plante moran

Plante & Moran, PLLC
P.O. Box 307
3000 Town Center, Suite 100
Southfield, MI 48075
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

June 7, 2024

Sent via e-mail: comments@pcaobus.org

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

RE: Proposed Release No. 2024-003: Firm Reporting; PCAOB Rulemaking Docket Matter No. 55

Dear Office of the Secretary:

Plante & Moran, PLLC ("PM," "the Firm," or "we") appreciates the opportunity to share our views and provide input on the Public Company Accounting Oversight Board's ("PCAOB" or the "Board") