

March 18, 2024

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

Submitted via email to comments@pcaobus.org

Re: PCAOB Release No. 2023-003: Proposed Amendments to PCAOB Auditing Standards related to a Company's Noncompliance with Laws and Regulations and Other Related Amendments
PCAOB Rulemaking Docket Matter No. 051

Thank you for extending the opportunity to comment on PCAOB's proposed amendments captioned above. I have over 40 years' experience in finance and accounting roles at major US companies comprising financial analysis, public reporting, internal audit, project accounting, internal controls, US Government contracting, compliance with US GAAP, Federal Acquisition Regulations, Cost Accounting Standards, and the Sarbanes-Oxley Act, as amended. My experience includes liaison and audit support to the Defense Contract Audit Agency at GE/Lockheed Martin and Motorola. I also spent approximately 8 of those years conducting internal compliance audits for GE/Lockheed Martin and Motorola.

Based on my experience, I recommend that the PCAOB withdraw their proposal to broaden the scope of public company financial audits stated in their proposal:

"We are proposing to establish and strengthen requirements for (i) identifying, through inquiry and other procedures, laws and regulations with which noncompliance could reasonably have a material effect on the financial statements, (ii) assessing and responding to the risks of material misstatement arising from noncompliance with laws and regulations, (iii) identifying whether there is information indicating noncompliance has or may have occurred, and (iv) evaluating and communicating when the auditor identifies or otherwise becomes aware of information indicating that noncompliance with laws and regulations, including fraud, has or may have occurred."

The proposed scope is too broad, too open-ended, and delves into areas of law and regulation for which public company financial statements auditors have neither the knowledge nor experience.

I recommend that PCAOB retain public company audits within the present scope, which is broad-based in itself if conducted with rigor, professional skepticism, and conservative adherence to Generally Accepted Accounting Principles:

Under PCAOB standards, the auditor plans and performs the audit to obtain reasonable assurance that the company's financial statements are free of material misstatement, whether due to error or fraud. This is a well-established responsibility. Misstatements in the financial statements can arise by intentional conduct, such as fraud, or by unintentional conduct, such as errors in the financial statements. Intentional misstatements may be made to purposefully achieve a particular financial statement presentation.

...

Current PCAOB standards require the auditor to identify noncompliance with laws and regulations that have a direct and material effect on the financial statements.

Public company financial audits are seriously deficient already, as cited in PCAOB Inspection Reports and SEC administrative and litigation releases over the past 10 or so years. PCAOB's efforts would yield improved results by holding public company auditors accountable for failures under the current audit scope.

Public company accounting firms are paid by the clients they audit. Those who witness fraud but look the other way need to be held accountable. As an SEC/DOJ whistleblower, I can attest that acknowledging fraud is a hot potato that has no owner. Complicity is shared among executive officers, board members, outside legal counsel, public company auditors, and in some cases controlling shareholders, who have much to gain from accounting and reporting fraud and disclosure malfeasance. Designating responsibility to a single participant in this network of complicity, although well-intended, will not improve results.

Respectfully submitted,

Eileen Morrell
Greater Atlanta Area

Note: Included by reference are three comment letters that state in technical detail solid reasons for the PCAOB to withdraw this proposal, and I agree with their general arguments: Letter # 72 Association of Corporate Counsel, August 7, 2023; Letter # 102 Board Members and Audit Committees August 7, 2023; and Letter # 122 Society for Corporate Governance August 10, 2023.