August 18, 2023

Ms. Phoebe W. Brown  
Secretary  
Public Company Accounting Oversight Board  
1666 K Street, N.W.  
Washington, D.C. 20006-2803  

Re: Amendments to PCAOB Auditing Standards related to a Company’s Noncompliance with Laws and Regulations (PCAOB Release No. 2023-003; PCAOB Rulemaking Docket Matter No. 051)

Dear Ms. Brown:

TechNet appreciates the opportunity to comment on the Public Company Accounting Oversight Board’s (PCAOB) Exposure Draft (Draft) on Company’s Noncompliance with Laws and Regulations. The Draft raises a series of concerns that, if unaddressed, will place significant and unnecessary compliance burdens on American multinational companies while diverting resources away from activities that enhance innovation and, by extension, our global economic competitiveness.

TechNet is the national, bipartisan network of technology CEOs and senior executives that promotes the growth of the innovation economy by advocating a targeted policy agenda at the federal and 50-state level. TechNet’s diverse membership includes dynamic American businesses ranging from startups to the most iconic companies on the planet and represents over 4.5 million employees and countless customers in the fields of information technology, e-commerce, the sharing and gig economies, advanced energy, cybersecurity, venture capital, and finance.

As written, the proposed standards would create significant uncertainty for businesses. In particular, the definitions used throughout the Draft are overly broad and would greatly expand auditors’ existing responsibilities. For example, the Draft would add a responsibility for the auditor to plan and perform procedures to identify all laws and regulations with which noncompliance “could reasonably” have a material effect on financial statements. This “could reasonably” standard is unbounded and imprecise and would not provide auditors with a practical filter or guide for which laws and regulations to evaluate. The proposal also does not clarify how auditors should determine which, among the many, often complex, and highly technical laws and regulations that apply to our multinational companies globally,
“could reasonably have a material effect on the financial statements.” These are complex matters, and using imprecise terminology creates unnecessary ambiguity. Further, by adding additional tasks for auditors, such as identifying, investigating, and reporting noncompliance, the Draft distorts auditors’ core responsibilities, asking them to review business practices far beyond their typical areas of expertise or training.

The uncertainty would not only burden companies through higher audit fees and compliance/process costs but also serve as a barrier to entry for companies interested in going public, including through mergers and acquisitions. The expanded auditing standards introduce an unneeded compliance risk for companies looking to grow and innovate. At a time when we are in a global economic and technology competition, the PCAOB should not be introducing unnecessary challenges for companies hoping to access U.S. markets.

U.S. companies are already responsible for complying with applicable laws and regulations. While auditors are essential in identifying illegal acts and noncompliance with laws and regulations, the PCAOB should exercise caution before expanding its role and responsibilities. In lieu of changes to the Draft, we urge the PCAOB to withdraw its proposal.

Thank you for your attention to our views.

Sincerely,

Meghan Pearce
Federal Policy Director