PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

Small Business and Broker-Dealer Auditor Forum

San Francisco, CA
September 22, 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

San Francisco Small Business and Broker-Dealer Auditor Forum

9:00am - 4:35pm in San Francisco, CA

Hank McAlarney | Jack Griffith | Janet Borgman | Mark Ramler | Sarah Kenny

Schuyler Simms | Scott Martinek | Stephen Attard | George Botic | John Abell

Check In To This Session

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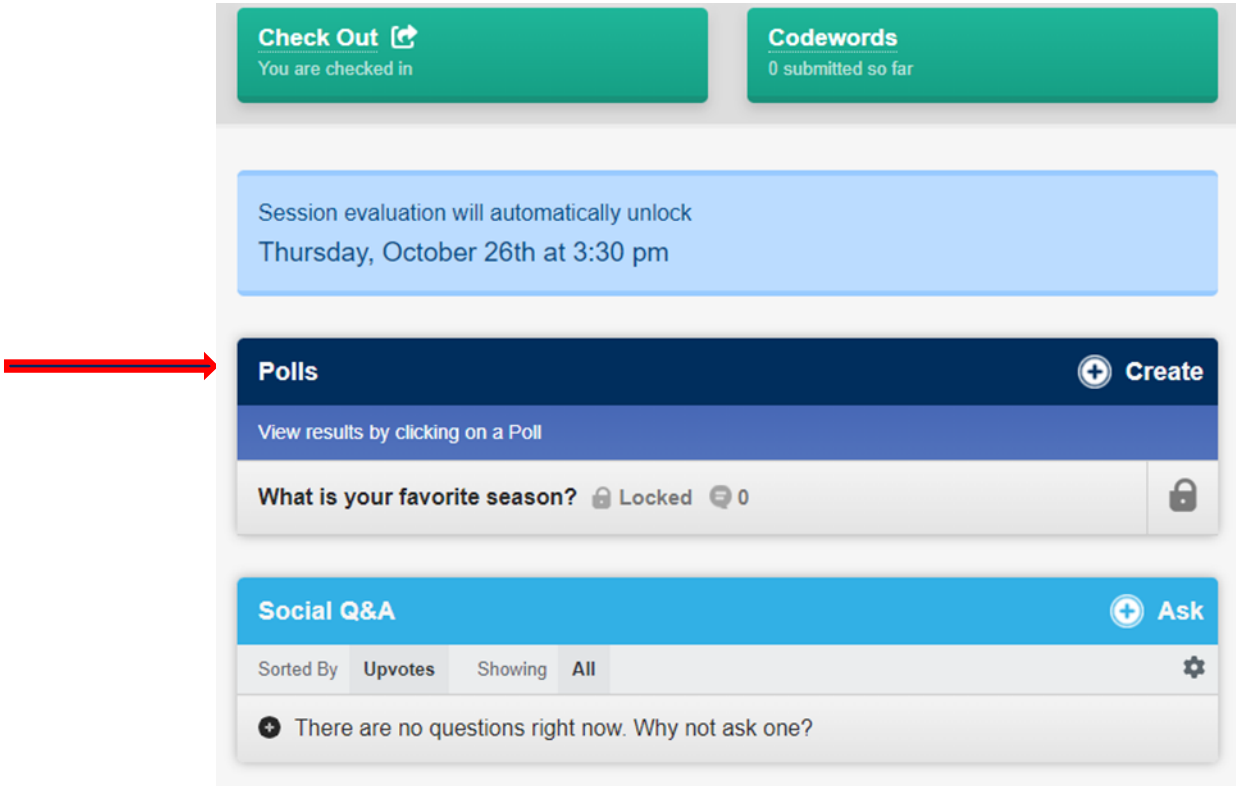
POLLING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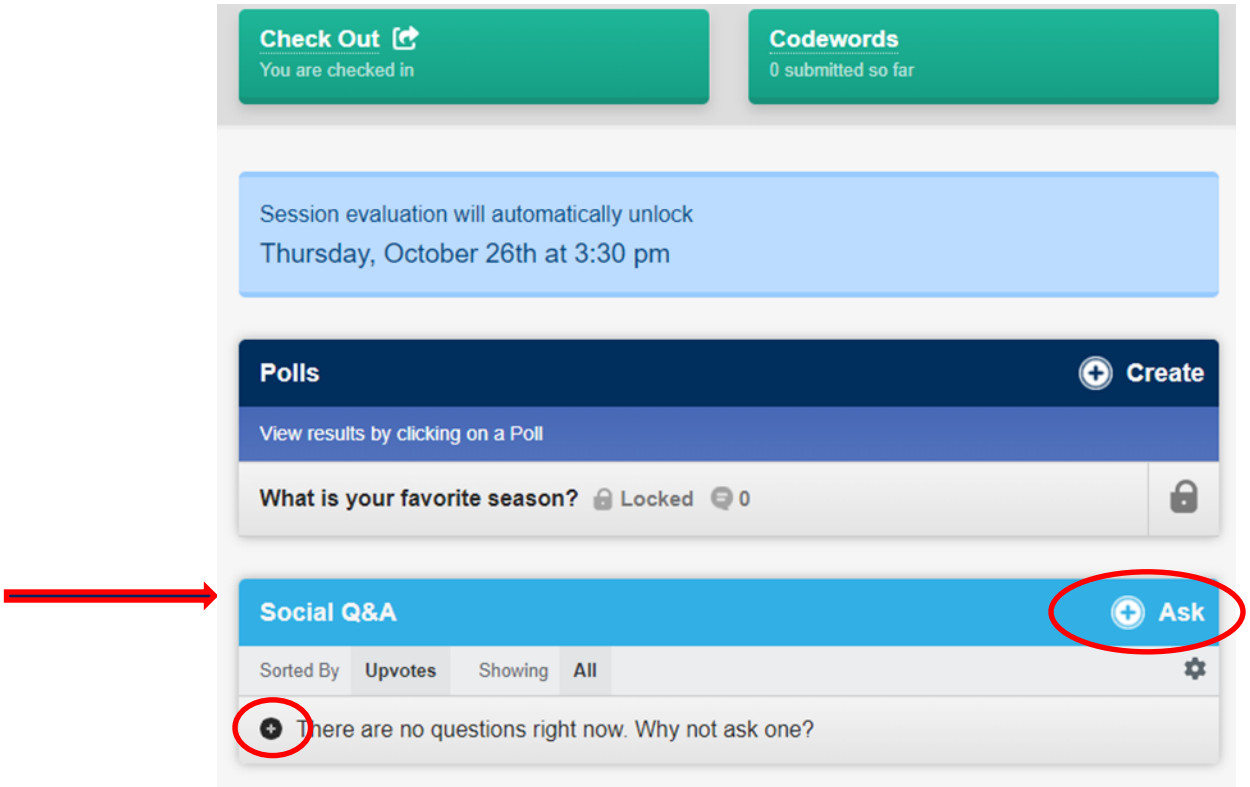
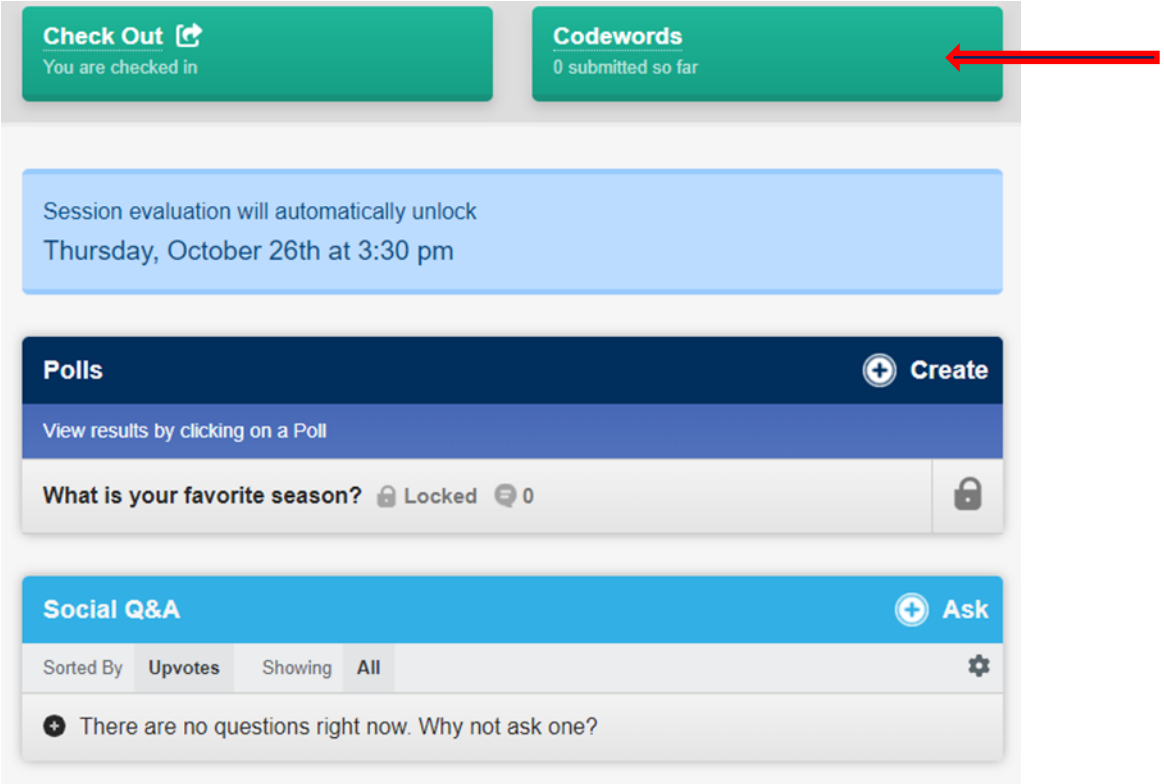
Q&A AND COMMENTS



