

**Via Electronic Submission**

March 13, 2024

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

Re: Proposing Release: Amendments to PCAOB Auditing Standards related to a Company's Noncompliance with Laws and Regulations (PCAOB Release No. 2023-003, June 6, 2023; PCAOB Rulemaking Docket Matter No. 051)

Dear Ms. Brown,

We are writing to express our concerns regarding the Exposure Draft from the Public Company Accounting Oversight Board (Board) on Company Noncompliance with Laws and Regulations (NOCLAR).

While we appreciate the Board's efforts to enhance the integrity of the financial reporting process, we believe that the Exposure Draft, in its current form, has serious flaws that could have the opposite effect. Following are some of our most significant concerns:

1. Determining whether there are instances of noncompliance with laws and regulations is a legal determination, and auditors do not engage in the practice of law. Complying with this rule would result in a wholesale makeover in the public accounting profession, requiring public accounting firms to recruit an extensive bench of lawyers with experience in the myriad of laws and regulations that apply to typical registrants. Even if they are successful, this could take years and would undoubtedly result in a substantial increase in fees, which brings us to our second concern.
2. More work needs to be done to determine the potential cost associated with the implementation of the proposed rule. After the implementation of the Sarbanes-Oxley Act of 2002, registrants experienced significant increases in audit fees. As a result of these increases, many small public companies chose to sell or go private, and many private companies were no longer able to obtain


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capital through public offerings. Affordable capital is the lifeblood of America's small companies, and today's small companies are the large companies of tomorrow. This rule has the potential to have the same effect, jeopardizing both corporate profits and access to capital, with no guarantees that the rule will strengthen financial reporting.

3. The proposed rule may drive talent away from the auditing profession at a time when the pipeline is already constrained. If so, the proposed rule might actually decrease audit quality and harm the investing public, rather than strengthening the integrity of the financial reporting process.

Because of these concerns, we believe the Board should make an effort to further assess the feasibility of the proposal, its potential cost and the impact that cost may have on smaller public companies, how it could affect attorney/client privilege, and the long-term impact on the talent pipeline in the accounting profession. Finally, we believe that a proposed rule of this magnitude should be carefully deliberated over time and in public, to ensure that all stakeholders have an opportunity to contribute to the rulemaking process. While doing so may slow down the process, it will undoubtedly reduce the risk of harm to a system that, while not perfect, is still the gold standard around the world.

Sincerely,



Chris F. Meshginpoosh  
Managing Director