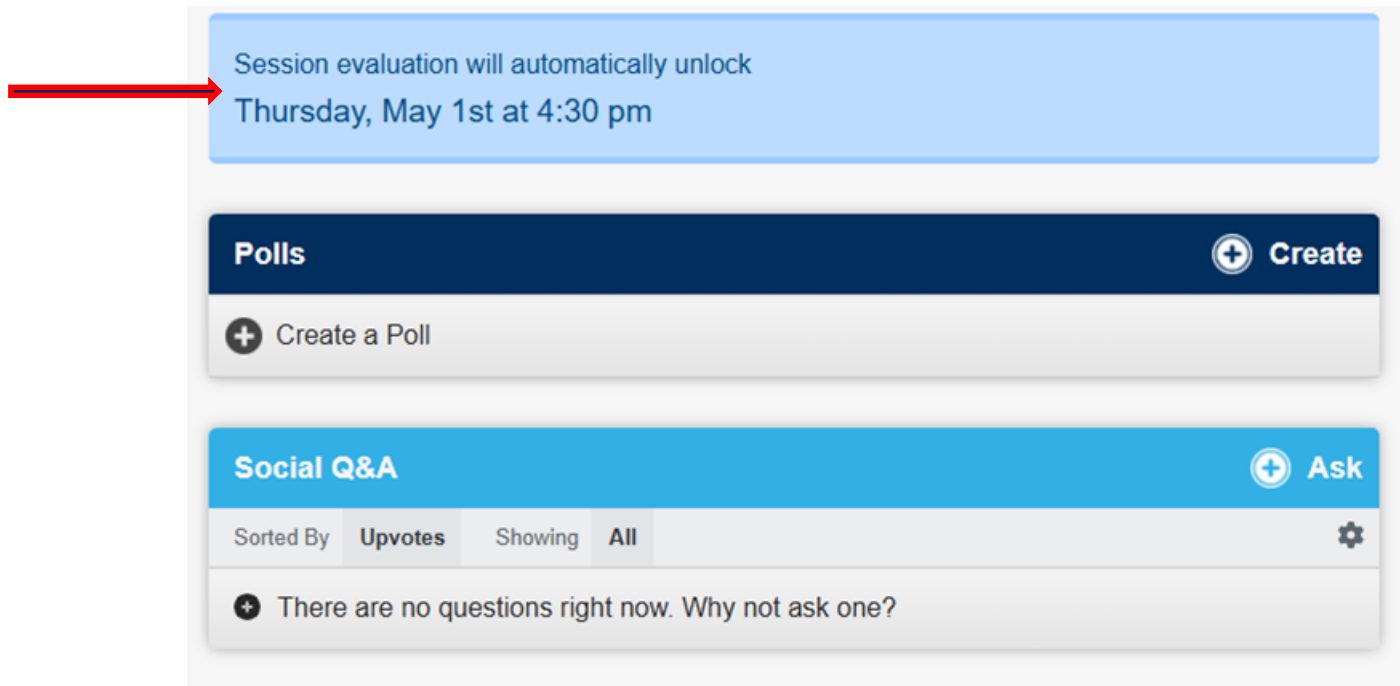
- Check Out** (green button): You are checked in
- Codewords** (green button): 0 submitted so far
- Session evaluation** (light blue box): Session evaluation will automatically unlock Thursday, October 26th at 3:30 pm
- Polls** (dark blue header): Includes a **Create** button and a sub-header "View results by clicking on a Poll". A poll titled "What is your favorite season?" is shown as "Locked" with 0 responses.
- Social Q&A** (light blue header): Includes an **Ask** button circled in red. Below the header, there are sorting options: "Sorted By", "Upvotes", "Showing", and "All". A message "There are no questions right now. Why not ask one?" is displayed, with a plus icon circled in red. A red arrow points from the left towards the "Social Q&A" section.

# CPE CREDIT

The screenshot displays a user interface for CPE credit. At the top, there are two green buttons: 'Check Out' with a checkmark icon and 'Codewords' with the text '0 submitted so far'. A red arrow points to the 'Codewords' button. Below these is a light blue notification box stating 'Session evaluation will automatically unlock Thursday, October 26th at 3:30 pm'. The next section is 'Polls', featuring a 'Create' button and a poll question 'What is your favorite season?' which is locked and has 0 responses. The final section is 'Social Q&A', with an 'Ask' button and a message indicating no questions are currently present.

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# EVALUATION



Session evaluation will automatically unlock  
Thursday, May 1st at 4:30 pm

**Polls** + Create

+ Create a Poll

**Social Q&A** + Ask

Sorted By **Upvotes** Showing **All** ⚙️

+ There are no questions right now. Why not ask one?

The image shows a user interface for session evaluation. At the top, a light blue notification box contains the text "Session evaluation will automatically unlock Thursday, May 1st at 4:30 pm". A red arrow points from the left towards this notification. Below the notification are three main sections: "Polls", "Social Q&A", and a message box. The "Polls" section has a dark blue header with a "+ Create" button and a light grey body with a "+ Create a Poll" button. The "Social Q&A" section has a light blue header with a "+ Ask" button, a sub-header with "Sorted By Upvotes", "Showing All", and a gear icon, and a light grey body with a "+ There are no questions right now. Why not ask one?" message.

# Board Member Perspectives

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Demetrios (Jim) Logothetis, Chairman

Kent Bonham, Office of Communications and Engagement

May 13, 2026

# PCAOB Inspections Update: Broker-Dealer Engagements

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Scott Martinek and Steve Attard  
Division of Registration and Inspections  
May 13, 2026

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# OBJECTIVES



Broker-Dealer Inspection Observations



PCAOB Publications for Auditors of Broker-Dealers



2025 and 2026 Inspections Update

# BROKER DEALER INSPECTION OBSERVATIONS

Area

```
graph LR; Area[Area] --- Revenue[Revenue]; Area --- RPT[Related Party Transactions]; Area --- GFS[General Financial Statement Procedures]; Area --- RC[Regulatory Compliance]; Area --- OAP[Other Audit Procedures];
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Revenue

Related Party Transactions

General Financial Statement  
Procedures

Regulatory Compliance

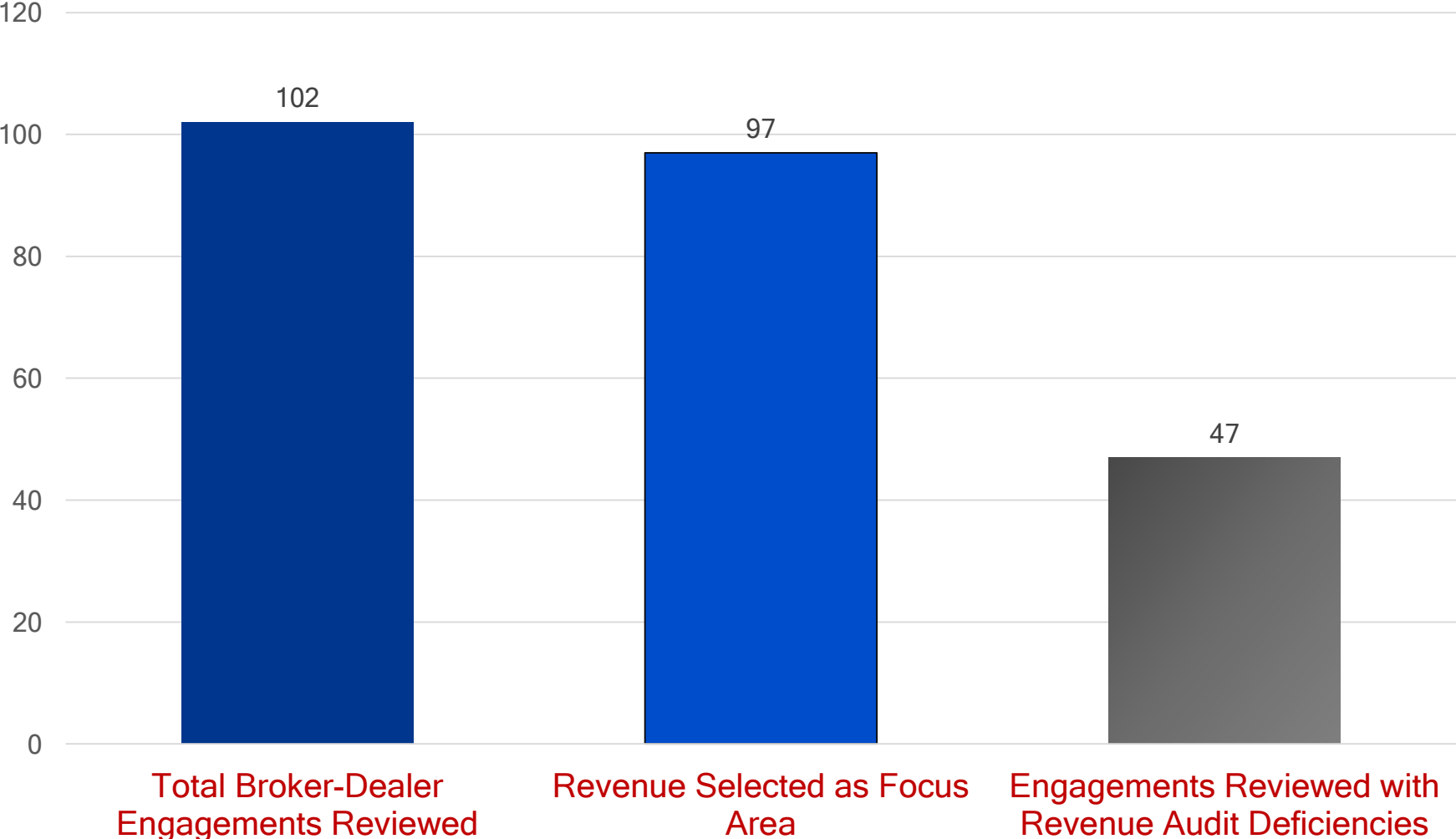
Other Audit Procedures

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# REVENUE

- 2024 Inspection Scope and Results
- Inspection Observations and Scenarios
  - Financial Statement Assertions
  - Reliability of Evidence
  - Revenue Recognition

# REVENUE – 2024 INSPECTION SCOPE AND RESULTS



# REVENUE – FINANCIAL STATEMENT ASSERTIONS

## AS 2301 - The Auditor's Responses to the Risks of Material Misstatement

- Design and perform audit procedures in a manner that addresses the assessed risks of material misstatement for each relevant assertion of each significant account and disclosure

## AS 1105 - Audit Evidence

- Existence or occurrence
- Completeness
- Valuation or allocation
- Rights and obligations
- Presentation and disclosure

# REVENUE – FINANCIAL STATEMENT ASSERTIONS

## Common Deficiencies When Responding to the Risks of Material Misstatement for Revenue

### Presentation and Disclosure

- Disaggregation of revenue sources
- Disclosure of performance obligations

### Valuation and Allocation

- Testing of accuracy of transaction data used to compute revenue e.g., rates, AUM, NAV

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# REVENUE – RELIABILITY OF EVIDENCE SCENARIO

## 12b-1 Fees

- An introducing broker offers mutual fund investments and uses a reputable clearing broker for trade processing. The clearing broker calculates and remits 12b-1 fees to the introducing broker based on the average net asset value (NAV) and the applicable fee rate and reports the 12b-1 fees to the introducing broker in monthly clearing statements.
- The engagement team determined that there was a fraud risk related to revenue recognition for 12b-1 fees and assessed the control risk for 12b-1 fees as high.
- For a sample of 12b-1 fees, the engagement team recalculated the monthly 12b-1 fees based on the daily average NAV and the fee rate obtained from the mutual fund's prospectus.

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# REVENUE – REVENUE RECOGNITION SCENARIO

## Cash and Non-Cash Consideration

- A broker-dealer was engaged on May 1 to perform underwriting services for a customer on a best-efforts basis.
- The broker-dealer accounted for the contract as a single performance obligation – to raise equity capital for the customer.
- The broker-dealer satisfied its performance obligation when the equity securities were sold to investors on July 1 (the trade date).
- As compensation for its services, the broker-dealer received both cash and non-cash consideration in the form of warrants to purchase shares of the customer.

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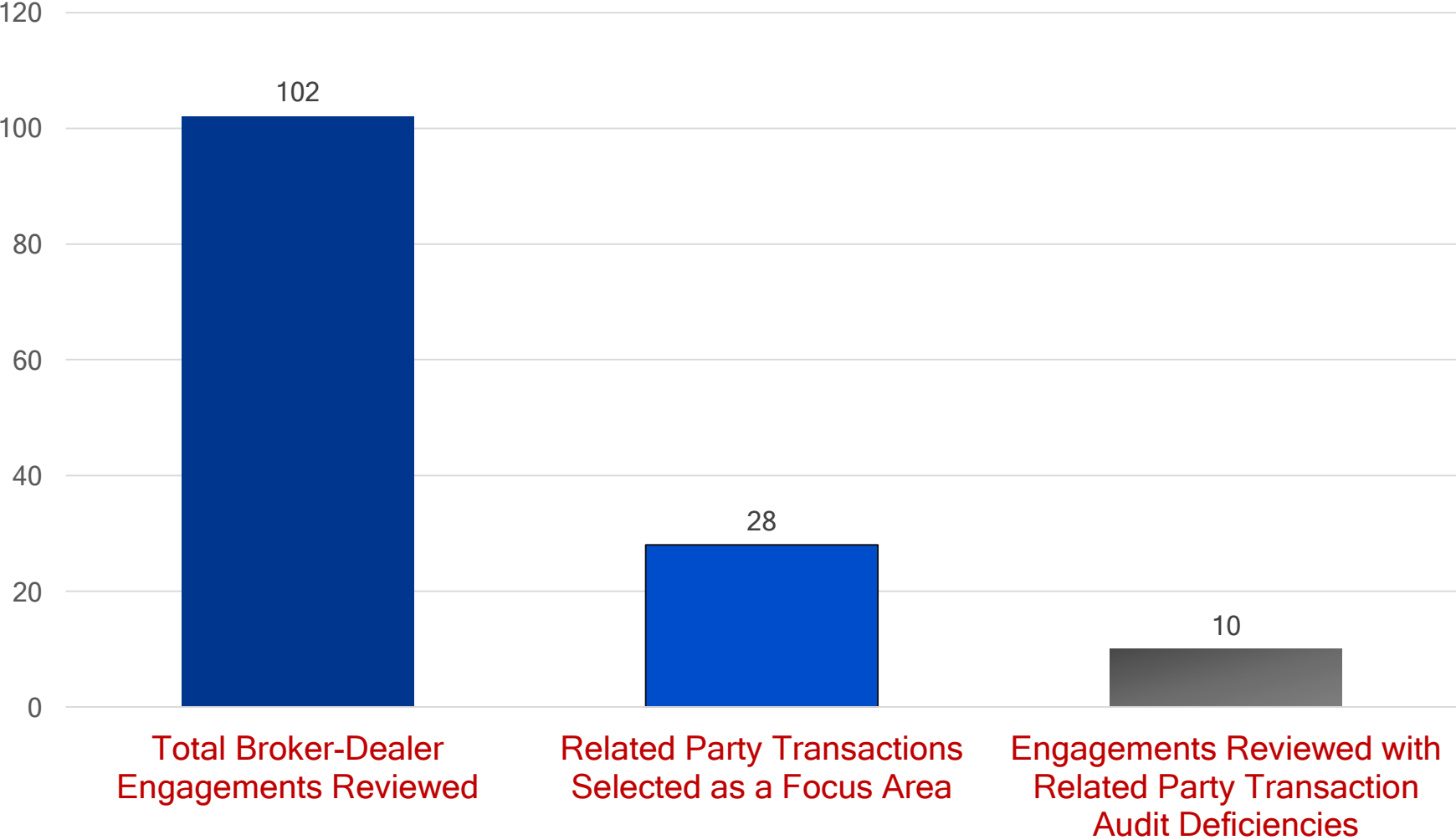
# REVENUE – PERFORMANCE OBLIGATIONS SCENARIO

## Merger and Acquisition Advisory Fees

- A broker-dealer's primary business is to provide merger and acquisition advisory services to institutions.
- The broker-dealer uses a standard customer contract which identifies services to be performed and payment terms. The broker-dealer generally provides one or more of the following services to a customer:
  - Developing strategies and assisting the customer in preparing financial forecasts and analysis (due diligence).
  - Providing research and analysis on potential targets.
  - Providing fairness opinions.
  - Providing strategy and negotiation assistance.
  - Assisting with communications regarding the transaction.

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# RELATED PARTY TRANSACTIONS – 2024 SCOPE AND RESULTS



# RELATED PARTY TRANSACTIONS

- Inspection Observations
  - Not testing the allocation of revenues and expenses
  - Not evaluating whether allocated revenues or expenses are consistent with agreements
  - Not evaluating financial capability
  - Not identifying omitted or inaccurate disclosures
  - Not communicating to the audit committee
- Good Practices
  - Practice aids
  - Checklists
  - Training

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# RELATED PARTY TRANSACTIONS SCENARIO

## Expense Sharing Agreements

- The broker-dealer is a member of FINRA and subject to an intercompany expense sharing agreement with its parent and other affiliates where certain expenses incurred by the parent are allocated to the broker-dealer and the other affiliates.
- Expenses subject to allocation are initially recorded in the general ledger of the parent. The parent allocates these expenses to the broker-dealer based on the methodology per the agreement.
- The engagement team determined that there was a risk of material misstatement related to allocated expenses.

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# RELATED PARTY TRANSACTIONS

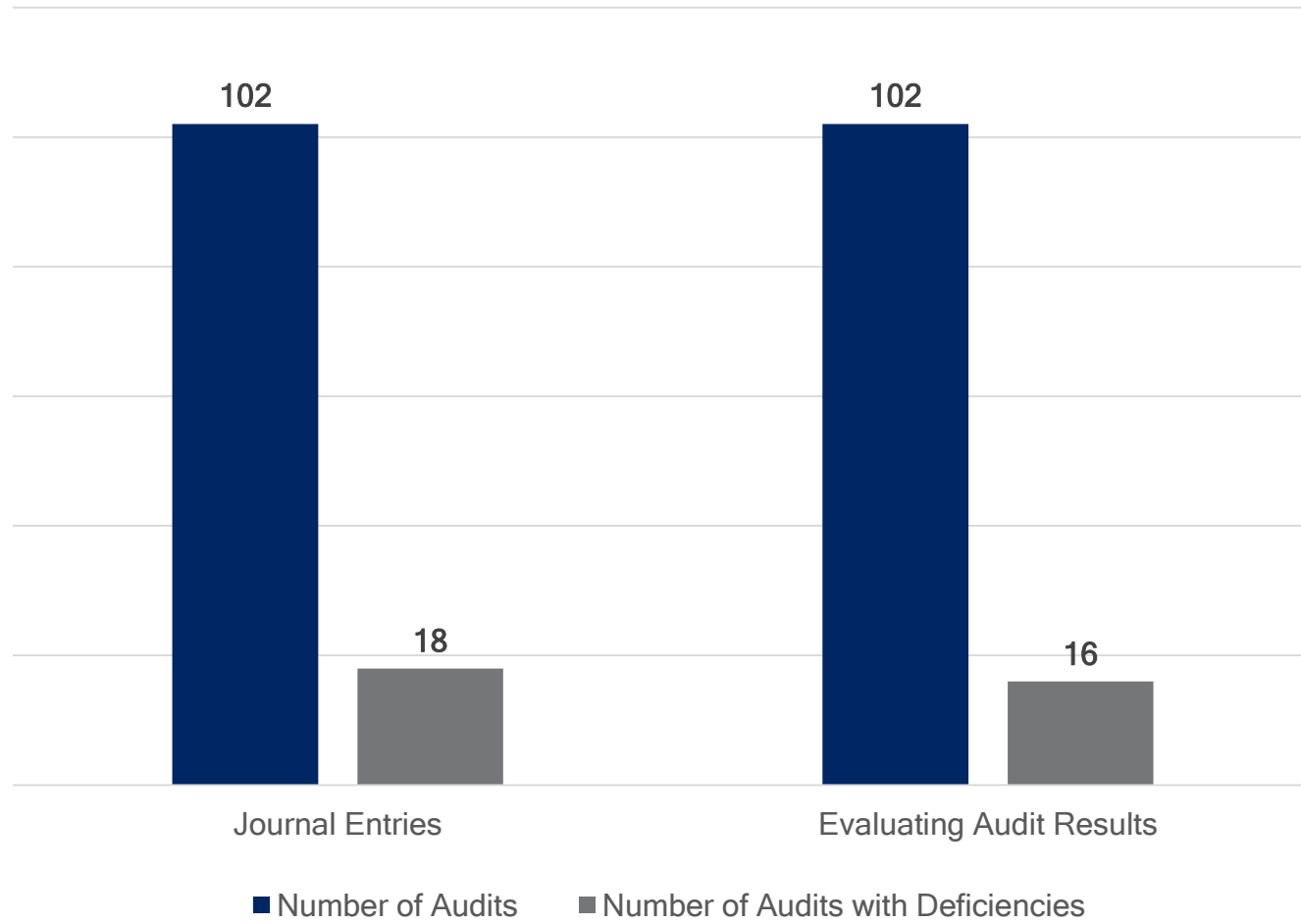


## Broker-Dealer Audit Focus

Related Party  
Transactions



# GENERAL F/S PROCEDURES – 2024 SCOPE AND RESULTS



# JOURNAL ENTRY TESTING

- Inspection Observations
  - Not obtaining an understanding of financial reporting processes and controls
  - Not identifying and selecting entries for testing
  - Not testing the completeness of the population
  - Not testing journal entries meeting fraud criteria
- Good Practices
  - Use of persons with specialized skill or knowledge in IT
  - Guidance with examples
  - Training
  - Journal entry practice aids
  - Structured templates

## Common AS 2810.30 and .31 deficiencies

- Not sufficiently evaluating whether financial statements were presented in conformity with GAAP due to apparent:
  - Accounting errors
  - Omitted or inaccurate disclosures

## Frequently cited GAAP requirements

- ASC Topic 606, *Revenue from Contracts with Customers*
- ASC Topic 230, *Statement of Cash Flows*

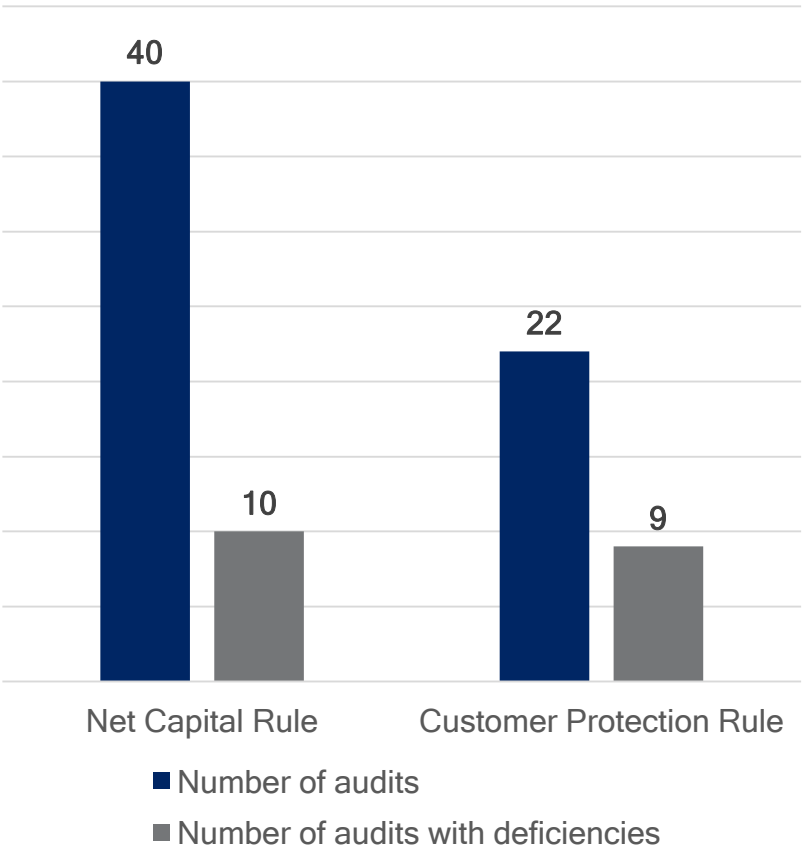
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# REGULATORY COMPLIANCE

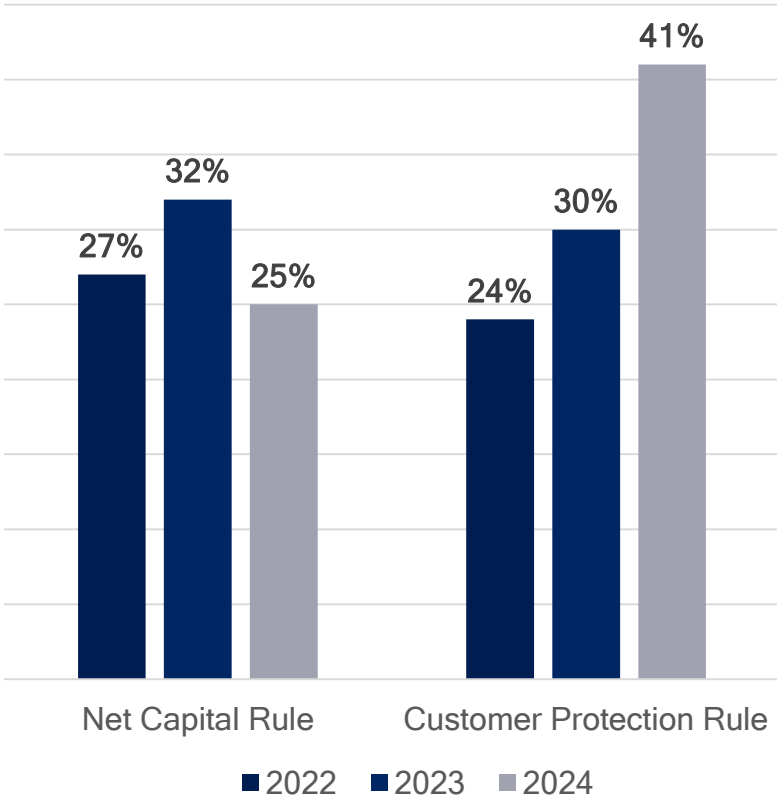
- Inspection Scope and Results
- Inspection Observations, Reminders, and Scenarios
  - Supplemental Information
  - AT No. 2 – Review Engagements
  - AT No. 1 – Examination Engagements

# REGULATORY – SCOPE AND RESULTS (2022 – 2024)

### Deficiencies by Supplemental Information Area - 2024



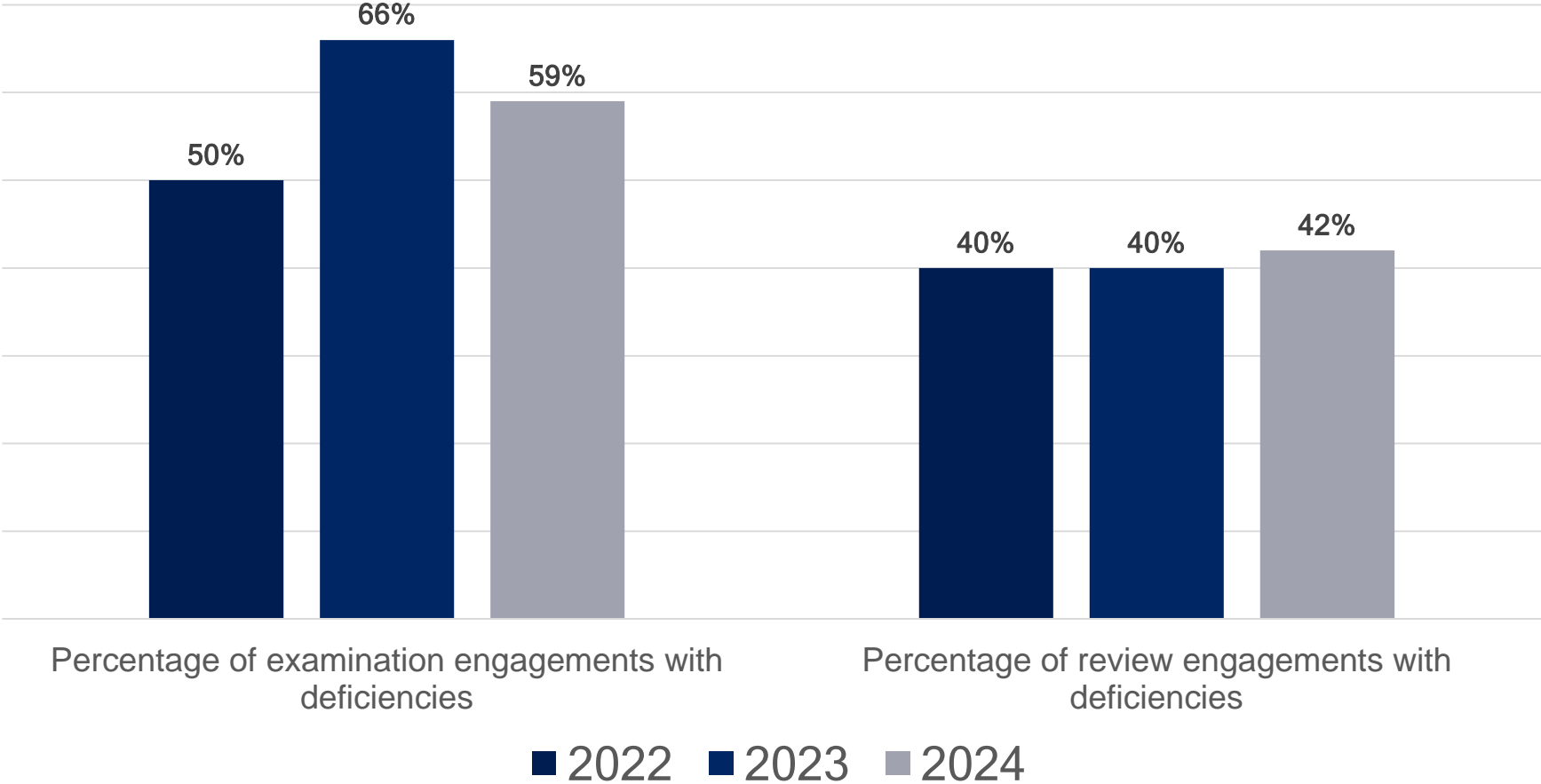
### Percentage of Deficiencies Identified by Supplemental Information Area (2022-2024)



# REGULATORY – RESULTS (2022 – 2024)

Examination Engagements with Deficiencies (2022 - 2024)

Review Engagements with Deficiencies (2022 - 2024)



# AT NO. 2 REVIEW ENGAGEMENTS

## Review Engagements

2024 Inspection Results

Number of engagements reviewed: 64

Number of engagements reviewed with deficiencies: 27

Percentage of engagements reviewed with deficiencies: 42%

# AT NO. 2 REVIEW ENGAGEMENTS REMINDERS

## Perform Inquiries

- Remain aware of the inquiries to be performed when performing review procedures to ensure compliance with the requirements of AT No. 2.
- Inquiries should include inquiries about controls in place to maintain compliance with the exemption procedures, including inquiries regarding the nature of controls, their frequency of operation, and the nature of related monitoring activities.

# AT NO. 2 REVIEW ENGAGEMENTS REMINDERS

## Evaluate Evidence

- AT No. 2.10 requires the auditor to evaluate whether evidence obtained and the results of the procedures performed in the audit of the financial statements and the audit procedures performed on supplemental information corroborates or contradicts the broker-dealer's assertions regarding compliance with the exemption provisions.
- Audit procedures performed in the audit of the financial statements may provide evidence relevant to the broker-dealer's compliance with exemption provisions including testing of customer trades, special designated cash accounts, investment inventory, and trading transactions for a broker-dealer's own account, and reading the clearing agreement for testing commission revenues or expense.

# AT NO. 2 REVIEW ENGAGEMENTS REMINDERS

## Reporting on the Review Engagement

- The review report must include the required elements identified in the standard (AT No. 2.16).
- Ensure that the review report accurately identifies the broker-dealer's assertions.

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# AT NO. 2 REVIEW ENGAGEMENTS

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## Broker-Dealer Audit Focus

Review Engagements  
Regarding Exemption  
Reports



# AT NO. 2 REVIEW ENGAGEMENT SCENARIO

## Review Procedures

- A broker-dealer claimed an exemption under (k)(2)(ii) and stated that it was compliant with the (k)(2)(ii) exemption throughout the year and as of the year ended December 31, 2025.
- During its revenue audit procedures, the auditor identified that the broker-dealer recognized revenue from the following sources:
  - Commissions on customer securities transactions introduced to a clearing broker on a fully disclosed basis;
  - Commissions from sales of variable annuity products to customers through an affiliation with an insurance company; and
  - Fees from the placement of customers in an unaffiliated private investment fund.