CPE CREDIT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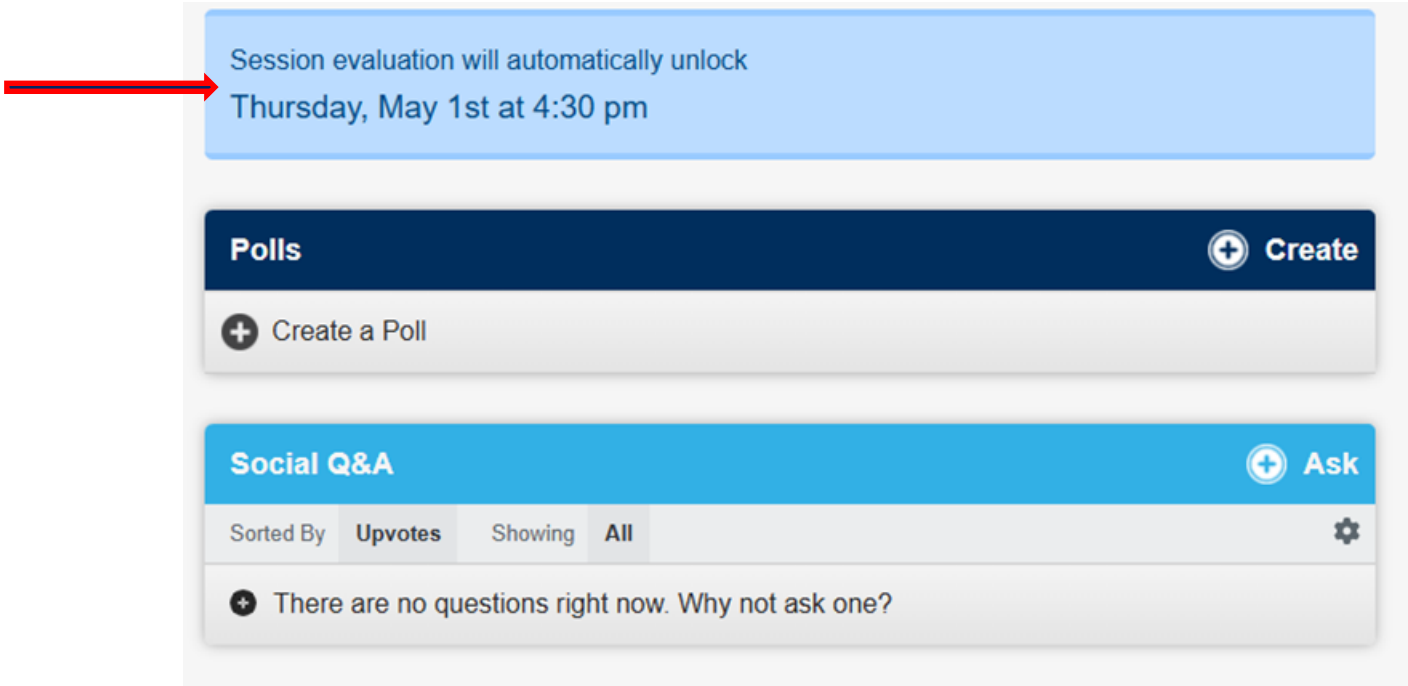
EVALUATION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PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

Board Member Perspectives

George Botic, Board Member
Evann Berry, Office of Communications and Engagement
September 22, 2026

PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

PCAOB Inspections Update: Broker-Dealer Engagements

Scott Martinek and Stephen Attard
Division of Registration and Inspections
September 22, 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

01

Revenue

Recognition, occurrence and completeness

02

Related Party Transactions

Disclosure of related parties and related party transactions

03

General Audit Procedures

Journal entries and evaluating audit results

04

Regulatory Compliance

Net capital and customer protection rules

05

Other Audit Procedures

Independence, risk assessment, and auditors' communications

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REVENUE

- 2025 Inspection Scope and Results
- Inspection Observations and Scenarios
    - Financial Statement Assertions
    - Reliability of Evidence
    - Revenue Recognition

REVENUE – 2025 INSPECTION SCOPE AND RESULTS

48% → 37%

Revenue deficiency rate improved ~11 points from 2024 to 2025

Engagements reviewed

103

Broker-dealer engagements

2025 inspection scope

Revenue focus area

102

Selected for review

~99% of engagements

Revenue deficiencies

38

with deficiencies (37%)

Down from 48% in 2024

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 – 2025 SCOPE AND RESULTS

36% → 17%

Related party transaction deficiency rate improved ~19 points from 2024 to 2025

Engagements reviewed

103

Broker-dealer engagements

2025 inspection scope

Related-party focus area

30

Selected for review

~29% of engagements

Related-party deficiencies

5

with deficiencies (17%)

Down from 36% in 2024

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**

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

GENERAL AUDIT PROCEDURES – 2025 SCOPE AND RESULTS

Both areas were fully scoped — deficiencies concentrate in Evaluating Audit Results.

Journal Entries

15

with deficiencies (15%)

103 audits reviewed in 2025

Evaluating Audit Results

27

with deficiencies (26%)

103 audits reviewed in 2025

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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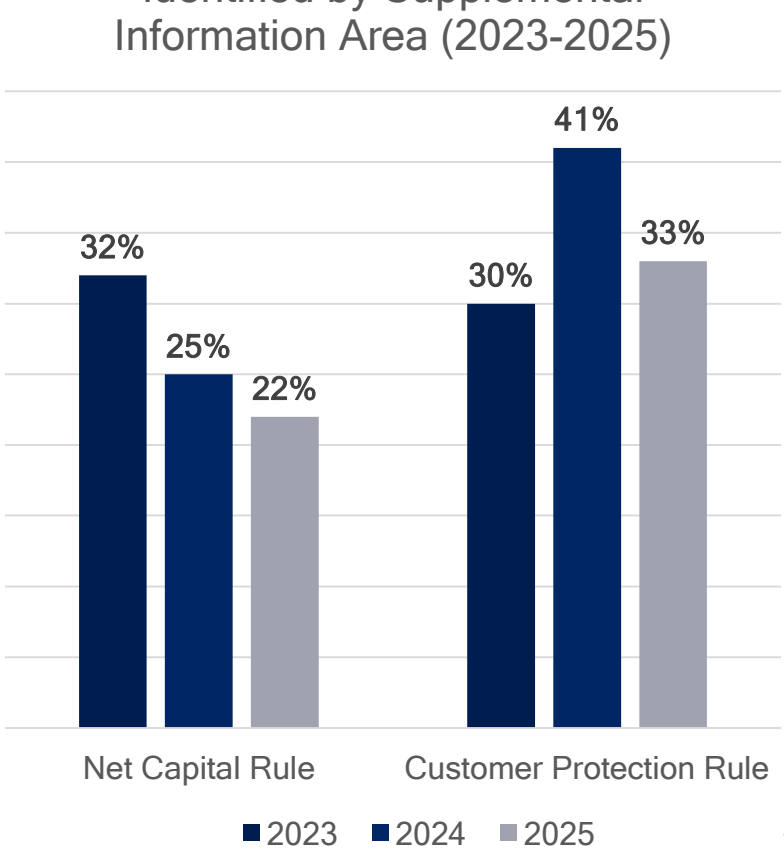
REGULATORY COMPLIANCE

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

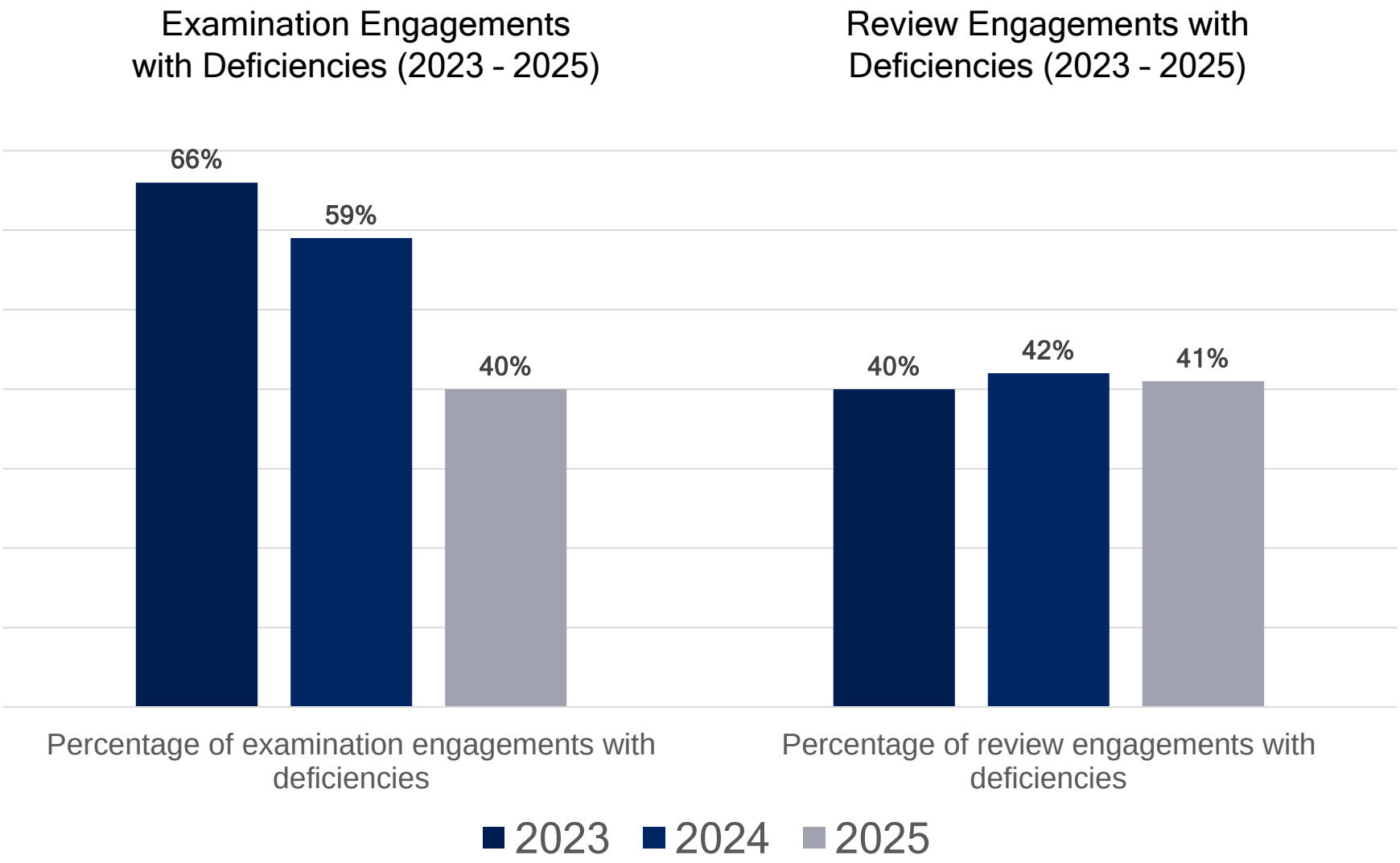
REGULATORY – SCOPE AND RESULTS (2023 – 2025)

