

June 6, 2024

Via U.S. Mail and Email

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

**RE: PCAOB Rulemaking Docket No. 041
PCAOB Rulemaking Docket No. 055**

Dear Sir or Madam:

Please allow this correspondence to serve as public commentary regarding certain proposed rules and standards under review by the Public Companies Accounting Oversight Board (PCAOB), including Docket No. 041 and Docket No. 055. I write in support of stronger rulemaking that requires transparency from public accounting firms and the entities for which they provide services – particularly including clients that operate as IRS 501(c)(6) business leagues and 501(c)(3) charities that enjoy federal tax-exempt status and therefore should be held to account for legal compliance to federal and state financial reporting and operational statutes, which exist for the express purpose of ensuring financial compliance and accountability meriting public trust and avoidance of certain taxation obligations.

The proposal under Docket No. 041 would require certain firms to publicly report specific metrics relating to their audits and their actual internal practices. I certainly agree that individuals and stakeholders involved with an organization cannot easily observe services performed by auditors, which limits the ability to make informed decisions about investing capital, ratifying the selection of auditors and voting for members of the board of directors, including directors who serve on the audit committee.

The proposed metrics under Docket 041 would require more information about auditors and their engagements that would provide value to the decision-making process for organizations – including non-profit business leagues' dues-paying memberships and non-profit charities' prospective and existing donors, who deserve to know far more precisely, in an evidence-based manner, how these organizations are complying with required financial rules. Likewise, the proposal under Docket 055 would increase reporting requirements for firms to provide complete and timely information. As noted by the PCAOB, robust disclosure is the cornerstone of the U.S. federal securities regulatory regime and is essential to efficient capital formation and allocation. The access to meaningful information fosters an environment for investors and individuals to make better informed judgments about a company's financial position and the management of the organization.

I have personally witnessed the effects of a company's lack of transparency when dealing with financial reporting. I have worked for over thirty years in the public relations industry and hold an Accreditation in Public Relations (APR) credential. I previously was a member of an organization

known as the Public Relations Society of America, Inc. (“PRSA, Inc.”), a nonprofit 501(c)(6) trade association for public relations professionals; I also served as a past national board member myself of this organization (2002-03) and was inducted as a member of its College of Fellows (2017). PRSA, Inc. also operates a charitable foundation called the Public Relations Society of America Foundation, Inc. (“PRSA Foundation”). Both organizations are based in New York. I was dismissed as a member of PRSA, Inc., in 2021, ostensibly for asking basic questions regarding the management of the organization’s finances, after observing and reporting multiple instances of well-documented ethics issues, legal noncompliance, and financial irregularities. Millions of dollars in financial reporting discrepancies and outright losses in member dollars were ultimately documented and registered in multiple written complaints (2021, 2022) to the Office of the New York Attorney General – which have not yet been addressed or resolved.

PRSA, Inc. has a longtime professional relationship with its audit firm, PKF O’Connor Davies (“firm”). PRSA, Inc. has retained the firm for more than 15 consecutive years to handle tax preparation for both entities (PRSA’s business league and the charity foundation) in addition to the audit of both organizations, as evidenced by annual IRS Form 990 filings with the audit firm’s signature noted.

Please also note: This audit firm referenced within this statement already has been sanctioned by the PCAOB in recent years for its own audit practices, *yet PRSA, Inc. has continued to retain this firm without interruption.* As indicated within PCAOB Release No. 105-2022-001, the PCAOB censured the audit firm in 2022 for failing to test the operating effectiveness of the issuers’ information technology general controls, failing to test the completeness and accuracy of certain issuer-produced reports and failing to perform sufficient and appropriate procedures to respond to fraud risks.¹ Specifically, the PCAOB found that the firm’s audit violations were the direct result of its failure to properly design and implement, and monitor the effectiveness of, a system of quality control. Additionally, within the 2022 Inspection of the firm, the PCAOB found certain deficiencies, among others, that included the firm failing to make a required communication to management related to an identified misstatement. According to the inspection report, this constituted noncompliance with AS 2810.²

The PCAOB was not the only agency in past years sanctioning this audit firm. In 2016 – also concurrent with PRSA’s continuous engagement of the firm – the U.S. Securities and Exchange Commission announced that this firm and one of its partners were “charged with issuing fraudulent audit reports,” according to an SEC press release. The SEC’s news release on the matter cited that the audit firm “ignored red flags and relied upon what turned out to be false representations...about certain...receivables, interfund transfers, and liabilities.” The audit firm ultimately paid a fine and agreed to other remedies in the matter. Despite this incident, PRSA, Inc. and the PRSA Foundation – both overseen by the same PRSA CFO throughout the some 15-plus-year audit / accounting engagement – continued retaining the audit firm.