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# AT NO. 2 REVIEW ENGAGEMENT SCENARIO

## AT No. 2 Reporting

- The broker-dealer disclosed in its financial statements that it:
  - Cleared customer securities transactions through an unaffiliated clearing broker on a fully disclosed basis.
  - Maintained a special account for the exclusive benefit of customers in connection with customer securities businesses not cleared through the clearing broker.
  - Did not carry customer accounts or perform custodial functions related to customer securities.
- The broker-dealer's statements in its exemption report included:
  - It claimed an exemption from 17 C.F.R. 240.15c3-3(k)(2)(i) and (ii), the "Exemption Provisions", and
  - It met the identified Exemption Provisions throughout the year.

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# AT NO. 1 EXAMINATION ENGAGEMENTS

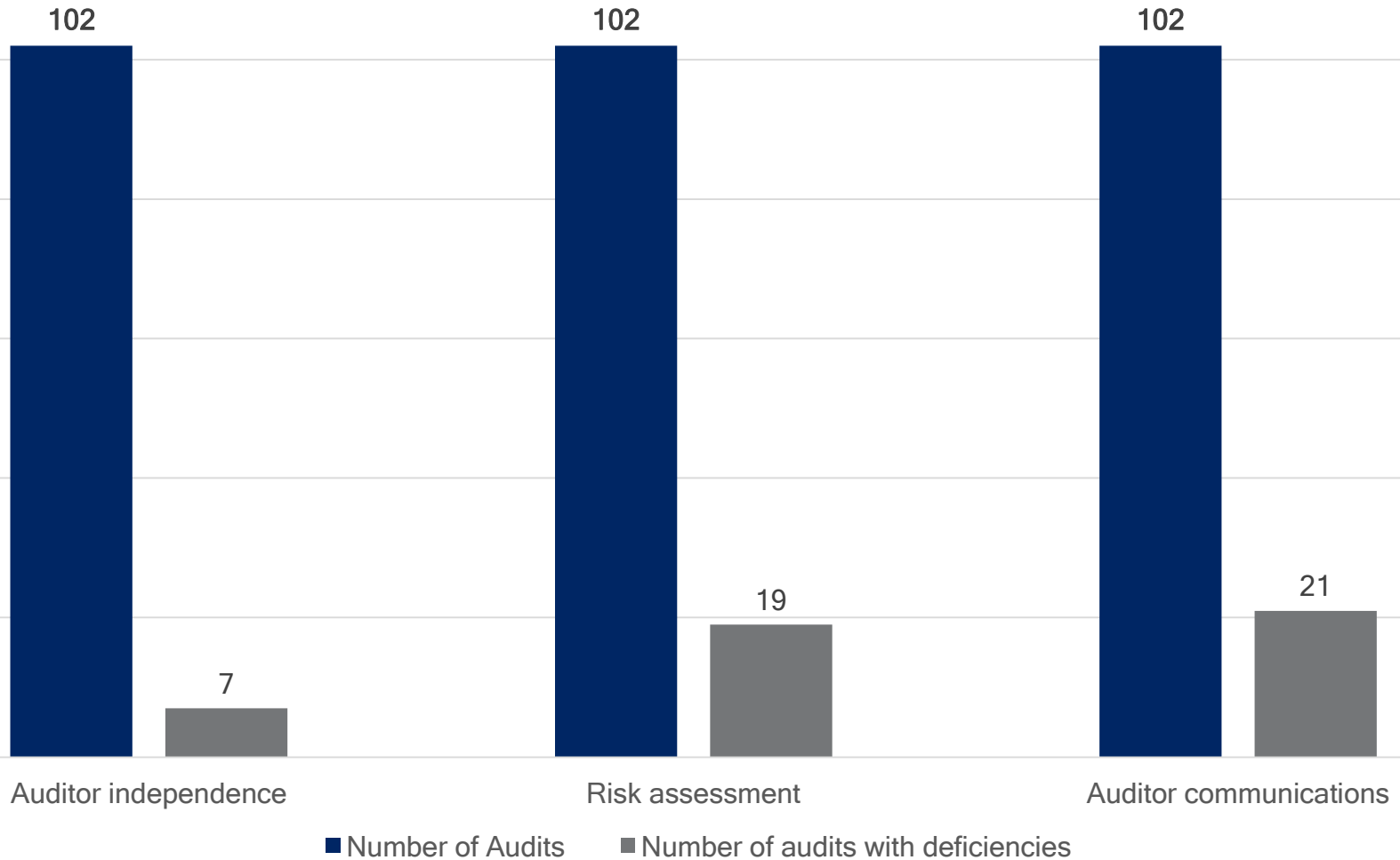
## 2024 Inspection Results

**Number of engagements reviewed: 29**

**Number of engagements reviewed with deficiencies: 17**

**Percentage of engagements reviewed with deficiencies: 59%**

# OTHER AUDIT PROCEDURES – 2024 SCOPE AND RESULTS



# PCAOB PUBLICATIONS FOR AUDITORS OF BROKER-DEALERS

## Broker-Dealer Audit Focus Series

- Related Party Transactions - February 2026
- Review Engagements Regarding Exemption Reports - September 2025

## Audit Focus Series

- Engagement Acceptance - July 2025
- Auditing Accounting Estimates - May 2025
- Journal Entries - January 2025
- Audit Committee Communications - December 2024

## Broker-Dealer Annual Reporting

- Annual Report on the Interim Inspection Program Related to Audits of Brokers and Dealers - June 2025
- Supplementary Information Related Audits of Brokers and Dealers - June 2025

## Other Broker-Dealer Publications

- Spotlight: Insights Into the PCAOB's Interim Inspection Program Related to Audits of Broker-Dealers - January 2024
- Staff Guidance for Auditors of SEC-Registered Brokers and Dealers - June 2014

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# INSPECTIONS UPDATE

	<b>2025 Inspections</b>	<b>2026 Inspections</b>
Selections – Status	Complete	Complete
Selections – Extent	Comparable to 2024	Small reduction compared to 2025
Fieldwork – Status	Complete	In-process
Fieldwork – Location	More frequently in person compared to 2024	Primarily in-person
Reporting – Status	No later than mid-June 2026	TBD

# QUESTIONS



**BREAK**



# PCAOB Inspections Overview and Illustrative Examples: Issuers

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Duane Abel, Glenn Temprow, and Shirley Wee  
Division of Registration and Inspections  
May 13, 2026

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# OBJECTIVES

At the end of this session participants will be able to:

- Understand our observations on audit quality
- Understand common deficiencies
- Discuss our inspection focus on fundamentals for 2026
- Discuss ways we are improving audit quality
- Understand the remediation process
- Understand audit requirements, deficiency examples, and good practices/key takeaways for:
  - Revenue
  - Cash Flow Projections

# OBSERVATIONS ON AUDIT QUALITY

- We observed a noticeable improvement in deficiency rates, in the aggregate, across a majority of inspected firms.
- Specific actions by firms:
  - Well-performed risk assessment
  - Involvement of specialist
  - Performing consultations
  - Evaluating partner capacity
  - Increased in-person work
  - More focused approaches to training
  - Introduced technology and other innovations

# COMMON AREAS OF AUDIT FINDINGS

- Revenue and Related Accounts
- Inventory
- Business Combinations
- Investment Securities
- Long-lived Assets, Goodwill, and Intangible Assets
- Allowance for Credit Losses

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# FOCUS ON FUNDAMENTALS FOR 2026

- Understanding of the company's business
- Planning and risk assessment
- Professional skepticism
- Fraud procedures

*High-quality audits depend on people applying the basics consistently and thoughtfully. Technology can help, capital can help, but neither can substitute for sound judgment and strong fundamentals.*

# SMALLER FIRM FOCUS

- Web page serving as a central hub for smaller firms
- Created a staff publication series called “Audit Focus” designed for smaller firms
- Web page filled with videos and other resources tailored to non-U.S. firms
- Small Business and Broker-Dealer Forums
- Created a Small Firm Resource Group
- Remediation Awareness/Tools

# FIRM INSPECTION DATA

## U.S. Global Network Firms Inspection Data

2024 RESULTS   PART I.A   AUDITS SELECTED   AUDIT AREAS AND STANDARDS   ISSUER CHARACTERISTICS   TENURE   PART I.B

These graphs reflect data included in the public portion of the inspection reports of six registered U.S. firms: Deloitte & Touche LLP (DT); Ernst & Young LLP (EY); KPMG LLP (KPMG); PricewaterhouseCoopers LLP (PwC); BDO USA, P.C. (BDO); and Grant Thornton LLP (GT).

The inspection data below is readily ascertainable from the public portion of the inspection report, but the data should be understood in light of contextualizing information provided with each report, including (1) it relates only to the audits selected for review, which does not constitute a representative sample of the firm's total population of issuer audits, and only to the particular portions of the issuer audits reviewed; (2) for various reasons, inspection results are not necessarily comparable over time or among firms; (3) inspection results are not an assessment of all of the firm's audit work nor of all of the audit procedures performed for the audits reviewed; and (4) inspection reports are not intended to serve as overall rating tools.

### 2024 Inspection Results

Firm Name

DT

EY

## Non-Affiliated Firms Inspection Data

These graphs reflect data included in the public portion of the inspection reports of the eight registered non-affiliated U.S. firms that were annually inspected: Marcum LLP (Marcum); RSM US LLP (RSM); Crowe LLP (Crowe); WithumSmith+Brown, PC (Withum); Forvis Mazars, LLP (Forvis Mazars); Moss Adams LLP (Moss Adams); Baker Tilly US, LLP (Baker Tilly); and Cohen & Company, Ltd. (Cohen).

Note: One of these eight firms (Forvis Mazars) was not inspected in 2022 and three of these eight firms (Withum, Forvis Mazars, and Baker Tilly) were not inspected in 2020. As such, these firms are not included in the results presented in the graphs below for these respective years.

The inspection data below is readily ascertainable from the public portion of the inspection report, but the data should be understood in light of contextualizing information provided with each report, including (1) it relates only to the audits selected for review, which does not constitute a representative sample of the firm's total population of issuer audits, and only to the particular portions of the issuer audits reviewed; (2) for various reasons, inspection results are not necessarily comparable over time or among firms; (3) inspection results are not an assessment of all of the firm's audit work nor of all of the audit procedures performed for the audits reviewed; and (4) inspection reports are not intended to serve as overall rating tools.

### 2024 Inspection Results

Firm Name

Marcum LLP

RSM US LLP

Crowe LLP

WithumSmith +Brown, PC

Forvis Mazars, LLP

Moss Adams LLP

Baker Tilly US, LLP

Cohen & Company, Ltd.

Let us know your thoughts on the website enhancements for firm inspection reports

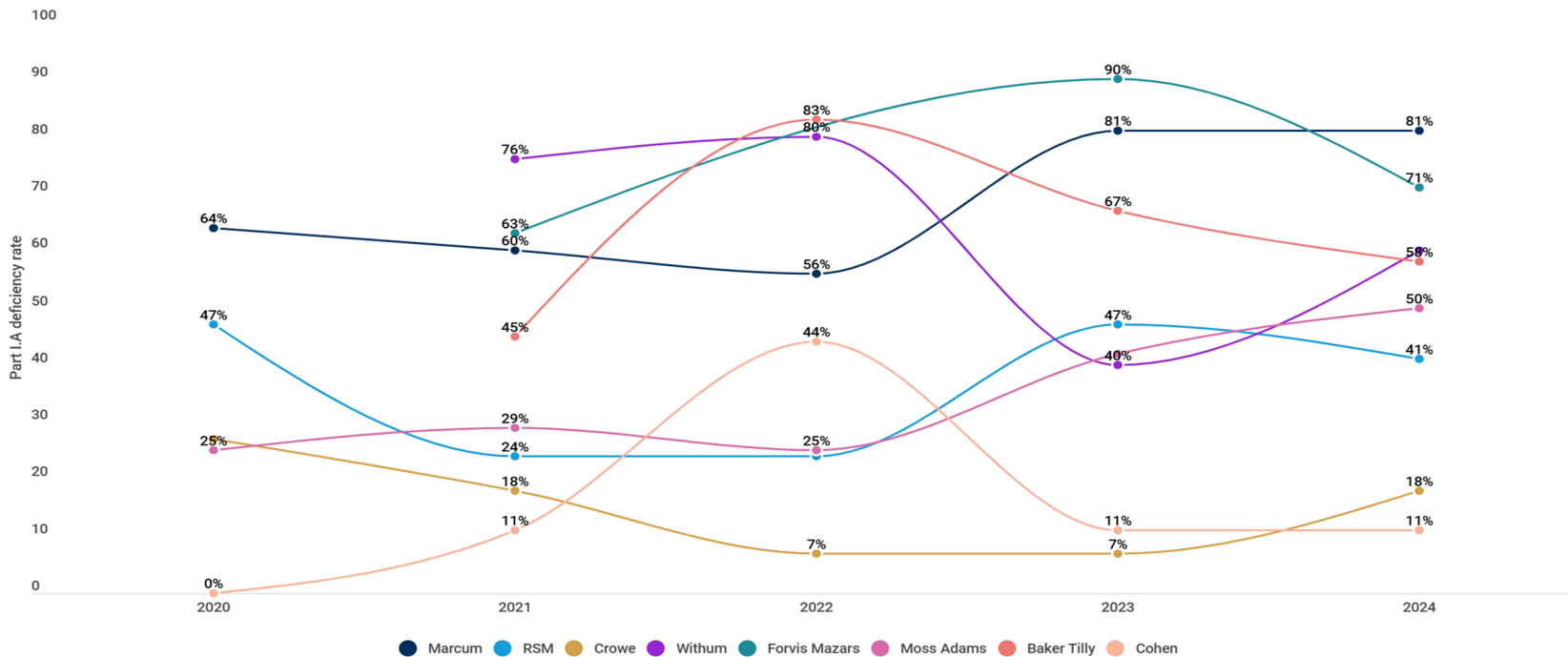
# PART I.A DEFICIENCIES

USERS CAN NOW VISUALIZE TRENDS IN RATES OF DEFICIENCIES DISCUSSED IN PART I.A OF PCAOB INSPECTION REPORTS.

## Part I.A Deficiencies

An audit deficiency is cited and described in Part I.A of an inspection report if it is 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 internal control over financial reporting (ICFR).

## Part I.A Deficiency Rate by Firm



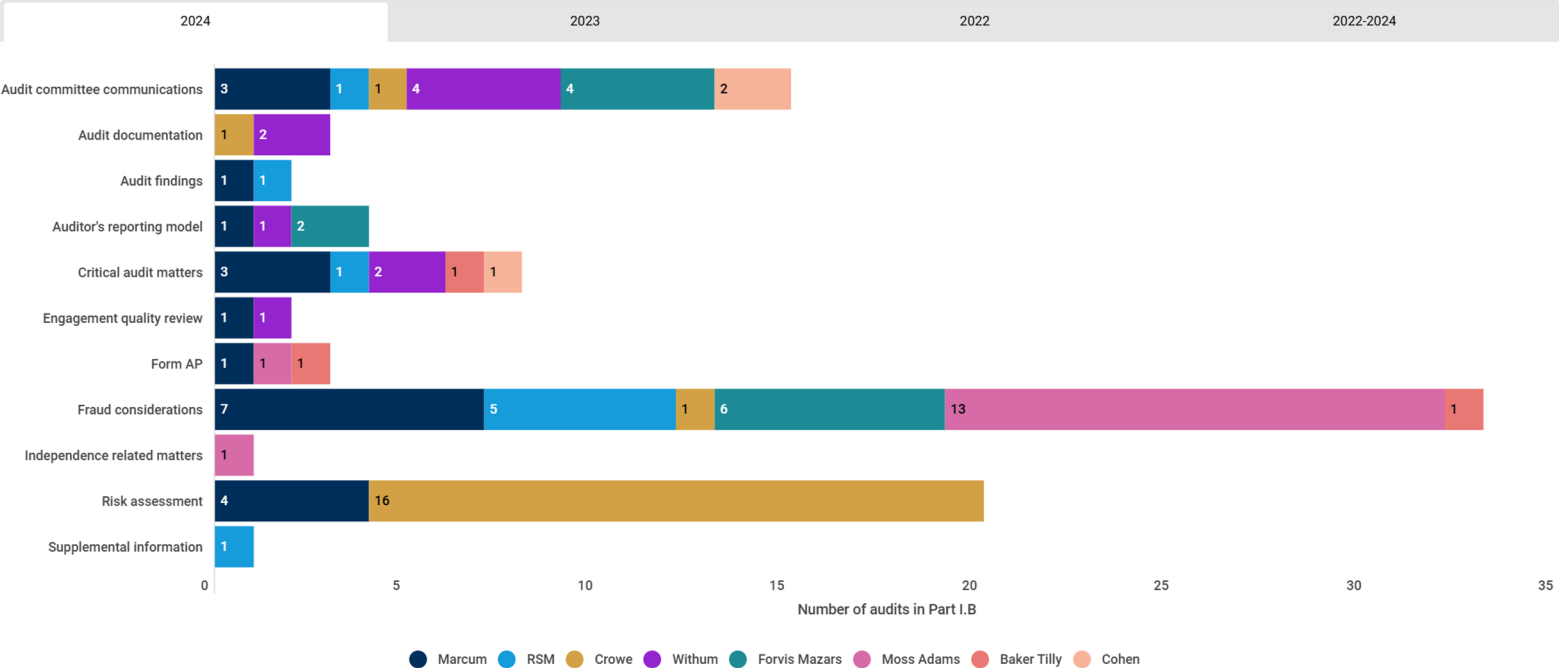
Percentage of issuer audits reviewed that have at least one deficiency in Part I.A of the inspection report.

# PART I.B DEFICIENCIES

USERS CAN NOW VISUALIZE DEFICIENCIES DISCUSSED IN PART I.B OF PCAOB INSPECTION REPORTS.

## Part I.B Deficiencies

### Part I.B Deficiencies by Type



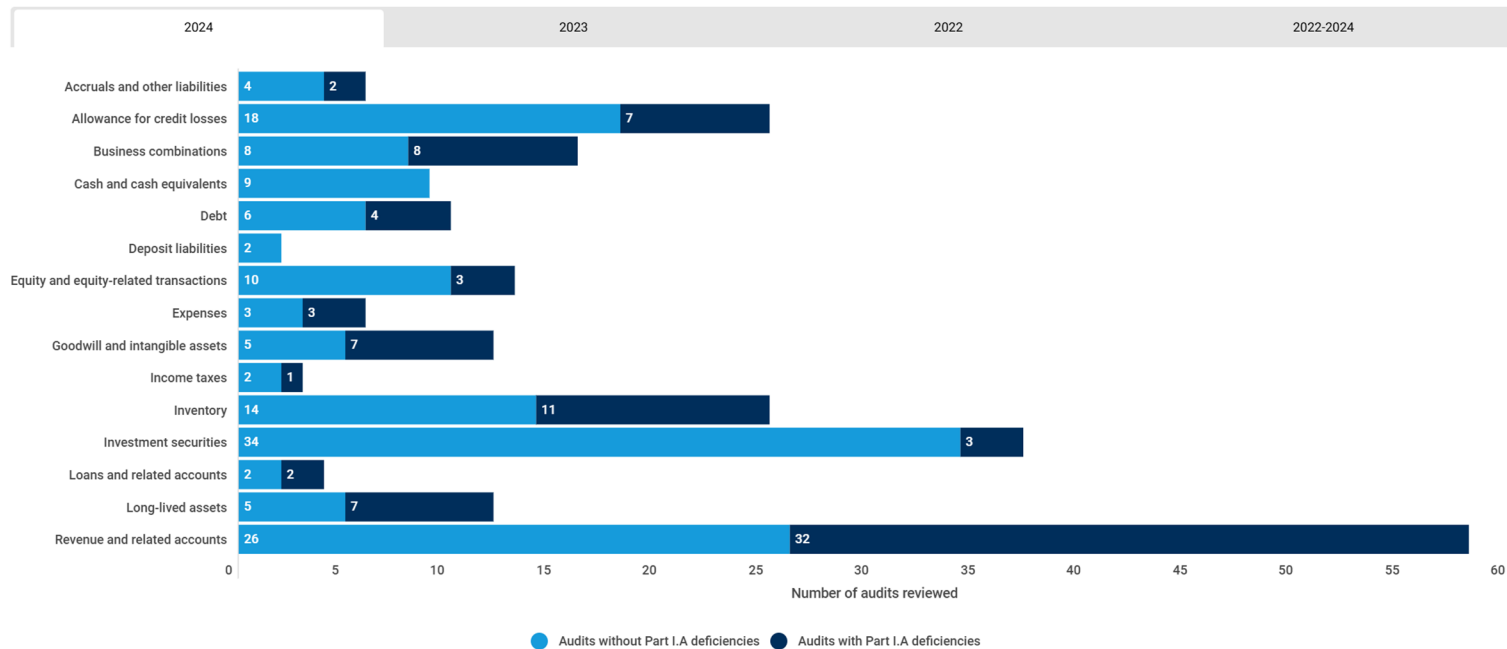
This graph depicts the number of issuer audits identified for each firm by Part I.B deficiency type. Part I. B deficiencies are certain deficiencies that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to support its opinions.

# DEFICIENCIES BY AUDIT AREAS AND AUDITING STANDARDS

USERS CAN NOW VISUALIZE PART I.A DEFICIENCIES BY PCAOB AUDIT AREA AND AUDITING STANDARD.

## Deficiencies by Audit Areas and Auditing Standards

### Audit Areas Most Frequently Reviewed



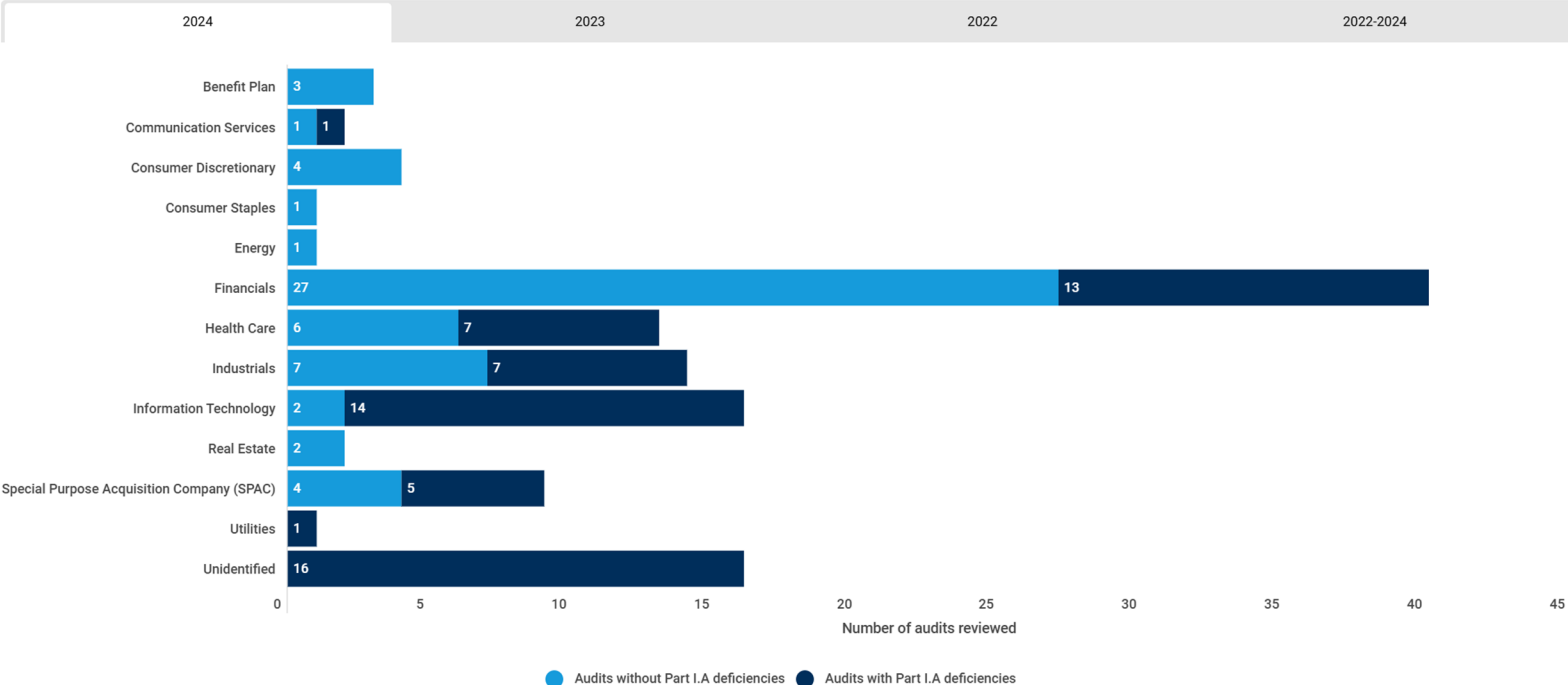
These are the audit areas we have selected most frequently for review across all firms and the number of issuer audits by focus area with and without Part I.A deficiencies. For the issuer audits selected for review, we selected these areas because they were generally significant to the issuer's financial statements, may have included complex issues for auditors, and/or involved complex judgments in (1) estimating and auditing the reported value of related accounts and disclosures and (2) implementing and auditing the related controls.

# DEFICIENCIES BY CERTAIN ISSUER CHARACTERISTICS

USERS CAN NOW VISUALIZE PART I.A DEFICIENCIES BY AN ISSUER’S INDUSTRY OR REVENUE.

## Deficiencies by Issuer Characteristics

### Inspection Results by Issuer Industry Sector



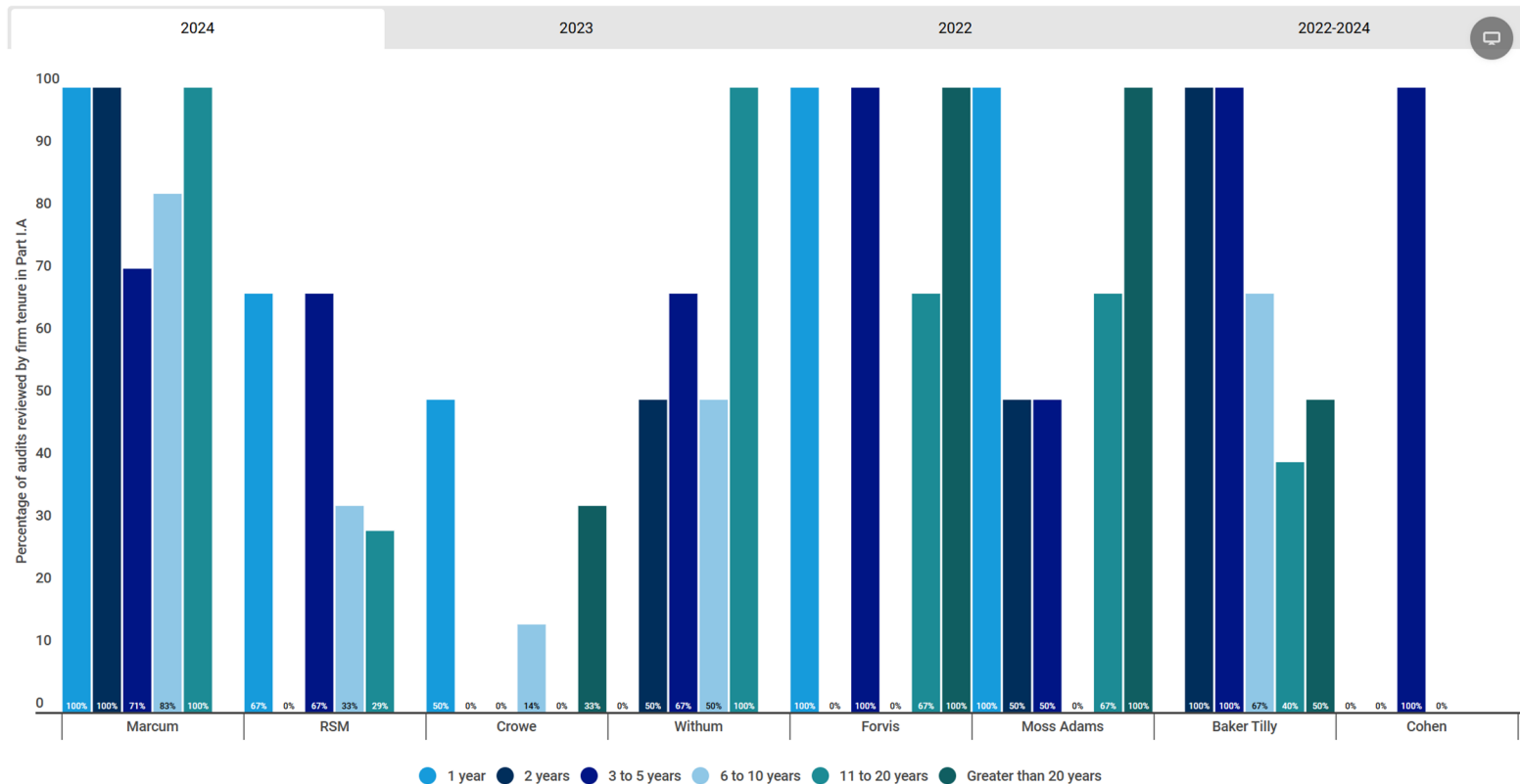