Deficiency rates improved in 2025

Net Capital Rule 25% → 22% · Customer Protection Rule 41% → 33%



REGULATORY – RESULTS (2023 – 2025)



AT NO. 2 REVIEW ENGAGEMENTS

Review Engagements

2025 Inspection Results

Number of engagements reviewed:	**66**
Number of engagements reviewed with deficiencies:	**27**
Percentage of engagements reviewed with deficiencies:	**41%**

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.

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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.

AT NO. 2 REVIEW ENGAGEMENTS

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

2025 Inspection Results

Number of engagements reviewed:	**25**
Number of engagements reviewed with deficiencies:	**10**
Percentage of engagements reviewed with deficiencies:	**40%**

OTHER AUDIT PROCEDURES – 2025 SCOPE AND RESULTS

All three areas were reviewed on all engagement reviews — deficiencies were highest in auditor communications.

Auditor independence

10

with deficiencies (10%)

103 audits reviewed in 2025

Risk assessment

12

with deficiencies (12%)

103 audits reviewed in 2025

Auditor communications

19

with deficiencies (18%)

103 audits reviewed in 2025

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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 2026
- Supplementary Information Related Audits of Brokers and Dealers – June 2026

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

INSPECTIONS UPDATE

	2025 Inspections	2026 Inspections
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

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Break

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PCAOB Inspections Overview and Illustrative Examples: Issuers

Janet Borgman, Jack Griffith, Hank McAlarney
Division of Registration and Inspections
September 22, 2026

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OBJECTIVES

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

- Understand 2025 inspection results
- Understand common deficiencies
- Discuss our inspection focus on fundamentals for 2026
- Understand our smaller firm focus
- Discuss insights into the remediation process
- Understand audit requirements, deficiency examples, and good practices/key takeaways for:
  - Independence
  - Communications with Audit Committees
  - Form AP reporting requirements
  - Auditor's Reporting Model as it relates to Critical Audit Matters

2025 INSPECTIONS

- Part I.A deficiency rates for the Big Four U.S. firms decreased to 8% in 2025, from 20% in 2024.
- For all the GNFs, Part I.A deficiency rates decreased to 13% in 2025, compared with 26% in the prior year.
- Improvements observed across several frequently inspected audit areas.

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 and related party transactions
- 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
- Initiative to debrief with smaller NAFs
- Remediation Awareness/Tools

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TOP 10 INSIGHTS ABOUT REMEDIATION

Practical considerations on the PCAOB remediation process

- Understand the timing (i.e. remediation period, when the firm plans to implement actions, and when draft responses will be provided to the staff) and remediation guidance before you develop remediation response
- Start with the criticism and its root causes
- Design actions that respond to the whole scope
- Implement early and evidence effectiveness
- Use the full remediation period

INSIGHTS 1–2:
UNDERSTAND THE TIMING AND THE GUIDANCE

1. Know the remediation period and work backward from the submission

- The formal period runs from the date the inspection report is issued, and the submission is due at the end of it; however, firms can start implementing actions as early as when the findings are known before the final report is issued.

- Plan out the key dates related to the implementation of new actions at the outset so design, implementation, and monitoring can be performed during the remediation period.

- Plan out the dates, during the opening period, when the firm's plan to provide a draft response to the staff.

2. Know the criteria the Staff evaluates against before you design anything

- Every action is assessed on change, relevance, design, implementation, and execution and effectiveness.

- Read the Staff Guidance while you are planning actions, not while you are drafting the submission.

INSIGHTS 3–4:
START WITH THE CRITICISM AND ITS ROOT CAUSES

3. Understand the full scope of the criticism

- Read the quality control criticism carefully and confirm what it does — and does not — cover before designing any action.

4. Identify root causes, including why a criticism repeats

- Actions built without a root cause analysis are less likely to be designed in a way that is responsive to the QCC or to be effective.

- Consider whether criticisms persist because of non-technical factors such as the firm's culture, tone at the top, or incentives — those shifts take the full period to take hold and evidence.

- A recurring criticism may signal that prior actions did not work and that the prior root cause analysis did not get to the right answer — it calls for a different type of action or a meaningful enhancement to what was tried before.

INSIGHTS 5–7: DESIGN ACTIONS THAT WORK

5. Design actions specific enough to change behavior, not just document activity

- Identify clearly what is expected to be done differently and who is responsible for doing it.
- Map each action back to the five criteria so the response covers the whole scope of the criticism.

6. Build training that actually reaches the right people

- Consider content and delivery method and target audience.
- Make participation mandatory where it matters, monitor who attends, and plan the post-training follow-up, not just the session.

7. Make audit tools clear and enforceable

- Be explicit on mandatory use, review requirements, and timing for completion, and require the completed tool to be retained in the work papers.
- Roll the tool out with training, walkthroughs of completed examples, and examples of effective and ineffective use so teams understand the expected level of judgment, documentation, and review.

INSIGHTS 8–9:
IMPLEMENT EARLY AND EVIDENCE EFFECTIVENESS

8. Implement early enough to see how the actions operate

- Actions put in place late leave no time to observe whether they work.
- Implement early enough to monitor them in practice and to include evidence of their effectiveness in the submission.