<https://www.sec.gov/news/press-release/2016-229>

<https://www.sec.gov/files/litigation/admin/2016/33-10242.pdf>

¹ See *In the Matter of PKF O’Connor Davies, LLP*, Order Instituting Disciplinary Proceedings, Making Findings and Imposing Sanctions; PCAOB Release No. 105-2022-001 (January 25, 2022), a copy of which is attached as Exhibit 1.

² See *2022 Inspection, PKF O’Connor Davies, LLP*; PCAOB Release No. 104-2023-109 (June 26, 2023), a copy of which is attached as Exhibit 2.

<https://www.reuters.com/article/idUSL1N1D11A1/>

During my association with PRSA, Inc., I noted an excessive lack of transparency in the firm's audits of PRSA, Inc. and the PRSA Foundation. The firm has provided these multiple services (tax preparation and audit) for PRSA, Inc. as well as the PRSA Foundation, fostering what appears to be an egregious lack of third-party checks-and-balances. PRSA, Inc. initiated a new policy in 2019, specifically to conceal the identity of the PRSA, Inc. audit committee membership. This action was taken by PRSA's national board soon after I had asked specific financial questions and asked to know who precisely within PRSA was serving on its audit committee. As documented in PRSA national board meeting minutes, the passage of this new, errant policy to conceal PRSA's audit committee members hinged on a dubious claim that PRSA's audit committee "require(s) confidentiality," and that such confidentiality somehow meant that identities of those who might be rubberstamping potentially errant, misinformed, and/or fraudulent audit firm findings and proffering to PRSA's membership, PRSA sponsors, and prospective / existing PRSA Foundation donors "clean audit" letters must be shielded themselves from any scrutiny or accountability for their potential lack of competence to their audit-oversight tasks or other potential issues, such as potential conflicts of interest resulting in audit committee member self-gain, whether monetary or non-monetary. The PRSA meeting minutes' notation that "names shall be disclosed to relevant parties" later proved patently false, as only PRSA's compromised leadership were empowered to determine who those "parties" were, irrespective of "relevance" to urgent matters at hand and disempowered parties who were negatively impacted.

III. P&P Update/Committee Rosters

As board liaison to the Governance Committee, Ms. Law presented the committee's recommendation that the P&Ps be changed to allow for sharing of PRSA committee members' names only as requested by members. After some discussion by the board, a motion was made by Ms. Law and seconded by Ms. Villegas that PRSA shall post the names of committee chairs on its member website. Individual committee members' names shall be provided upon request by members, with the exception of the Grievance Committee and Panel and the Audit Committee, which require confidentiality. Grievance Committee and Panel and Audit Committee members' names shall be disclosed to relevant parties. The motion also stated that to ensure correspondence and communication are handled in a centralized manner, all committee correspondence and communication should be directed to the committee chair or to the committee email alias only. The motion passed.

I later identified multiple years of financial reporting failures by PRSA, Inc., noncompliant with statutes in New York State Not for Profit Corporation Law, amid serious discrepancies in PRSA's financial claims made to its annual membership governance voting delegation representing thousands of dues-paying members nationwide. These multi-year discrepancies were documented in PRSA's own annual meeting minutes and included over some years millions of dollars in not only misreported

financials to the membership but also retroactively altered “audited” financial statements, for which PKF O’Connor Davies apparently failed to flag to PRSA, Inc. as problematic.