This graph depicts the number of issuer audits reviewed, by each industry with and without Part I.A deficiencies for all firms. We select issuer audits for review in sectors and specific industries experiencing particularly significant disruptions or financial reporting risks.

# DEFICIENCIES BY FIRM AND PARTNER TENURE

USERS CAN NOW VISUALIZE THE PERCENTAGE OF PART I.A DEFICIENCIES BY HOW LONG A FIRM HAS BEEN PERFORMING AN AUDIT OF AN ISSUER.

## Deficiencies by Tenure

### Part I.A Deficiencies by the Firm's Tenure on the Issuer



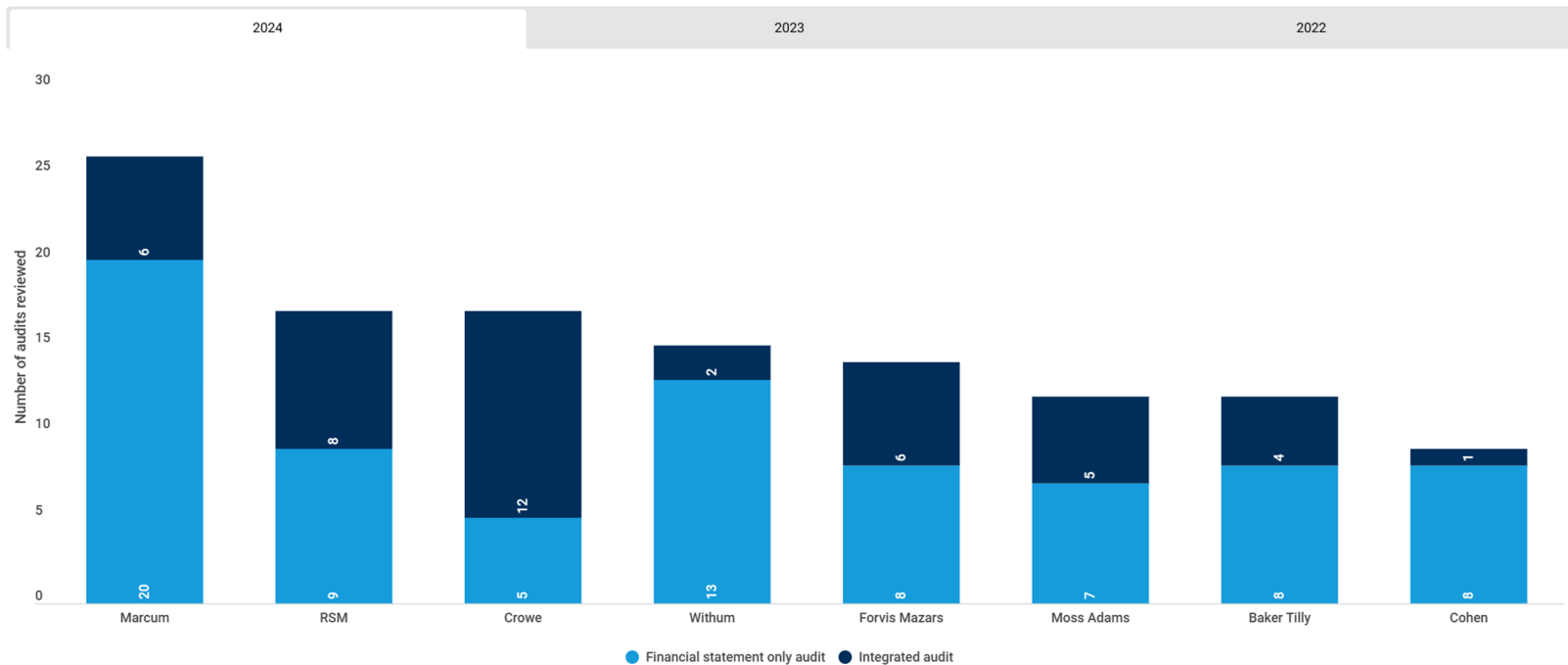
The percentage in this graph represents the number of issuer audits reviewed for that tenure range with at least one Part I.A deficiency divided by total issuer audits reviewed for that tenure range. This information is for all firms.

# AUDITS SELECTED FOR REVIEW

USERS CAN NOW VISUALIZE THE TOTAL NUMBER OF AUDITS THAT PCAOB REVIEWED AT EACH FIRM OVER THE YEARS.

## Audits Selected for Review

### Audits Selected for Review by Audit Type



We select both integrated audits of financial statements and ICFR and audits of financial statement only.

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# STAFF GUIDANCE CONCERNING THE REMEDIATION PROCESS

## Five Criteria Used to Assess a Firm's Remedial Actions

1. Change
2. Relevance
3. Design
4. Implementation
5. Execution and Effectiveness

# APPLYING THE REMEDIATION GUIDANCE: REVENUE EXAMPLE

- **Example quality control criticism**

The inspection results indicate that the firm's system of quality control does not provide reasonable assurance that the work performed by the firm's personnel with respect to its substantive testing of revenue will meet the requirements of AS 1105, and AS 2301. (QC 20.03 and .17)

- **Initial items to consider**

- Scope of the quality control criticism
- Root causes of the quality control criticism and underlying deficiencies
- Whether the quality control criticism is repeat or persistent

- **Example Root Cause**

- Training gap
- Unclear guidance and procedures in audit program

- **Example Remedial Actions**

- Issued a new template for substantively testing revenue
- Mandatory training for all professionals who work on issuer audit engagements
- Monitored use of template during a pre-issuance review

# TRAINING PROGRAMS AND AUDIT TOOLS CONSIDERATIONS

- **Training Programs – Items to consider**
  - Content and delivery method
  - Background and qualifications of course instructors
  - Target audience
  - Extent to which training is mandatory and the related participation, including firm processes for monitoring participation
  - Post-training steps and other considerations
- **Audit Tools – Items to consider**
  - Mandatory or optional use
  - Review requirements
  - Timing for completion of audit tool
  - Responsiveness to the scope of the criticism or underlying deficiencies
  - Expectations regarding use of the audit tool communicated
  - Completed tool required to be retained in the audit workpapers
  - Tool addresses execution of audit procedures
  - Use of tool reinforced through training programs

# KEY REMINDERS – REMEDIATION

- Taking advantage of the full remediation period.
- Planning ahead in order to get the benefit of inspections staff feedback.
- Implementing actions early enough to be able to monitor their operation and include evidence that they are effective in the submission.
- Consider whether certain quality control criticisms persist due to the influence of non-technical factors, such as a firm's culture.

# REMEDIATION RESOURCES

- **Staff Guidance Concerning the Remediation Process**
- **Supplemental Staff Guidance Concerning the Remediation Process**
- **Spotlight: Additional Insights on the Remediation Process**
- **Remediation Response Template**
  - Purpose: To provide firms with a standard format to describe how each action taken by the firm to address the quality control criticisms (QCC), meets each of these five criteria included in the Staff Guidance.
  - Includes an excel template for listing each action and mapping each action taken to address the QCC and firm identified root causes
  - Includes a word template in tabular format where the firm can not only list each action, but also describe in detail how each action met the five criteria
  - Template is available, but firms not required to use

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# SELECTED AREAS FOR ILLUSTRATIVE EXAMPLES

## Areas selected for illustrative examples:

- Revenue and Related Accounts
- Cash Flow Projections – used in:
  - Valuation of goodwill & intangibles
  - Business acquisition including the valuation of acquired assets

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# AS 2301, THE AUDITOR'S RESPONSES TO THE RISKS OF MATERIAL MISSTATEMENT

While there's no specific PCAOB auditing standard for revenue, AS 2301, *The Auditor's Responses to the Risks of Material Misstatement*, is applicable as the auditor should:

- Design and perform audit procedures in a manner that addresses the assessed risks of material misstatement for each relevant assertion of each significant account and disclosure.
- For significant risks, the auditor should perform substantive procedures, including tests of details, that are specifically responsive to the assessed risks.
- AS 2110 discusses identification of significant risks and states that fraud risks are significant risks.

# AS 1105, AUDIT EVIDENCE

AS 1105, *Audit Evidence* is also applicable for testing Revenue and Related Accounts in that the auditor must plan and perform audit procedures to obtain **sufficient appropriate** audit evidence to provide reasonable basis for the opinion.

- **Sufficiency** is the measure of the quantity of audit evidence; and
- **Appropriateness** is the measure of the quality of the audit evidence, i.e., its **relevance and reliability**.
  - *Relevance of audit evidence refers to its relationship to the assertion or to the objective of the control being tested; and*
  - *Reliability of audit evidence depends on the nature and source of it and the circumstances under which it is obtained.*

# AS 1105, AUDIT EVIDENCE (CONT'D)

Under AS 1105, when using information produced by the company (IPC) as audit evidence, the auditor should evaluate whether the information is **sufficient** and **appropriate** for purposes of the audit by performing procedures to:

- Test the accuracy and completeness of the information, or test the controls over the accuracy and completeness of that information; and
- Evaluate whether the information is sufficiently precise and detailed for purposes of the audit.

PCAOB Spotlight (April 2024), "***Inspection Observations Related to Auditor Use of Data and Reports***", gives auditors insights into how the testing of IPC and information from external sources is performed.

# AS 2810, *EVALUATING AUDIT RESULTS*

Under AS 2810, Evaluating Audit Results, in evaluating the presentation of the financial statements, including the disclosures, the auditor:

- Must evaluate whether the financial statements are presented fairly, in all material respects, ***in conformity with the applicable financial reporting framework***;
- Should evaluate whether the financial statements contain the information **essential** for a fair presentation of the financial statements ***in conformity with the applicable financial reporting framework***.

# AS 2810, EVALUATING AUDIT RESULTS (CONT'D)

- Should evaluate whether:
  - The financial statements are informative of matters that may affect their use, understanding, and interpretation; and the information in the financial statements ***is presented and classified appropriately and in a manner that is not misleading;***
  - The accounting principles selected and applied by the company's management ***are appropriate in the circumstances;*** and
  - Company transactions and relevant events and conditions are ***appropriately recognized, measured, and disclosed in the financial statements.***

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# ILLUSTRATIVE EXAMPLE - BACKGROUND

- The issuer is a seller of water products with distributors, retail, and grocery stores as customers.
- Net sales is recorded net of sales discounts, allowances, and returns.
- The issuer discloses in its Form 10K disclosure on significant accounting policies that –

*“The Company recognizes as revenue, the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. The Company recognizes revenue upon completion of our performance obligations or expiration of the contractual time to use services such as professional service hours purchased in bulk for a given time period [“Services”].”*

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# ILLUSTRATIVE EXAMPLE (CONT'D)

## ***Substantive tests of revenue:***

- The auditor tested the occurrence, completeness, and disclosure assertions of net sales as follows:
  - Obtained an Invoice Listing from the issuer, which was filtered from a report downloaded from the general ledger;
  - Traced 100% of invoices generated in the Invoice Listing to subsequent payments; and
  - Tested cut-off by selecting invoices from the Invoice Listing prior to and after year-end and tracing the invoices to packing slips, purchase orders, or remittance advices

## ***Auditor's procedure to address disclosures:***

- The auditor prepared a revenue disclosure checklist.

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# GOOD PRACTICES

- Understand, among other things, the company's key products and services, and business processes that affect revenue.
- Disaggregated risk assessment at the revenue stream level, assertion level, or account level. For example, assignment of likely sources of potential misstatements to elements of an estimate or calculation.