9. Develop evidence throughout the period, not at the end

- Be prepared to provide supporting documentation for what was implemented, when it was implemented, who was affected, and how the firm evaluated whether the action operated as intended.
- Documentation may not be able to be reconstructed after the fact.

INSIGHT 10:
USE THE FULL REMEDIATION PERIOD

10. Use the whole period — and look beyond the technical fix

- Plan ahead so the firm gets the benefit of inspections staff feedback during the period rather than after it.
- Do not treat the deadline as the finish line — leave time to test whether an action worked and to strengthen it if monitoring shows it did not.
- Course-correct within the period — if early monitoring shows an action is not changing behavior, add to or modify it while there is still time, rather than defending a weak action in the submission.

COMMONLY FAILED QCCS: WHERE REMEDIATION FALLS SHORT

Engagement Quality Review

- The most frequently recurring criticism, and the one most often found unsatisfactory
- Training alone and checklists covering only the cited underlying areas and not focused on the overall criticism
- Expect actions that address the broad concern about the engagement quality reviewer's review of areas related to significant risks, including fraud risks

Testing Controls / ICFR and Testing Data and Reports Used in Substantive Testing

- Fails when actions are too narrow or repetitive:
  - revised programs that mirror the prior version
  - repeat training on the same content in the same format (lecture only without practical examples, group activities, etc.)

Testing Estimates

- Fails when the action is focused on only one estimate type
- Templates are optional and not implemented

Across all areas: remediate the QCC itself, not just the engagement deficiencies behind it

- The criticism is a quality control failure, not a list of findings
- Actions scoped only to the specific engagements, audit areas, or very limited targeted audience
- Firm-wide programs applied across all issuer audits consistently outperform narrow pilots and area-specific fixes

REMEDIATION RESPONSE TEMPLATE

- **Bonus insight**:
  - Use the Remediation Response Template to show clearly how each action meets each of the five criteria.

- **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
  - Simplified version – The staff have also developed a word simplified version for those firms with very few/less complex QCCs
  - Templates are available, but firms not required to use

OTHER RESOURCES

Other Remediation Resources

- Staff Guidance Concerning the Remediation Process
- Supplemental Staff Guidance Concerning the Remediation Process
- Spotlight: Additional Insights on the Remediation Process

Other Staff Publications

- Spotlight: Inspection Observations Related to
  - Auditor Use of Data and Reports (2024)
  - Engagement Quality Reviews (2023)
- Audit Focus:
  - Auditing Accounting Estimates (2025)
  - Considerations for Audit Firms Using the Work of Specialists (2025)

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SELECTED AREAS FOR ILLUSTRATIVE EXAMPLES

Areas selected for illustrative examples:

- Independence
- Audit Committee Communications
- Form AP
- Auditor's Reporting Model (ARM) relating to Critical Audit Matters (CAMs)

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INDEPENDENCE REQUIREMENTS

Rule 3520, *Auditor Independence*

- A registered public accounting firm and its associated persons must be independent of the firm's audit client throughout the audit and professional engagement period
- Rule 3520 requires the audit firm to satisfy all other independence criteria applicable to the engagement, including the independence criteria set out in the rules and regulations of the Commission under the federal securities laws

INDEPENDENCE REQUIREMENTS (CONT'D)

Rule 3524, *Audit Committee Pre-approval of Certain Tax Services*

- When seeking audit committee pre-approval to perform for an issuer audit client any permissible tax service, the public accounting firm shall:
  - Describe, in writing, to the audit committee of the issuer certain aspects pertaining to the tax service
  - Discuss with the audit committee of the issuer the potential effects of the services on the independence of the firm
  - Document the substance of its discussion with the audit committee of the issuer

INDEPENDENCE REQUIREMENTS (CONT'D)

Rule 3526, *Communication with Audit Committees Concerning Independence*

- Prior to accepting an initial engagement, the public accounting firm must describe and discuss certain aspects with the audit committee and document the substance of its discussion, including:
  - Describe, in writing, to the audit committee of the potential audit client, all relationships between the registered public accounting firm or any affiliates of the firm and the potential audit client or persons in financial reporting oversight roles at the potential audit client that, as of the date of the communication, may reasonably be thought to bear on independence.
  - Discuss with the audit committee of the potential audit client the potential effects of the relationships described above on the independence of the registered public accounting firm, should it be appointed the potential audit client's auditor, and document the substance of that discussion.

INDEPENDENCE – ILLUSTRATIVE EXAMPLE #1

Scenario:

Harbor & Associates LLP had served as the independent auditor of OceanWave Technologies, Inc. for five years. As part of its annual independence process, the audit firm was required to provide the audit committee with written communications regarding relationships that could reasonably be thought to bear on independence and affirm the firm's independence in compliance with PCAOB rules.

During the year, Harbor & Associates acquired a small consulting practice. One of the consulting practice's professionals had provided services to a company executive who held a financial reporting oversight role at OceanWave Technologies. When preparing the annual Rule 3526 communication, the engagement team used the prior year's template and did not update the disclosure to reflect relationships involving the newly acquired affiliate.

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GOOD PRACTICES - INDEPENDENCE

- Annual internal independence compliance test comparing a selected number of firm personnel's time charged against investment holdings and the restricted entities list.
- Quarterly or semi-annual certifications.
- Sanctions for violations plus standardized engagement templates to avoid prohibited terms.

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COMMUNICATIONS WITH AUDIT COMMITTEES

The auditor should communicate to the audit committee:

- The terms of the audit (objective, responsibilities of each of the auditor and management)
- The overall strategy, timing of the audit, significant risks, and significant accounting matters
- The results of the audit, including:
  - The auditor's evaluation of the quality of the company's financial reporting
  - The auditor's responsibility under PCAOB rules and standards for other information in documents containing the audited financial statements
  - Difficult or contentious matters for which the auditor consulted

COMMUNICATIONS WITH AUDIT COMMITTEES (CONT'D)

- The results of the audit, including *(continued)*:
  - Management's consultation with other accountants
  - Uncorrected and corrected misstatements
  - Material written communications between the auditor and management
  - Any disagreements with management
  - Any difficulties encountered during the audit
  - The auditor's going concern evaluation (where applicable)

The auditor should also:

- Inquire of the audit committee about matters relevant to the audit

- Provide a draft of the auditor's report to the audit committee before the auditor's report is issued when applicable

AUDIT COMMITTEE COMMUNICATIONS – ILLUSTRATIVE EXAMPLE

Scenario

- During the firm's risk assessment procedures, the firm identified the following significant risks, including fraud risks: (1) management override of controls; (2) improper revenue recognition due to fraud; and (3) lack of proper segregation of duties for payroll

- The firm held a planning meeting with the audit committee on November 19, 2025, in which it discussed prior year findings and recommendations, significant risks identified, and an overview of the audit strategy and timing of the audit

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AUDIT COMMITTEE COMMUNICATIONS – ILLUSTRATIVE EXAMPLE (CONT'D)

Scenario *(continued)*

- The firm conducted interviews related to fraud risks with certain management and non-management employees
- The firm issued its audit report on February 26, 2026, and discussed the results of the audit in a meeting with the audit committee and management on March 12, 2026

Question

- Has the firm satisfied its obligations with respect to communications with the audit committee?

