



The Association of
Accountants and
Financial Professionals
in Business

via email

To: comments@pcaobus.org

March 18, 2024

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

Re: Release No. 2023-003, *Amendments to PCAOB Auditing Standards related to a Company's Noncompliance with Laws and Regulations (NOCLAR)*

Dear Secretary Brown and PCAOB Members:

The Financial Reporting Committee (FRC or Committee) of the Institute of Management Accountants (IMA) is writing to share additional views on Public Company Accounting Oversight Board (PCAOB) Release No. 2023-003, *Amendments to PCAOB Auditing Standards related to a Company's Noncompliance with Laws and Regulations (Proposal)* as part of the comment period reopening in line with the March 6, 2024 public virtual roundtable and the roundtable briefing paper that included supplemental questions and topics.

The IMA is a global association representing over 140,000 accountants and finance professionals. Our members work inside organizations of various sizes, industries, and types, including manufacturing and services, public and private enterprises, not-for-profit organizations, academic institutions, government entities, and multinational corporations. The FRC is the financial reporting technical committee of the IMA. The Committee includes preparers of financial statements for some of the largest companies in the world, representatives from the world's largest accounting firms, valuation experts, accounting consultants, academics, and analysts. The FRC reviews and responds to research studies, statements, pronouncements, pending legislation, proposals, and other documents issued by domestic and international agencies and organizations. Additional information on the FRC can be found at www.imanet.org (About IMA, Advocacy, Financial Reporting Committee).

The Committee commends the PCAOB for organizing a public virtual roundtable to obtain additional insights from commenters, stakeholders, and experts and for reopening the comment period to allow those who did not participate in the public virtual roundtable to provide supplemental comments in response to the roundtable briefing paper.

In light of the wide range of concerns shared across stakeholder groups, we strongly encourage the PCAOB to repropose Release No. 2023-003 to ensure a balanced consideration of the implications of the Proposal as drafted. Many significant issues have been raised about the lack of clarity around the objective of the Proposal, the implied expansion of the scope of financial statement audits and related internal controls over financial reporting, the impact on privileged communication, the role of the auditors and attorneys versus the role of management, and the potential costs to comply with the Proposal. In our opinion, the magnitude of the impact of these concerns cannot be appropriately addressed through redeliberations and we believe a reproposal is required to ensure appropriate due process over any final amendments. Further, a comprehensive economic analysis should be performed to ensure the costs of implementation and ongoing compliance with the Proposal are adequately assessed prior to any final amendments.

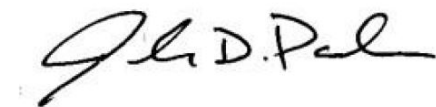
In our opinion, preparer feedback has not been robustly discussed and considered and as such, we encourage specific outreach efforts with preparer stakeholders to gain a better understanding of the policies, processes, and procedures that exist today in a company's environment to manage the risk of noncompliance with applicable laws and regulations as well as the connection to financial statement impact assessments in accordance with Accounting Standards Codification Topic 450-20 – Loss Contingencies. We also encourage a similar outreach effort with public accounting firms (perhaps using general real-life case studies) to understand the procedures performed today versus what potentially would be performed to comply with the Proposal as currently drafted to understand the potential costs.

The potential effects of the Proposal as drafted are far reaching and it is critical that all stakeholder feedback is fully understood and considered before finalizing any amendments.

Please refer to our original comment letter submitted on August 7, 2023 ([comment letter 54](#)) for our complete feedback on the Proposal as drafted.

We would be pleased to discuss our comments with you or your staff at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "J.D. Paul". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Josh Paul
Chair, Financial Reporting Committee
Institute of Management Accountants

cc: Paul Munter, Chief Accountant, Securities and Exchange Commission