- Development of tailored risks by appropriately considering varying risks for different components, portfolios, locations, and revenue streams.
- Firm risk assessment templates that help engagement teams better capture and clearly document linkage between likely sources of potential misstatements and the controls to be tested, including for data and data in reports used as evidence (sometimes referred to as IPC).
- Firm templates for testing estimates, such as a template that maps individual assumptions/inputs and related risks to control and substantive testing approach.

# KEY STANDARDS OF CASH FLOW PROJECTIONS

- *AS 2501, Auditing Accounting Estimates, Including Fair Value Measurements, at a high level:*
  - Focuses auditors on estimates with greater risk of material misstatement through explicit integration of the requirements of the standard with the PCAOB's risk assessment standards.
  - Emphasizes the application of professional skepticism, including addressing potential management bias.
  - Includes three approaches to substantively testing estimates.

# KEY STANDARDS OF CASH FLOW PROJECTIONS (CONT'D)

- Other applicable standards include:
  - AS 1105, *Audit Evidence*
  - AS 1201, *Appendix C, Supervision of the Work of Auditor-Employed Specialists*
  - AS 1210, *Using the Work of an Auditor-Engaged Specialist*

# CASH FLOWS – SELECTING AN APPROACH FOR TESTING

- In performing substantive procedures, the auditor should test cash flow projections using one or a combination of the following three approaches:
  - Test the company's process used to develop cash flow projections;
  - Develop an independent expectation for comparison to the company's projections; or
  - Evaluate audit evidence from events or transactions occurring after the measurement date related to the accounting estimate for comparison to the company's estimate.

# CASH FLOWS – TESTING THE COMPANY’S PROCESS

## AS 2501 Requirements for Testing Company’s Process

- Evaluate whether the method used by the company to develop the cash flow projection is (1) in conformity with the requirements of the applicable financial reporting framework, and (2) appropriate for the nature of the related account or disclosure, taking into account the auditor’s understanding of the company and its environment. (AS 2501.10)
- Test the accuracy and completeness of data produced by the company (AS 2501.12; AS 1105.10)
- Evaluate the relevant and reliability of data from external sources (AS 2501.13; AS 1105.04 and .06)

# CASH FLOWS – TESTING THE COMPANY’S PROCESS (CONT’D)

## AS 2501 Requirements Related to Assumptions

- 1) Identify significant assumptions used by the company in the development of the cash flow projection (AS 2501.15) by taking into account:
  - *Nature of the estimate, including risk factors*
  - *Requirements of financial reporting framework*
  - *Auditor’s understanding of the company’s process for developing cash flow projections as an input to the estimate.*
  
- 2) Evaluate the reasonableness of the significant assumptions used in the cash flow projection (AS 2501.16 –.18):
  - *Does the company have a reasonable basis for the significant assumption based on available relevant information?*

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# CASH FLOWS – DEVELOPING INDEPENDENT EXPECTATION

- A reasonable basis for the auditor derived assumptions and method used in developing the cash flow projection (AS 2501.22)
- Evaluate the relevant and reliability of data or assumptions used in the cash flow projection obtained from a third party (AS 2501.23; AS 1105.04 and .06)
- Test the accuracy and completeness of data produced by the company (AS 2501.12 and .24; AS 1105.10)
- Evaluate the reasonableness of the significant assumptions used in the cash flow projection that were developed by the company (AS 2501.10, .16 - .18, and .24 )

# CASH FLOWS – SUBSEQUENT EVENTS AND TRANSACTIONS

- Evaluate whether the audit evidence is sufficient, reliable, and relevant to the accounting estimate and whether the evidence supports or contradicts the company's cash flow projection (AS 2501.28)
- Take into account changes in the company's circumstances and other relevant conditions between the event or transaction date and the measurement date (AS 2501.29)

# VALUATION OF GOODWILL EXERCISE

The issuer used an external valuation specialist to perform its annual goodwill impairment analysis as of December 31, 202X including a five-year projection period. The specialist performed the analysis using the income approach. The discount rate developed by the specialist was based on the weighted average cost of capital (WACC) using an adjusted beta and no additional risk adjustment factor.

The auditor performed the following procedures to test the reasonableness of certain assumptions used by the specialist in the discounted cash flow analysis:

- **Revenue growth rate** – Traced the revenue for 202X to the financial statements. Compared the growth rate to the rate used in prior year projections and noted it was consistent.
- **Discount rate** – Performed procedures to evaluate the reasonableness of the discount rate, including evaluating the source used by the issuer's specialist for certain components used to calculate the WACC (long-term bond rate, equity market risk premium, adjusted beta, tax rate, and cost of debt) and determined the source to be relevant and reliable.

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# ACQUISITION EXERCISE - BACKGROUND

- The issuer entered into an equity acquisition agreement with shareholders of Company A to acquire a 100% equity interest in Company A. The issuer recorded intangible assets of \$4M related to a customer relationship, technology, and data.
- The fair value was determined using the following methods:
  - Customer relationship – multi-period excess earnings (income approach)
  - Technology – relief from royalty (income approach)
  - Data – market approach

# ACQUISITION EXERCISE - BACKGROUND (CONT'D)

**The engagement team performed the following substantive procedures to address the risks related to the valuation of the acquired intangible assets:**

- Obtained from the issuer the valuation report prepared by the issuer's specialist and the underlying excel spreadsheet ("spreadsheet") that included the forecasted operating cash flows, valuation models and assumptions used in the measurement of acquired intangible assets. The valuation report stated that the *"value analysis has been performed based on set of financial projections and historical financial data provided by Issuer management."*
- The issuer's specialist also made inquiries to management to obtain an understanding of the basis and assumptions of the projections; however, the specialist did not attempt to verify the assumptions adopted in the projections and did not perform any audit or due diligence procedures or otherwise to verify the truth, accuracy or reliability of the information provided.
- The issuer's specialist also stated the financial projections are a key driver for the valuation.

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# KEY TAKEAWAYS

- Identifying significant assumptions used in cash flow projections such that the audit effort is focused on those assumptions that are important to the recognition or measurement of the accounting estimate for which cash flow projections are an input.
- When testing the company's process, the auditor should address all applicable requirements in evaluating the reasonableness of assumptions affecting cash flow projections – included in AS 2501.16, .16a, and .17 (if applicable).
- When the auditor is developing an independent expectation and using independent assumptions and methods to test the company's estimate, the auditor must have a reasonable basis for the assumptions and methods used in its cash flow projections.

# QUESTIONS



# LUNCH

# U.S. Securities and Exchange Commission

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Jersey City, NJ  
May 13, 2026



# FINRA Perspectives

PCAOB Forum – Chicago, IL

Sarah Kenny, Director – Office of Financial and Operational Risk Policy

Mark Ramler, Director - Office of Financial and Operational Risk Policy

May 13, 2026

# AGENDA

- 01 | FINRA Forward
- 02 | Hot Topics
- 03 | Recently Issued Guidance
- 04 | Exemption Reports
- 05 | FINRA Training and Helpful Links



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## FINRA Forward

- Recent Initiatives relating to Financial and Operational Risk Policy
  - [Regulatory Notice 25-19: FINRA Amends Annual Reports Extension of Time Policy](#)
  - [Regulatory Notice 26-03: Reducing Burdens and Providing Guidance on the Use of Negative Consent for the Bulk Transfer or Assignment of Customers' Accounts](#)
  - SEC FAQ Project
  - FINOP Webinar Series
  - Other training resources

## Hot Topics

- [SEC Daily 15c3-3 Computation Rule](#): **Daily Computation of Customer and Broker-Dealer Reserve Requirements under the Broker-Dealer Customer Protection Rule**
  - FOCUS Changes (March and July)
- [SEC No Action Letter: Equity for Equity](#)
- [Frequently Asked Questions Relating to Crypto Asset Activities and Distributed Ledger Technology](#)
  - Updated to address haircuts on stablecoin
- Proprietary Cash at Money Service Programs

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## Hot Topics

- [Information Notice 11/14/2025](#): SEC Amendments Relating to Electronic Filing for Annual Reports and Changes to FOCUS Reports
- Electronic Signatures: Updates and Clarification
- Oath and Affirmation Notarization Requirement
- EDGAR submissions