GOOD PRACTICES – AUDIT COMMITTEE COMMUNICATIONS

- Good practices for required communications to the audit committee included new or revised templates and checklists. Relevant information in these templates and checklists includes:
  - Discussing all significant risks identified through its risk assessment procedures
  - Significant accounting matters
  - Communicating the names, locations, and planned responsibilities of other independent accounting firms that performed audit procedures in an audit

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PCAOB Rule 3211 – Auditor Reporting of Certain Audit Participants

PCAOB Rule 3211 requires registered public accounting firms to file Form AP (Auditor Reporting of Certain Audit Participants) for issuer audits. The rule was adopted to increase transparency about who participated in an audit, including the engagement partner and other accounting firms involved.

FORM AP – KEY REQUIREMENTS

Key Requirements for Rule 3211 include:

a. Form AP Filing - A registered audit firm must file a Form AP for each audit report issued for a public company (issuer)

b. Engagement Partner Disclosure - The form identifies the engagement partner responsible for the audit

c. Other Audit Participants - The form discloses other accounting firms that participated in the audit when their participation meets specified reporting thresholds

FORM AP – FILING DEADLINES

The Form AP is considered timely if filed:

a. Within 35 days after the audit report is first included in an SEC filing; or

b. Within 10 days if the filing is a Securities Act registration statement.

FORM AP – ILLUSTRATIVE EXAMPLE

Scenario

Audit Firm XYZ issued its audit report for ABC Corporation's annual financial statements, and a Form AP was filed with the PCAOB within the required time frame.

Several weeks later, ABC Corporation amended its SEC filing.

As a result, the audit report was reissued with a new report date to reflect additional audit procedures performed before the amended filing.

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GOOD PRACTICES – FORM AP

- Structured Templates – Standardized templates to calculate audit hours and document participating firms
- Independent Review Policies – Review of Form AP by a partner independent of the engagement team before filing
- Guidance and Training – Training programs, examples, reminders, and discussions of common PCAOB deficiencies

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CRITICAL AUDIT MATTERS DEFINED

AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*, defines a CAM as any matter arising from the audit of the financial statements that:

- Was communicated or required to be communicated to the audit committee;
- Relates to accounts or disclosures that are material to the financial statements; and
- Involved especially challenging, subjective, or complex auditor judgment.

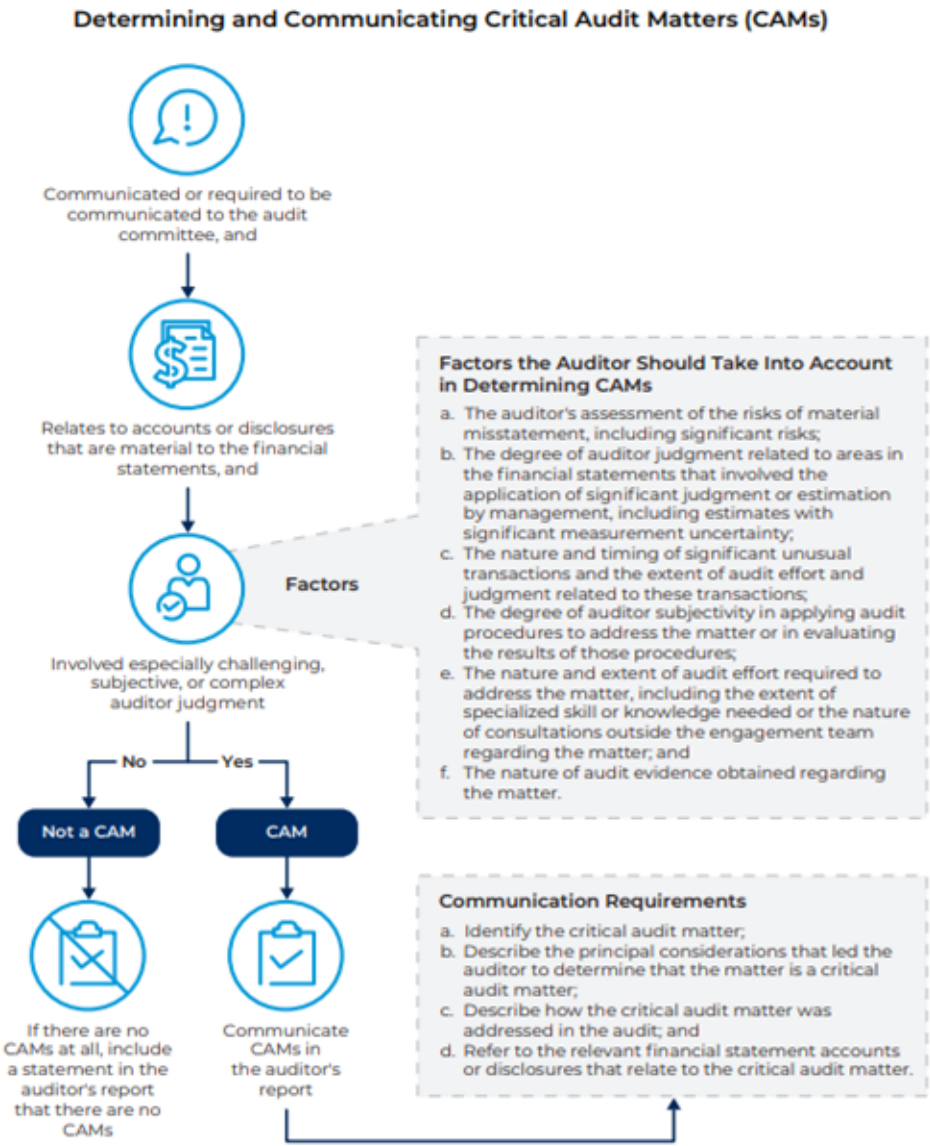
CAM DETERMINATION PROCESS

For each matter arising from the audit of the financial statements that:

a. Was communicated or required to be communicated to the audit committee, and
b. Relates to accounts or disclosures that are material to the financial statements

The auditor must evaluate whether the matter is a CAM (i.e., involved especially challenging, subjective, or complex auditor judgment) and document the basis for such determination.