Further, PRSA has failed to report full 12-month year-over-year financials to its own membership in many years – in violation of New York State statute. As but one example, in December 2023, PRSA publicly posted online a legally noncompliant 11-month financial statement (balance sheet) in its so-called “annual report,” with more than \$5 million in multiple math errors. It is my understanding that the audit firm still provides a “clean audit” of PRSA in each of multiple years that past irregularities and infractions occurred, even without the disclosure of the specific individuals serving on PRSA’s audit committee allowing such. This alarming array of incidents have – in various forms – continued to occur within PRSA, Inc., with impunity, all shielded from further scrutiny and demands by PRSA’s membership for explanations, courtesy of the audit firm’s annual “clean audit” pronouncement, which always includes clear disclaimer revelations that PRSA’s conflict-riddled internal controls were never reviewed for purposes of rendering an “opinion” by the audit firm in the process:



Independent Auditors' Report

Board of Directors
Public Relations Society of America, Inc.
National Headquarters

We have audited the accompanying financial statements of the Public Relations Society of America, Inc. National Headquarters (a non-profit organization) which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Public Relations Society of America, Inc. National Headquarters (a non-profit organization) as of December 31, 2019 and 2018 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in note 2 to the financial statements, effective January 1, 2019, the Public Relations Society of America, Inc. National Headquarters (a non-profit organization) adopted new accounting guidance resulting in a change in the manner in which it recognizes revenue. Our opinion is not modified with respect to this matter.

PKF O'Connor Davies, LLP

April 17, 2020

PKF O'CONNOR DAVIES, LLP
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It is my understanding that PRSA, Inc. purposely narrowed the contractual scope of its own audit by the firm to require that it provide “no opinion” regarding the internal controls of PRSA. This restriction in scope fully allows for a garbage-in/garbage-out environment with no oversight. It should also be noted that PRSA’s CFO was allowed from mid-2019 to early 2021 to serve dually as “interim CEO” of PRSA, effectively allowing him as CFO to report to himself for some 18 months,

at precisely the time of the pandemic, during which this CFO also advised the PRSA board – and it acquiesced – to loosen PRSA’s internal financial policies and procedures, as documented in PRSA board meeting minutes (available upon request).

Also concerning, this same CFO has been allowed by PRSA – and with no threat to PRSA’s “clean audit” posture – to serve continuously since 2020 as “Treasurer” of the Global Alliance, a third-party global organization composed essentially as an association of other PR associations, from nearly every continent on the globe, regardless of financial background, regulation, or performance record. In this concurrent role, PRSA’s CFO issues membership-dues checks or any other “grants” on behalf of PRSA to the Global Alliance, which he ostensibly then takes receipt of himself for deposit (or at least accounting of deposit) in his role as Treasurer of the Global Alliance. This “arrangement” has been going on for nearly five years now, and PRSA just announced in May 2024 that PRSA’s CFO will serve yet another two-year term in a continuation of this conflict-of-interest-concerning role as concurrently serving Global Alliance Treasurer, through 2026. This set-up violates basic, globally accepted tenets of avoiding obvious financial conflicts of interest and certainly avoiding appearances of the same.

- Global Alliance Members: <https://www.globalalliancepr.org/partners>
- Announcement of CFO role: https://www.linkedin.com/posts/global-alliance-2_global-alliance-agm-elects-new-board-2024-activity-7200584378329055232-ml-R?utm_source=share&utm_medium=member_desktop

Since the PCAOB has allowed for public comment regarding the proposed changes, I am compelled to submit this statement and provide these specific examples regarding how the amendments would improve industry practices. The increased requirements for the public reporting of standardized firm and engagement metrics, as well as additional requirements for more complete reporting, will assist in creating an atmosphere of much-needed transparency for the sake of basic organizational integrity. I also strongly urge PCAOB consideration of new regulations that expose and cut off obvious existing loopholes that opportunistic parties might exploit to allow tax-exempt organizations to operate by unaccountable cabals who flout compliance obligations and undermine stakeholder trust so that they personally might benefit, despite overwhelming expense to organizational integrity and the wellbeing of stakeholders whom they otherwise posture as serving.

I support the efforts of the PCAOB and any regulatory authority in creating more stringent requirements for organizations and firms to prevent this kind of misconduct in the future. Thank you for your attention to this matter. I am available to answer any additional questions as needed or to share evidence from my copious files of documentation to the many relevant series of incidents and matters at hand that underscore urgent need for reforms.

Sincerely,

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