  - PDF format (June 30, 2025)
  - Hard copy filings are no longer permitted or accepted
  - No change to the FINRA submission process
- Machine Readable Language Submission Requirement: June 30, 2027 or 2029

## Recently Issued Guidance

### [Regulatory Notice 25-12](#): FINRA Announces Update of the Interpretations of Financial and Operational Rules

- 15c3-1(c)(2)(vi)(I)/01 Non-Convertible Debt Securities, Certain Convertible Debt Securities and Preferred Stock with a Ready Market and More Than Minimal Amount of Credit Risk or for which No Assessment of Creditworthiness has been Made
- 15c3-1(c)(2)(vi)(J)/04 Non-Convertible Debt Securities, Certain Convertible Debt Securities and Preferred Stock with a Ready Market and More Than Minimal Amount of Credit Risk or for which No Assessment of Creditworthiness has been Made
- 15c3-1(c)(2)(vii)/041 Net Capital Treatment of Non-Transferable or Restricted from Sale Securities owed as Compensation to a Registered Person
- 15c3-1(c)(2)(viii)(C)/034 Open Contractual Commitment Charges in Competitive Sales

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# Regulatory Guidance on Exemption Reports

## Sources of Information about Exemption and Compliance Reporting:

- [SEC FAQs Concerning the July 30, 2013 Amendments to the Broker-Dealer Financial Reporting Rule](#)
- [SEC FAQs Concerning the Amendments to Certain Broker-Dealer Financial Responsibility Rules Reserve Formula Computation and Possession or Control: FAQ 18](#)
- [SEC FAQs about Exemption Reporting Under SEA Rule 15c3-3\(k\) for Purposes of FOCUS Reporting and Updating of Membership Agreements \(FAQs 1, 2, and 3\)](#)

# FINRA Training and Helpful Links

- [FINRA FAQs](#)
- [FINRA Key Topics](#)
  - [Annual Reports](#)
  - [Books and Records](#)
  - [Business Continuity Planning](#)
  - [Crypto Assets](#)
  - [Cybersecurity](#)
  - [FINRA Examination and Risk Monitoring Programs](#)
  - [FinTech](#)
  - [Funding and Liquidity](#)



# FINRA Training and Helpful Links

## [Rule/Interpretation Updates](#)

- [Interpretations to the SEC's Financial and Operational Rules](#)
- [Bringing the Interpretation Handbook Into the Digital Age](#)

## [External Resources](#)

- [Information Notice 11/10/2025 - Due Dates Notice](#)
- [FINOP Focus Webinar Series Recordings](#)
- [2026 FINRA Annual Regulatory Oversight Report](#)

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**Break**

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# Division of Enforcement and Investigations Update

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Kathleen McGovern, Chief Litigation & Intake Counsel  
Division of Enforcement and Investigations  
May 13, 2026

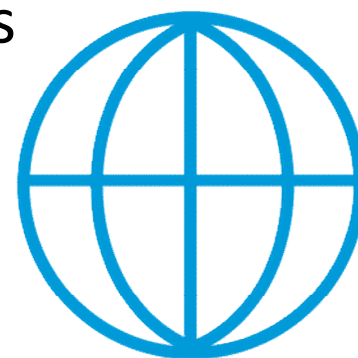
# DISCLAIMER

The views I express are my own and do not necessarily reflect the views of the Board as a whole, any individual Board members, or other staff

# DIVISION OF ENFORCEMENT'S VISION



**Our Vision:** Protect investors, advance accountability, and deter improper conduct through a global leading enforcement program that promptly investigates and prosecutes serious violations of PCAOB standards and rules, and related federal securities laws



# AGENDA

- Today I would like to discuss
  - PCAOB Enforcement's core activities
  - Range of potential sanctions and the effects of suspensions and bars and some consequences of allowing barred or suspended individuals to associate with registered firms
  - Coordination with the U.S. Securities and Exchange Commission and other regulators
  - Current program outlook and priorities
  - Recent noteworthy settlements

# INVESTIGATIVE PROCESS

- PCAOB Enforcement conducts fact finding investigations through
  - Obtaining and reviewing relevant documents and communications
    - Work papers, emails, instant messages, etc.
  - Requesting firms to identify all relevant associated persons and the custodian(s) of documents that are produced
  - Obtaining firm's internal accounting or auditing literature on relevant issues
  - Identifying key documents and potential exhibits
  - Taking investigative testimony (similar to depositions) of witnesses



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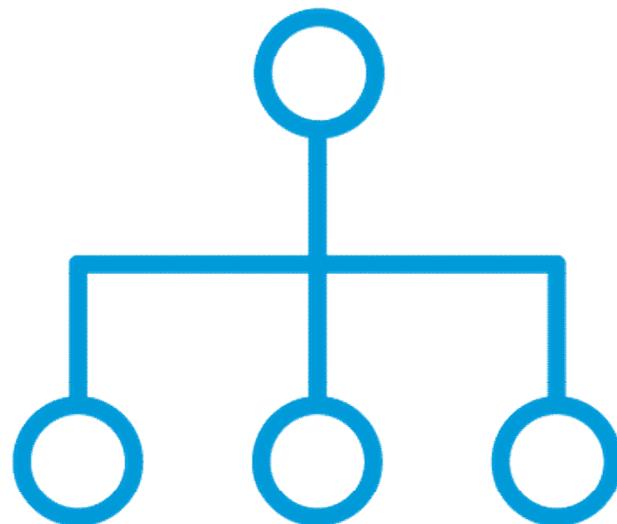
# INVESTIGATIVE PRIORITIES

- PCAOB Enforcement prioritizes:
  - Investigations involving significant audit violations presenting risks to investors
  - Significant auditor independence violations
  - Matters threatening or eroding the integrity of the Board's regulatory oversight process
  - Matters relating to deficiencies in firm quality control policies and procedures



# THE CHARGING PROCESS

- After preliminarily determining enforcement-worthy violations may have occurred
  - Outline violations and potential charges
  - Conduct charging call
  - Review Statements of Position received from Firm/Associated Persons
  - Make final charging decisions and prepare recommendation to the Board
- Potential outcomes
  - Matter closed without charges
  - Recommend that Board accept (or not accept) any settlement offer received
  - Recommend that Board institute litigated proceedings



# SETTLEMENTS

- At any point in time, a matter may be settled
- Typically, settlement discussions are not broached until the completion of the formal investigation
  - Enforcement staff or subjects under investigation may suggest early resolution
  - DEI does not have authority to settle but can negotiate settlement terms with parties who wish to settle
  - Enforcement then submits a recommendation to the Board as to whether to accept the settlement
  - If the Board accepts an offer of settlement, the order becomes public



# EXTRAORDINARY COOPERATION CREDIT

- Extraordinary cooperation is voluntary and timely action, beyond compliance with legal or regulatory obligations, that contributes to the mission of the Board
- Three types
  - self-reporting
  - remedial or corrective action
  - substantial assistance to the Board's investigative processes or to other law enforcement authorities



[PCAOB Release No. 2013-003](#)  
POLICY STATEMENT REGARDING  
CREDIT FOR EXTRAORDINARY  
COOPERATION IN CONNECTION WITH  
BOARD INVESTIGATIONS

# WHEN SETTLEMENT CANNOT BE REACHED

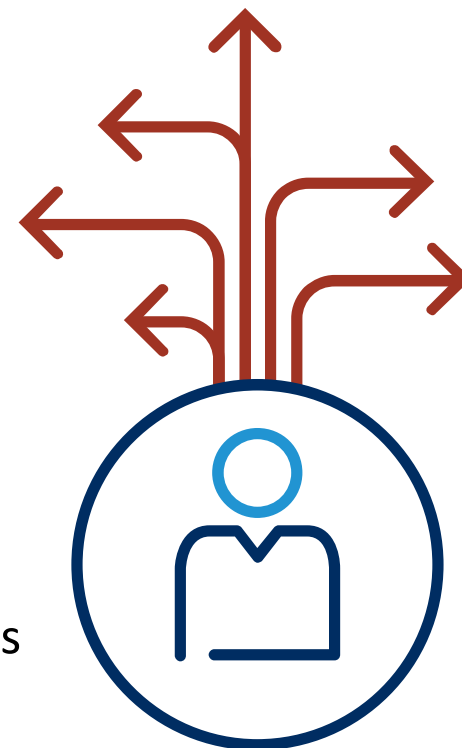
- If PCAOB Enforcement determines enforcement action is appropriate and there is no settlement, Enforcement presents a recommendation to the Board to institute litigated proceedings
  - If approved by the Board, a hearing (trial) is conducted by the PCAOB Hearing Officer or the Board
- Levels of Potential Appeal
  - PCAOB Board
  - SEC
  - Federal Court of Appeals
  - U.S. Supreme Court
- As required by law, hearings are non-public through appeal to the SEC, unless otherwise ordered by the Board for good cause shown, with consent of the parties



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# RANGE OF POSSIBLE SANCTIONS

- In a disciplinary proceeding, the Board may:
  - Impose a **civil monetary penalty**
  - **Temporarily** or **permanently revoke** a firm's registration
  - **Suspend, temporarily bar, or permanently bar** an individual from association with a registered public accounting firm
  - **Temporarily** or **permanently limit** the activities, functions, or operations of a firm or person
  - Require certain **undertakings**, such as additional professional education or training, changes to policies
  - Appoint an **independent monitor or consultant**
  - Impose a **censure**, and/or **any other sanction per Board rules**

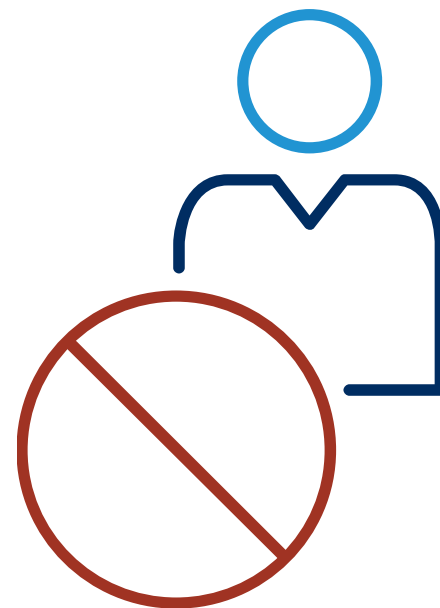


**Note:** Temporary revocations and bars come with rights to petition the PCAOB for reinstatement, after expiration of the specified period

# EFFECT OF SUSPENSIONS AND BARS

Without the consent of the Board or the Commission:

- It is unlawful for any person that is suspended or barred to become or remain associated with any registered firm or with any issuer, broker, or dealer in an accountancy or a financial management capacity
- It is unlawful for any registered firm, issuer, broker, or dealer that knew, or, in the exercise of reasonable care should have known, that a person is suspended or barred from association to permit such association



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# COORDINATION WITH OTHER REGULATORS

- Although PCAOB investigations and contested disciplinary proceedings are confidential, the PCAOB may share information with the SEC, DOJ, and other agencies enumerated in the Sarbanes-Oxley Act
- Coordination with SEC Enforcement is standard practice in all Enforcement matters
- Enforcement staff also coordinate with FINRA where appropriate
- Where authorized by a statement of protocol or other agreement, Enforcement staff coordinate with foreign counterparts in cases involving non-U.S. based audit firms



# COORDINATION WITH THE SEC

- Coordination involves sharing information and possibly documents with SEC Enforcement
- PCAOB may bring concurrent enforcement actions with the SEC, when appropriate
  - Parallel investigations – PCAOB investigates auditor conduct; SEC investigates the public company, its management and others



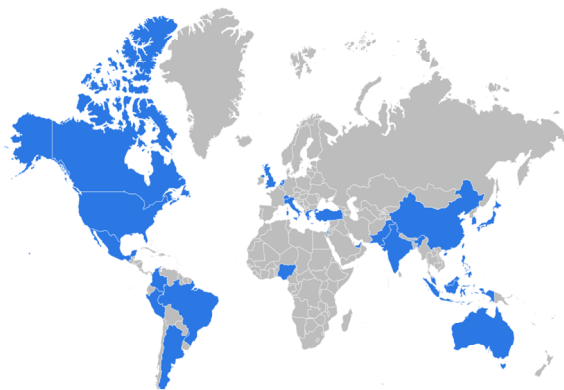
# 2025 ENFORCEMENT ACTIVITY

- 37 public enforcement orders in 2025
  - 86% involved violations involving one or more priority areas
    - 11 of the settled disciplinary orders in 2025 focused on significant audit failures
    - Four concerned interference with Board processes
    - 24 included quality control violations, among other charges
- \$17.7 million in civil money penalties in 2025
  - 99% related to disciplinary orders in one or more of Enforcement's priority areas



