



April 11, 2024

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street NW
Washington, DC 20006-2803
comments@pcaobus.org

Re: PCAOB Release No. 2024-001: PCAOB Rulemaking Docket Matter No. 054, Proposals Regarding False or Misleading Statements Concerning PCAOB Registration and Oversight and Constructive Requests to Withdraw from Registration

To the Office of the Secretary:

CPA Club Inc. ("CPA Club") is writing to share our perspective on Proposed new PCAOB Rule 2400, *False or Misleading Statements Concerning PCAOB Registration and Oversight* and the proposed new paragraph of existing PCAOB Rule 2107, *Withdrawal from Registration*.

Founded and led by one of [Accounting Today's Top 100 Most Influential People in Accounting](#) and one of [CPA Practice Advisor's 20 Under 40 Top Influencers](#), CPA Club was recognized as a [Top New Product by Accounting Today](#) and we're on a mission to make the CPA world better. This includes transforming how public accounting firms deliver audit and assurance services. We are a licensed accountancy corporation based in the United States and are also registered with the PCAOB. Through our unique membership model, CPA Club provides subscription access to on-demand AICPA and PCAOB audit and assurance professionals who deliver solutions to top 10, regional and local CPA firms throughout the United States. Our solutions include support for audit and assurance, quality management, regulatory matters, training, and transformation.

We commend the PCAOB for its proactive stance in addressing critical issues through proposed new PCAOB Rule 2400. This initiative marks a significant stride towards fostering transparency and accountability within the realm of audit and assurance services, benefiting key stakeholders such as investors, audit committees, and the broader public. The timing of proposed new PCAOB Rule 2400 is particularly opportune, given the escalating prevalence of audit deficiencies and disciplinary actions within the profession. Furthermore, we recognize the pervasive lack of awareness among the public regarding potential false or misleading statements made by CPA firms, underscoring the urgency of regulatory intervention.

We constantly speak with CPA firms throughout the United States, many of whom wish to learn more about our unique membership model. As part of that discovery process, we have encountered many registered public accounting firms' statements and marketing materials directed to clients, potential clients, and the public as it relates to their PCAOB registration or the extent of PCAOB oversight of their services. We have identified some of the same misleading and false statements mentioned in the proposed new PCAOB Rule 2400. As an example, a particular registered public accounting firm has stated on its website the following:

- "[Firm Name Redacted] has been registered with the Public Company Accounting Oversight Board since 2003. In other words, we've been committed to audit excellence from the very beginning."
- "For the last 20 years, two independent organizations have regularly inspected our work – the PCAOB and an AICPA peer review firm. You can rest assured knowing we have the expertise and performance to effectively guide your company."
- "For over two decades, we've been registered with and inspected by the PCAOB and have earned six consecutive clean AICPA Peer Review reports."

It is clear to us that this registered public accounting firm is making what we would characterize as false and misleading statements and conflating two different regulatory processes in our profession as a mark of excellence. The reality is this firm's most recent PCAOB inspection report indicated that 100% of its audits reviewed by the PCAOB had Part I.A deficiencies, numerous Part I.B. deficiencies, and PCAOB-identified Part I.C. instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence. Moreover, the firm's previous PCAOB inspection report was expanded to include disclosure of certain quality control criticisms, and the PCAOB also imposed an order sanctioning this firm, including a civil monetary penalty. This publicly available information, as well as similar examples from other CPA firms, underscore the imperative of combating false or misleading statements within the profession.

Proposed new PCAOB Rule 2400 would establish a "general prohibition on false or misleading statements concerning a registered public accounting firm's PCAOB registration status, including the extent of the PCAOB's oversight of the firm's services." The proposed new PCAOB Rule 2400 further indicates that a violation of the general prohibition "could provide a basis for potential PCAOB inspection findings and, where appropriate, enforcement action."

We at CPA Club do not currently believe that inspection findings and enforcement actions have been sufficient or timely enough to deter bad behavior, and it is more likely than not that registered public accounting firms may view these as simply the “cost of doing business.” Several registered public accounting firms continue to generate significant revenues and profits from issuer audit fees, despite consistently delivering audits with one or more PCAOB deficiencies over extended periods. Meanwhile, even amidst the recent surge, the PCAOB has been notoriously slow to impose monetary penalties or enforcement actions. Implementing more substantial monetary penalties, coupled with expedited disciplinary proceedings that was a considered alternative in the proposed new PCAOB Rule 2400, would not only serve as a more effective deterrent against such practices but also enhance transparency for key stakeholders and buyers of audit and assurance services.

While we commend the proposed new PCAOB Rule 2400 for its focus on prohibiting false or misleading statements, we also believe there is room for enhancement to maximize its efficacy. Specifically, we advocate for additional disclosure requirements to supplement enforcement mechanisms with more substantial penalties and mandating transparent communication regarding PCAOB oversight in firm-client interactions. We also do not agree with the Board where it “is not proposing to require any firm or associated person to say anything in statements to clients, potential clients, or the public about the firm’s PCAOB registration or the scope of the PCAOB’s oversight. Silence about such matters is an option under proposed Rule 2400.” Silence, in our view, can be equally, if not more misleading as it potentially masks the truth and reality of the firm’s audit quality.

We believe the PCAOB should mandate the following in conjunction with the proposed new PCAOB Rule 2400:

- A registered public accounting firm must prominently include on its website and/or its equivalent a direct link to the PCAOB’s summary page for its firm.
- A registered public accounting firm must prominently disclose on its website and/or its equivalent and in any issuer proposals a historical summary table of the results of its three most recent PCAOB inspection reports, where applicable, including the number of Part I.A. deficiencies, the percentage of Part I.A. deficiencies in comparison to the number of audits selected for review, the number of Part I.B. deficiencies, and the number of Part I.C. deficiencies.

- Include an additional required communication to Audit Committees under AS 1301 and within any issuer proposal an affirmative statement as to whether the firm has been notified or believes itself to be in violation of this proposed new PCAOB Rule 2400.

Lastly, we suggest the PCAOB include clear guidelines and procedures for investigating and addressing complaints regarding false or misleading statements made by audit firms. As part of our commitment to make the CPA profession better, we have been publicly on record via social media platforms, highlighting some of these false and misleading claims that we have encountered. We believe that additional disclosure and greater transparency will enhance public trust and confidence in the PCAOB's regulatory oversight and the profession.

We thank the PCAOB for the opportunity to comment and would be pleased to discuss with you further if needed. CPA Club looks forward to seeing the PCAOB's continued efforts to strengthen audit quality and protect investor interests.

Sincerely,

CPA Club Inc.

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