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Via E-mail: comments@pcaobus.org

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

Re: PCAOB Rulemaking Docket Matter No. 054

Dear Office of the Secretary:

BDO USA, P.C. appreciates the opportunity to comment on the Public Company Accounting Oversight Board's ("PCAOB" or the "Board") Release No. 2024-001, *Proposals Regarding False or Misleading Statements Concerning PCAOB Registration and Oversight and Constructive Requests to Withdraw from Registration* ("the Release").

Overall Comments

We generally agree with the proposals in the Release to advance the Board's mission of investor protection and furthering the public interest in the preparation of informative, accurate, and independence audit reports, including enhancing its registration program.

We appreciate the Board's objectives with the proposals in the Release, and specifically acknowledge the importance of prohibiting registered public accounting firms and their associated persons from making any false or misleading statements relating to the firm's PCAOB registration status, including the extent of the PCAOB's oversight of the firm's services with the proposed new PCAOB Rule 2400, *False or Misleading Statements Concerning PCAOB Registration and Oversight*. However, we find certain aspects of this proposed new rule would benefit from further clarity or modification. These points are described in the following section of this letter.

We agree with the Board's proposed addition of a new "constructive withdrawal" mechanism proposed Rule 2107(h) to address situations in which a registered firm is repeatedly delinquent in filing its annual report or paying its annual fees to the PCAOB, and the proposing amendments to PCAOB Form 3, *Special Reporting Form*.

Areas of clarity or modification

1 Proposed Rule 2400(b)(2) Registered Firms Not Currently Subject to PCAOB Oversight

According to proposed Rule 2400(b)(2), if a registered firm has not issued an audit report for an issuer or broker-dealer, or played a substantial role in such an audit, within the

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past three years, the firm and its associated persons must not, when marketing or otherwise holding out the firm to a client, potential client, or the public, state or imply that the firm is registered with the PCAOB or is subject to the PCAOB's oversight without also prominently indicating in that statement that the firm is not currently providing services that subject the firm's work to potential PCAOB inspection (for example, "PCAOB Registered - Not Currently Providing Services Subject to PCAOB Oversight").

Page 14 of the Release states that “[p]roposed paragraph (b)(2) is designed to address any marketing and other public statements that are made by the 40% to 50% of registered firms that neither audit issuers nor broker-dealers, nor play a substantial role in those audits, and their associated persons.”

In our experience, many U.S. - based multi-location audits of issuers and brokers-dealers involve multiple other audit firms located outside the U.S. Audits conducted by U.S. Global Network Firms (“GNFs”) often involve other audit firms that are part of the same network as the U.S.-based lead audit firm. Such PCAOB registered non-U.S. GNFs frequently perform audit services¹ to support the U.S.-based lead auditor's report in a regulatory filing. Although such non-U.S. GNFs may not be responsible for issuing any audit reports for an issuer or broker-dealer, or play a substantial role, they frequently perform audit services to support such audits. The Release identifies such non-U.S. GNFs as “inactive” within Figure 1 of the economic analysis², which would be misleading to the public since these firms are actively conducting audit work in accordance with PCAOB standards.

Requiring such firms to prominently indicate that their firm is not currently providing services that subject the firm's work to PCAOB oversight in accordance with proposed Rule 2400(b)(2) may have an unintended consequence that clients, potential clients, or the public might be misled into believing that the firm lacks appropriate knowledge, skill, and ability to perform audit services under PCAOB standards when in actuality they do in these circumstances.

While we agree that the proposed phrase “not currently providing services subject to PCAOB oversight” would be a neutral statement, we also believe that stating simply that a firm is registered with the PCAOB would be a neutral and factual statement about its registration status, after considering the remainder of the proposed rule that would expressly prohibit false or misleading statements concerning a firm's PCAOB registration status. Accordingly, for the reasons explained above, we recommend deleting proposed Rule 2400(b)(2).

¹ See PCAOB Rule 1001(a)(vii) Audit Services.

² See Section IV.A.1.ii of the Release.



2 Proposed Rule 2400(b)(4) Auditors' Reports for Clients Other Than Issuers, Brokers, or Dealers

We recommend making conforming amendments to AS 3101 and AS 3105 to cross-reference the disclosure obligations in proposed Rule 2400(b)(4). To promote consistency and comparability of auditors' reports, we recommend adding an illustrative example of where and how the auditor should prominently indicate in their report that such services are not subject to PCAOB oversight. In addition, we recommend making similar conforming amendments to AS 4105 with respect to review reports on interim financial information.

Specifically, AS 3101 and AS 4105 require the reports described in these standards to include the title, "Report of Independent Registered Public Accounting Firm"³, and the "Basis for Opinion" and "Basis for Review Results" sections to including a statement that "the auditor is a public accounting firm registered with the PCAOB (United States)."⁴ The changes recommended in the previous paragraph would provide the necessary clarity and consistency in application of the proposed Rule 2400(b)(4) in practice.

Effective Date

Since certain aspects of the proposals connected to the auditor's report, which require making concurrent conforming amendments to the auditing standards, we recommend that the effective dates for proposed Rule 2400 and proposed amendments to Form 3 to be effective for audits of fiscal years ending on or after December 15 at least twelve months after SEC approval of final rule.

* * * *

We appreciate the Board's consideration of our comments and would be pleased to discuss them with you at your convenience. Please direct any questions to Ashwin Chandran at 214-689-5667 (achandran@bdo.com), or James D'Arcangelo at 203-905-6234 (jdarcangelo@bdo.com).

Very sincerely,

BDO USA, P.C.

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³ See AS 3101.06 and AS 4105.37

⁴ See AS 3101.09g and AS 4105.37Ce