# GLOBAL REACH OF ENFORCEMENT PROGRAM

- Approximately 46% of the Board's disciplinary orders from 2020 through 2025 have concerned non-US firms or associated persons
- In last three years, the Board has brought enforcement actions against firms and individuals in 29 different countries representing six continents
- Since securing access to investigate in China in 2022, the Board has issued eight disciplinary orders against firms and individuals based in China and Hong Kong, including for significant audit violations, exam cheating, quality control violations, and noncooperation



# Recent Noteworthy Settled Matters



# IN THE MATTER OF TPS THAYER LLC

*(PCAOB RELEASE NO. 105-2025-037 – DECEMBER 4, 2025)*

- In connection with five audits of two issuers whose principal places of business were in China, the Firm failed to
  - Appropriately plan the audits and reasonably supervise a China-based, unregistered public accounting firm that assisted in a substantial role on the audits
  - Properly disclose that China-based firm's participation in Form AP filings and communicate use of that firm to the issuers' audit committees
- Sanctions included
  - \$100,000 civil money penalty
  - Requirement to undertake certain continue remedial actions

# IN THE MATTER OF MICHAEL COGLIANESE, CPA P.C.

*(PCAOB RELEASE NO. 105-2025-026 – JULY 8, 2025)*

- Firm failed to employ an appropriately qualified individual to perform EQRs on 17 Broker-Dealer audits and attestations
  - A Senior Manager—who was not a partner, or in an equivalent position—was assigned as the engagement quality reviewer
    - Senior manager:
      - Reported to engagement partner for the audits
      - Had compensation set by engagement partner
      - Had performance evaluated by engagement partner
- Firm’s QC system failed to provide reasonable assurance it would perform B-D audits and attestations in accordance with applicable professional standards and regulatory requirements
- Sanctions included \$50,000 civil money penalty and remedial undertakings to improve QC system

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# IN THE MATTER OF FRUCI & ASSOCIATES II, PLLC & RELATED ORDER

*(PCAOB RELEASE NO. 105-2025-039 – DECEMBER 18, 2025)*

- The Firm failed to maintain a system of quality control to provide reasonable assurance of compliance with engagement performance standards
  - On four audits, the Engagement Partner authorized the issuance of an unqualified audit report without
    - Having performed adequate or, in some instances, any procedures on material accounts
    - Having received concurring approval of issuance from an engagement quality reviewer
- Sanctions in the two Orders included
  - Firm: \$50,000 civil money penalty and remedial undertakings
  - Engagement Partner: Two-year bar

# IN THE MATTER OF ZWICK CPA, PLLC, ET AL. & RELATED ORDER

*(PCAOB RELEASE NO. 105-2026-002 – JANUARY 13, 2026)*

- Firm and Engagement Partner violated multiple PCAOB rules and standards in connection with the integrated audit of an issuer, by failing to
  - Properly plan, identify, and assess the risks of material misstatement
  - Obtain sufficient appropriate audit evidence to support the Firm's opinion on ICFR
  - Obtain sufficient appropriate audit evidence as to issuer's reported revenue and unbilled revenue
  - Properly supervise the work of engagement team
  - Prepare audit documentation pursuant to PCAOB standards

# IN THE MATTER OF ZWICK CPA, PLLC, ET AL. & RELATED ORDER

*(PCAOB RELEASE NO. 105-2026-002 – JANUARY 13, 2026)*

- Manager improperly adopted workpapers from the predecessor auditor as the Firm's own
  - Took the predecessor auditor's workpapers, replaced the name of the predecessor auditor with "Zwick CPA," updated the year under audit, and added workpaper sign-offs
  - Prepared other significant workpapers that inappropriately included documentation related to other audits—documentation that was inaccurate and irrelevant to the issuer audit
- Sanctions in the two Orders included
  - Partner: 3-year bar and \$50,000 penalty (joint and several with Firm)
  - Firm: 3-year revocation of registration
  - Manager: 2-year bar

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# PCAOB CENTER FOR ENFORCEMENT TIPS, COMPLAINTS AND OTHER INFORMATION

E-mail: [TIPS@pcaobus.org](mailto:TIPS@pcaobus.org)

Post: PCAOB Tip & Referral Center  
1666 K Street, NW  
Suite 300  
Washington, DC 20006

Telephone: 800-741-3158

Website: <https://pcaobus.org/oversight/enforcement/tips-referrals>

# QUESTIONS



# Standard-Setting Update

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Lisa Calandriello and Heather Jossem  
Office of the Chief Auditor  
May 13, 2026

# DISCLAIMER

This presentation is provided in the speaker's official capacity as a PCAOB staff member, but the views expressed are those of the speaker and do not necessarily reflect the views of the Board, Board Members, or other members of the staff.

# STANDARD-SETTING PROCESS

## Understand Current & Emerging Audit Issues

- Obtain intelligence on/identify new, current, or emerging audit issue
- Determine whether to advance issue to research agenda

## Research Projects

- Research potential issue, taking into account the problem and possible solutions
- Determine whether to advance issue to standard-setting agenda

## Standard-Setting Projects

- Develop proposed standard or amendments (rule text) & proposing release
- Resolve policy consideration & refine the solution
- Develop final standard and submit to the SEC for final approval

# STANDARD-SETTING PROCESS

- Standard-setting activities are informed by:
  - PCAOB's oversight activities,
  - Work of other standard setters,
  - Input from the Standards and Emerging Issues Advisory Group and the Investor Advisory Group,
  - Discussion with the SEC staff,
  - Economic considerations and analysis developed by OERA, and
  - Other relevant inputs and developments.

# AGENDA

- **Recently Adopted Standards and Amendments – Reminders and Implementation Resources**
- **Resources for Smaller Firms**



# RECENTLY ADOPTED STANDARDS & AMENDMENTS

- **14-Day Documentation Completion Date (Phased Effective Date for Amendment to **AS 1215.15**)**
- ***Amendments Related to Aspects of Designing and Performing Audit Procedures that Involve Technology-Assisted Analysis of Information in Electronic Form***
  - ***AS 1105, Audit Evidence*** and
  - ***AS 2301, The Auditor's Responses to the Risks of Material Misstatement***
- ***QC 1000, A Firm's System of Quality Control***

# 14-DAY DOCUMENTATION COMPLETION DATE

- Effective dates for the 14-day documentation completion date requirement:
  - For firms that, during the calendar year ending 12/31/24, issued audit reports with respect to more than 100 issuers – effective for audits of financial statements for fiscal years beginning on or after 12/15/24; and
  - **For all other firms – effective for audits of financial statements for fiscal years beginning on or after 12/15/25**

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# TECHNOLOGY AMENDMENTS – AS 1105

- The technology amendments focus on matters that are relevant when technology-assisted analysis is used.
- Key Amendments to **AS 1105, *Audit Evidence***:
  - Specify auditor responsibilities when using an audit procedure for more than one purpose ([AS 1105.14](#))
  - Emphasize the importance of (i) appropriate disaggregation or detail of information to the relevance of audit evidence ([AS 1105.07](#)) and (ii) controls over information technology ([AS 1105..08, .10](#))
  - Specify auditor responsibilities for evaluating the reliability of external electronic information provided by the company ([new paragraph AS 1105.10A](#))

# NEW PARAGRAPH AS 1105.10A

**.10A** The company may provide to the auditor information in electronic form that the company received from one or more external sources. When using such information as audit evidence, the auditor should evaluate whether the information is reliable for purposes of the audit by:

- a) Obtaining an understanding of (i) the source from which the company received the information; and (ii) the company's process by which such information was received, maintained, and, where applicable, processed, which includes understanding the nature of any modifications made to the information before it was provided to the auditor; and
- b) Testing the information to determine whether it has been modified by the company and evaluating the effect of those modifications; or testing controls over receiving, maintaining, and processing the information (including, where applicable, information technology general controls and automated application controls).

# APPLYING AS 1105.10A

What type of information is subject to **AS 1105.10A**?

- External electronic information provided by the company to the auditor that the auditor uses as audit evidence

**For Example:** Electronic copies (e.g., PDF files) of information originating from external sources – such as contracts, invoices, or bank statements – that the auditor uses as audit evidence (e.g., when performing substantive procedures or tests of controls).

# APPLYING AS 1105.10A

Under subparagraph **(a)**, the auditor obtains an understanding of:


- The **source** of the external information
- The **company's process for receiving, maintaining, and processing the information**, including any modifications

Under subparagraph **(b)**, the auditor can elect to either:

- **Test the information** to determine if it has been modified and assess the effects of those modifications;
- **Test controls over receiving, maintaining, and processing the information**; or
- Use a **combination** of both approaches