CAM DETERMINATION PROCESS DIAGRAM



GOOD PRACTICES – CRITICAL AUDIT MATTERS

- Use of templates to assist with the evaluation of all matters communicated to the audit committee and consideration of the factors outlined in AS 3101.12

- Involvement of others outside the engagement team for review of CAMs in the auditor's report

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QUESTIONS

PCAOB
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Lunch

FINRA Perspectives

PCAOB Forum – San Francisco, CA

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

September 22, 2026

AGENDA

01 Hot Topics

02 Recently Published Guidance

03 Electronic Filing Reminders

04 Exemption Reports

05 FINRA Training and Helpful Resources

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FINRA

Hot Topics

- SEC Daily 15c3-3 Computation Rule: Daily Computation of Customer and Broker-Dealer Reserve Requirements under the Broker-Dealer Customer Protection Rule
  - Information Notice 6/29/2026: Daily Customer & Broker-Dealer Proprietary Account (PAB) Reserve Computations
- SEC FAQs – Treasury Clearing and Rule 15c3-3a
- SEC No-Action Letter: Equity for Equity
- Frequently Asked Questions Relating to Crypto Asset Activities and Distributed Ledger Technology
  - Update: Haircuts on payment stablecoin (February 2026)
- Proprietary Cash Investment Observations – Net Capital Implications

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Recently Published Guidance

- Regulatory Notice 25-19: FINRA Amends Annual Reports Extension of Time Policy
- Updates to Interpretations to the SEC's Financial and Operational Rules (SEC FAQs)
- Regulatory Notice 26-10: FINRA Adopts New Intraday Margin Standards to Replace the Day Trading Margin Requirements
- Regulatory Notice 26-11: FINRA Announces Publication of Interpretations and Investor Education Materials Relating to New Intraday Margin Standards
- Proposed Rule Change to Amend FINRA Rule 4522 (Periodic Security Counts, Verifications and Comparisons) to Simplify Position Statement and Reconciliation Requirements for Certain Alternative Investments

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Recently Published 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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Electronic Filing Reminders

- 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
  - **UPDATE: SEC Exemptive Relief: Broker-Dealer XBRL Requirements**

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Exemption Reports

- 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)

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FINRA Training and Helpful Resources

- FINRA FAQs
- FINRA Key Topics
  - Artificial Intelligence
  - Annual Reports
  - Books and Records
  - Business Continuity Planning
  - Crypto Assets
  - Cybersecurity
  - FinTech
  - Funding and Liquidity

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FINRA Training and Helpful Resources

Rule/Interpretation Updates

- Interpretations to the SEC's Financial and Operational Rules
- Bringing the Interpretation Handbook Into the Digital Age

External Resources

- 2026 FINRA Annual Regulatory Oversight Report
- Information Notice 11/10/2025: Due Dates Notice
- FINOP Focus Webinar Series Recordings
- FINRA Crypto and Blockchain Education Program
- FINRA Unscripted Podcast: FINRA's Intraday Margin Standard: What Investors and Members Need to Know

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U.S. Securities and Exchange Commission

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Break

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Standard-Setting Update

Schuyler Simms
Office of the Chief Auditor
September 22, 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.

AGENDA

- Targeted Amendments to QC 1000, *A Firm's System of Quality Control*
- QC 1000 Questions and Answers
- Firm Consultation Process
- Request for Comment on Standard Setting
- Audit Practitioner Fellowship Program

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AMENDMENTS TO QC 1000 - TIMELINE

AMENDMENTS TO QC 1000

Rescind the “design-only” requirement so that QC 1000 imposes requirements only on firms that are required to comply with applicable professional and legal requirements with respect to any “engagement” as defined in QC 1000 (QC 1000.06 and .07d)

These amendments are subject to SEC review and approval

AMENDMENTS TO QC 1000

Provide increased flexibility in filling certain specified roles in the QC system by permitting roles to be assigned to non-firm personnel and divided among multiple individuals (QC 1000.12)

These amendments are subject to SEC review and approval

AMENDMENTS TO QC 1000

Rescind the requirement to have an External QC Function (EQCF) (QC 1000.28)

These amendments are subject to SEC review and approval

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AMENDMENTS TO QC 1000

Narrow and simplify communication requirements relating to metrics that the firm communicates to external parties about its audit practice, firm personnel, or engagements (QC 1000.53e)

These amendments are subject to SEC review and approval

AMENDMENTS TO QC 1000

Narrow the scope of the requirements for evaluating whether similar engagement deficiencies exist to those the resulted or could result in (i) a failure to obtain sufficient appropriate evidence or (ii) an inappropriate overall conclusion (QC 1000.68d)

These amendments are subject to SEC review and approval

AMENDMENTS TO QC 1000

Revise the definition of QC deficiency to make clear that firms can take into account other quality responses when determining whether a QC deficiency exists (QC 1000.A8)

These amendments are subject to SEC review and approval

AMENDMENTS TO QC 1000

Allow firms to select the date as of which they annually evaluate the effectiveness of their QC system, rather than requiring firms to evaluate as of September 30 (QC 1000.77)

These amendments are subject to SEC review and approval

AMENDMENTS TO QC 1000

Revise the QC system evaluation conclusions to align more closely with other quality management standards (QC 1000.77 and .78)

These amendments are subject to SEC review and approval

AMENDMENTS TO QC 1000

Simplify retention requirements for QC system documentation, shorten the retention period from seven to five years (QC 1000.84 and .86)

These amendments are subject to SEC review and approval

AMENDMENTS TO QC 1000

Amendments to Form QC, Form 1 and Form 2, and related reporting rule

These amendments are subject to SEC review and approval

QC 1000 QUESTIONS AND ANSWERS

New Q&As published in August 2026 in response to questions and requests for clarification received from firms

Reflect staff views on issues related to the implementation of QC 1000 but do not address provisions subject to the 2026 amendments

Topics covered: terminology, firm risk assessment process, ethics and independence, resources, information and communication, monitoring and remediation process, evaluation and reporting, and documentation

Accessible at the QC 1000 implementation webpage

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FIRM CONSULTATION PROCESS - OVERVIEW

A new process available to registered firms only

The consultation is:

- With staff in the Office of the Chief Auditor, not the Board
- On the interpretation and application of PCAOB standards and related rules and forms
- Not guaranteed – unavailable in certain circumstances, such as for an issue arising in ongoing PCAOB rulemaking, inspection, enforcement, or remediation matter or litigation