# APPLYING AS 1105.10A - REMINDERS

- Paragraph .10A **does not prescribe the nature, timing, and extent** of the auditor's procedures to evaluate the reliability of external electronic information provided by the company.
- Auditors **can use the results of other audit procedures** performed.



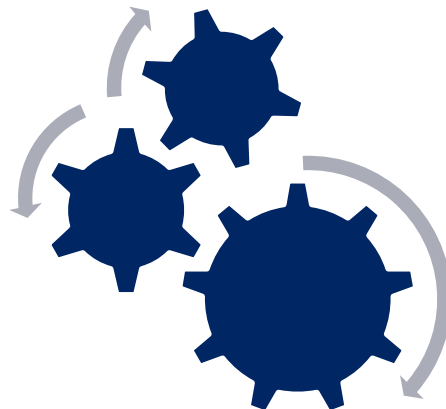
The procedures the auditor performs to obtain an understanding of each component of ICFR under AS 2110 may satisfy the requirements in subparagraph (a).

Tests of controls or substantive procedures performed in response to assessed risks of material misstatement may address the auditor's responsibilities under subparagraph (b).

# AS 1105.10A IMPLEMENTATION RESOURCES

## Implementation considerations for **AS 1105.10A**

- Policy Statement Regarding Implementation of Paragraph .10A of AS 1105, *Audit Evidence* (Sept. 18, 2025)
- Staff Guidance: *Examples of Evaluating the Reliability of External Information Provided by the Company in Electronic Form* (Oct. 2025)

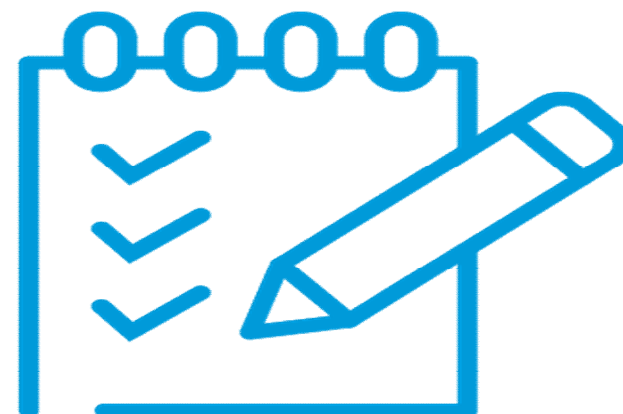


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# TECHNOLOGY AMENDMENTS – AS 2301

## Test of Details (AS 2301.48)

Involves performing audit procedures with respect to **items included in an account or disclosure** (e.g., the date, amount, or contractual terms of a transaction).



When performing tests of details, the auditor should apply audit procedures that are appropriate to the particular audit objective to each item selected for testing.

# TECHNOLOGY AMENDMENTS - AS 2301

## Investigating Items Identified When Performing a Test of Details (AS 2301.49)

The auditor's investigation of the identified items should include determining whether these items individually or in the aggregate indicate:

- Misstatements that should be evaluated in accordance with AS 2810, *Evaluating Audit Results*, or
- Deficiencies in internal control over financial reporting.

The auditor determines the nature, timing, and extent of such procedures in accordance with PCAOB standards.



# TECHNOLOGY AMENDMENTS – AS 2301

## Remaining Items (AS 2301.50)

- Applies when the auditor selects specific items within an account or disclosure for testing
- Remaining items should be evaluated to determine whether there is a reasonable possibility that remaining items within the account or disclosure include a misstatement that, individually or when aggregated with others, would have a material effect on the financial statements

If there is a reasonable possibility of a risk of material misstatement in the remaining items not selected for testing, substantive procedures should be performed to address the assessed risk.



# QC 1000, A FIRM'S SYSTEM OF QUALITY CONTROL

- Overview
- Key Changes
- Objective of A Firm's System of Quality Control
- Components of a Firm's QC System under QC 1000
- Scalability
- QC Implementation Resources

# OVERVIEW

QC 1000, *A Firm's System of Quality Control*, together with other amendments:

- Supersedes current PCAOB quality control standards and SEC Practice Section (SECPS) requirements
- Creates reporting requirements on quality control matters and a new, non-public reporting form, Form QC
- Expands the auditor's responsibility to respond to deficiencies on completed engagements under an amended and retitled AS 2901, *Responding to Engagement Deficiencies After Issuance of the Auditor's Report*, and related amendments to attestation standards for broker-dealer engagements
- Supersedes existing standard ET 102, *Integrity and Objectivity*, with a new standard, EI 1000, *Integrity and Objectivity*

# WHAT ARE THE KEY CHANGES?

- Emphasis on accountability, firm culture and the “tone at the top,” and firm governance
- A new risk-based approach
- A set of mandates, including required risk assessment, quality objectives, and specified quality responses
- New requirements that address changes in the audit practice environment, including the increasing participation of other firms and other outside resources, the role of firm networks, the evolving use of technology and other resources, and the increasing importance of internal and external firm communications
- Broader responsibilities for monitoring and remediation of deficiencies to create a more effective ongoing feedback loop driving continuous improvement
- Annual evaluation of the firm’s QC system and related reporting to the PCAOB, certified by key personnel

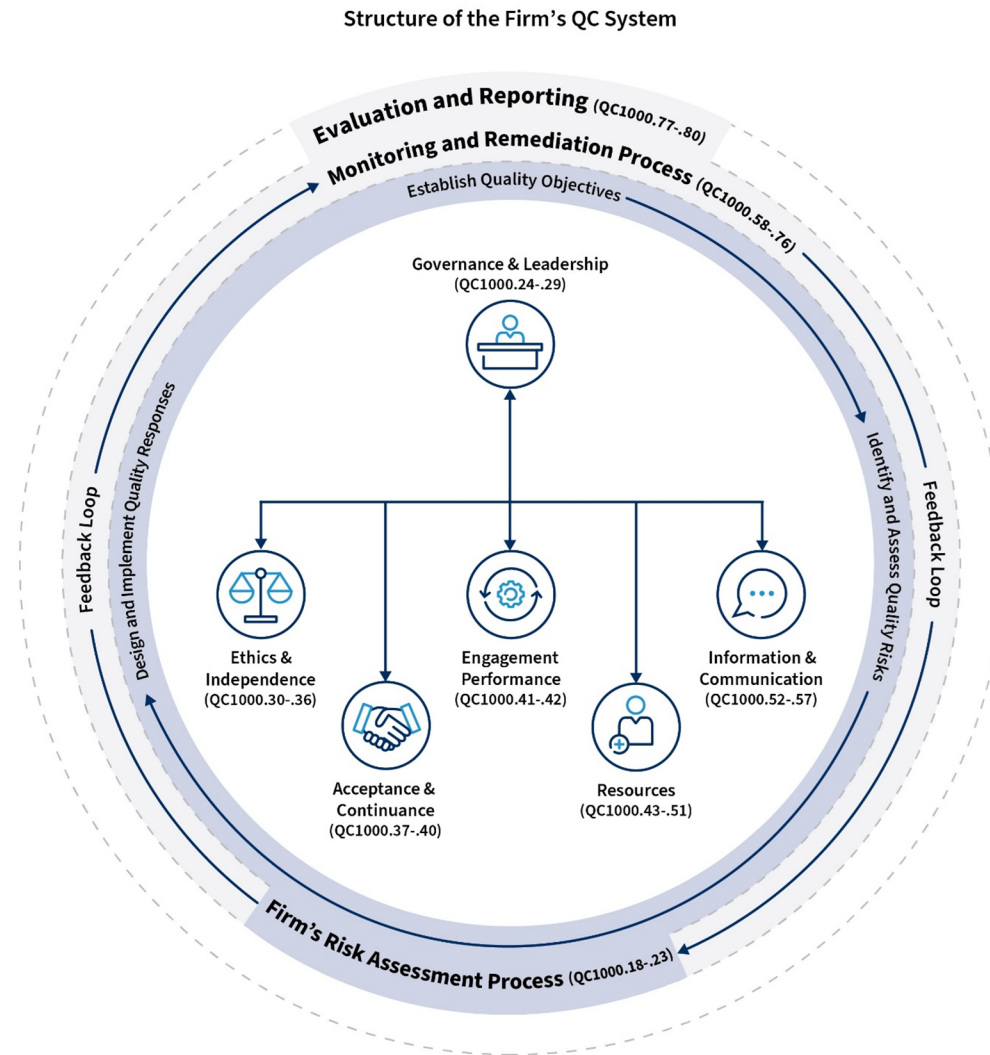
- The objective of a firm's QC system is to achieve the **reasonable assurance objective**.
- The reasonable assurance objective is achieved when
  - The firm, each member of firm personnel, and each other participant conducts each of the firm's engagements and fulfills their other responsibilities that are part of or subject to the firm's QC system in accordance with applicable professional and legal requirements (or APLR); and
  - Each engagement report issued by the firm is in accordance with APLR.

## Two process components

- The firm's risk assessment
- The monitoring and remediation

## Six components

- Governance and leadership
- Ethics and independence
- Acceptance and continuance
- Engagement performance
- Resources
- Information and communication



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# HIGHLIGHT ON SCALABILITY

- The risk-based approach to complying with QC 1000 is inherently scalable.
- QC 1000 requirements are applicable for engagements required to be performed under PCAOB standards.
- Firms that issued engagement reports for five or fewer engagements during the prior calendar year are permitted to include audits not performed under PCAOB auditing standards in their engagement monitoring activities, with some restrictions.

# QC 1000 RESOURCES

## Interactive Chart: Structure of the Firm's QC System

This interactive chart provides quick links to specific resources related to requirements of QC 1000. Click on individual components below for links to resources available.



# QC IMPLEMENTATION PAGE

<https://pcaobus.org/oversight/standards/implementation-resources-PCAOB-standards-rules/quality-control>



Home > Oversight > Standards > Implementation Resources for PCAOB Standards and Rules

## Quality Control

(Updated February 13, 2025)

Sign up to follow project updates

OVERVIEW RESOURCES AND TOOLS CONTACT US

### Resources and Tools for Implementation



#### Staff Guidance

The PCAOB staff provides guidance to help firms when implementing QC 1000 and AS 2901. Staff may update this guidance as needed.

- [Staff Guidance – QC 1000: A Firm's System of Quality Control \(Nov. 26, 2024\)](#)
- [Staff Guidance – AS 2901: Responding to Engagement Deficiencies After Issuance of the Auditor's Report \(Nov. 26, 2024\)](#)
- [Practice Aid: Providing a High-Level Overview of Certain Features Unique to QC 1000, A Firm's System of Quality Control \(Oct. 23, 2024\)](#)
- [Comparison of QC 1000 with ISQM 1 and SQMS 1 \(Oct. 23, 2024\)](#)

### How Do I Contact the PCAOB?



**Phone:** (202) 591-4395  
**Form:** [Contact Us](#)

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# RESOURCES FOR SMALLER FIRMS



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## Information for Smaller Firms

The PCAOB is focused on supporting smaller audit firms to enhance audit quality and protect investors. This page presents PCAOB resources and videos tailored for smaller audit firms.

Certain resources are highlighted on this webpage to help smaller firms understand and comply with PCAOB standards and rules; however, these resources are not intended to be comprehensive. Other content on the PCAOB website – such as the [Information for Auditors](#) and [Staff Publications](#) pages – may be applicable and useful.



# RESOURCES FOR SMALLER FIRMS (CONT'D)

## What resources can assist smaller audit firms?



### Forums

Tailored to address PCAOB-registered firms auditing smaller public companies or broker-dealers, the forums have provided a unique opportunity for audit firms to engage with representatives from the PCAOB and other regulators in an interactive setting.

[Learn more about the forums](#)



### Adopting standards and rules designed to be scalable

The PCAOB has continued its efforts to ensure its rules and standards are scalable for firms of all sizes, including taking into account the date for when the new requirements become effective. Examples include the PCAOB's new **quality control standard**, which balances new requirements with a risk-based approach that enables flexibility, and the new auditing standard on **AS 1000, General**



### Audit Focus

*Audit Focus* is a series of PCAOB staff publications that aims to provide easy-to-digest information to auditors, especially those who audit smaller public companies. Each edition of *Audit Focus* reiterates the applicable auditing standards and/or staff guidance, as well as offers reminders and good practices tailored to PCAOB-registered auditors of smaller public companies – all with an eye toward protecting investors and improving audit quality.

# RESOURCES FOR SMALLER FIRMS (CONT'D)

## Stay current on PCAOB Communications to Small Audit Firm Practitioners

\* indicates required

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- All PCAOB Updates
- Communications to Audit Committee Members
- Communications to Auditors
- Communications to Investors
- Communications to Small Audit Firm Practitioners
- Enforcement Orders
- Inspection Reports
- News Releases, Speeches, and Statements

# QUESTIONS



# INTERACTING WITH OCA

## Contact Standards

- Web Form
- (202) 591-4395

## Consultation Process

## Audit Practitioner Fellowship program

**Thank you!**