FIRM CONSULTATION PROCESS – KEY ELEMENTS

- Relevant facts, including the company under audit
- PCAOB requirements/guidance and the firm's interpretations of those
- Firm questions regarding the interpretation or application of PCAOB requirements/guidance
- Any previous consultations
- The firm's proposed course of action
- An indication of any timing concerns

FIRM CONSULTATION PROCESS – LOGISTICS

Firm Consultation Process webpage:

- Accessible from Standards page and Contact the PCAOB page
- Firm Consultation Portal
- Example Consultation Intake Form

Automated email acknowledging receipt

Response via conference call

Consultation requests and responses are nonpublic

REQUEST FOR COMMENT ON STANDARD SETTING

- First time the PCAOB has issued a Request for Public Comment on PCAOB Standard Setting
- Requested public comment on:
  1) updating the standard-setting and research agendas
  2) revisiting the PCAOB's approach to standard setting and
  3) considering the impact of the recent proposal by the SEC regarding semiannual reporting
- Reflected feedback received during the PCAOB's Strategic Priorities Request For Comment and allowed stakeholders to provide targeted input on a more developed set of agenda and process considerations
- Comment period: June 23 – August 7; received more than 30 comment letters
- Next steps

AUDIT PRACTITIONER FELLOWSHIP PROGRAM

New fellowship program available in the Office of the Chief Auditor

Audit practitioners join as full-time employees for a two-year term

Audit practitioner fellows work with the staff on standard-setting and research projects and staff guidance, among other responsibilities

More information about the application process and postings of current openings are available on the PCAOB Careers page

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CONTACT THE OFFICE OF THE CHIEF AUDITOR

Standards Webpage

https://pcaobus.org/oversight/standards

Phone Number

202-591-4395

Standards-Related Questions

https://pcaobus.org/about/contact-the-pcaob/oca-external-inquiries

Open to anyone for straightforward questions

No interpretive responses

Firm Consultation Process

https://pcaobus.org/oversight/standards/oca-firm-consultation

Open to registered firms only

QUESTIONS

Thank you!

PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

Division of Enforcement and Investigations Update

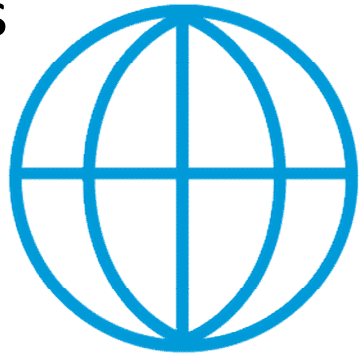
John Abell, Chief Accountant
Division of Enforcement and Investigations
September 22, 2026

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 will 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

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INVESTIGATIVE PROCESS

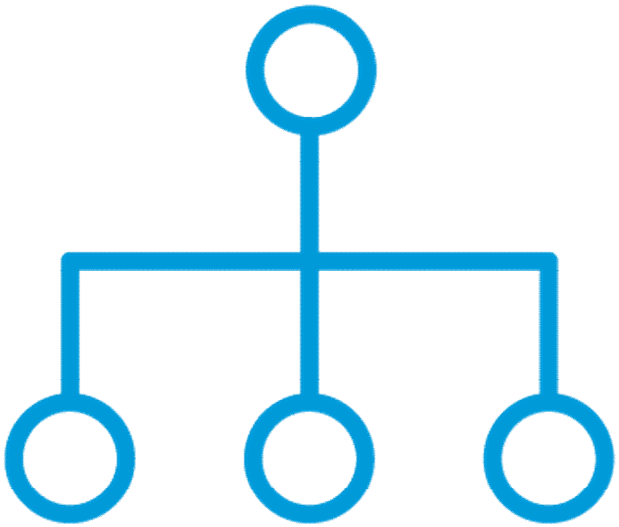
- PCAOB Enforcement conducts fact finding investigations through
  - Obtaining and reviewing relevant documents and communications
    - Work papers, emails, instant messages, etc.
  - Requesting firms to identify all relevant associated persons and the custodian(s) of documents that are produced
  - 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

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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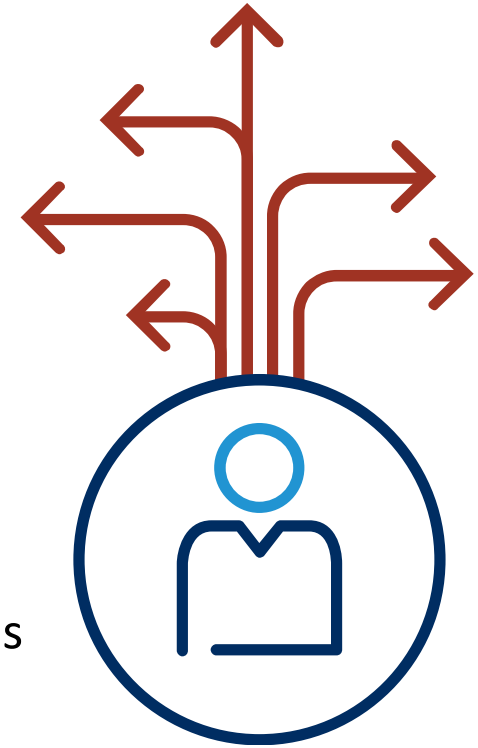
RANGE OF POSSIBLE SANCTIONS

- 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

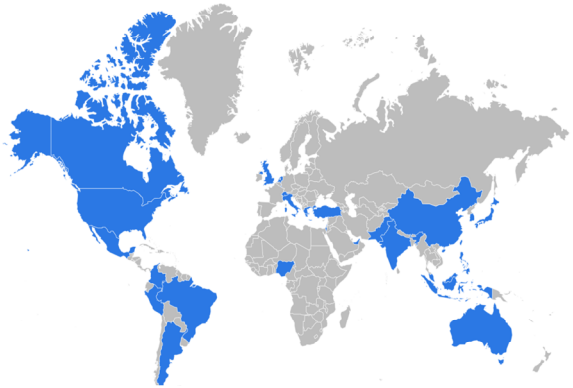
- PCAOB may bring concurrent enforcement actions with the SEC, when appropriate
  - Parallel investigations – PCAOB investigates auditor conduct; SEC investigates the public company, its management and others

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
  - Nearly all disciplinary orders involving one or more of Enforcement's priority areas resulted in a civil monetary penalty

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 nine disciplinary orders against firms and individuals based in China or Hong Kong, including for significant audit violations, exam cheating, quality control violations, and noncooperation



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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

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: Three-year bar

IN THE MATTER OF ZWICK CPA, PLLC & RELATED ORDER

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

- Firm and Engagement Partner, Zwick 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 & 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

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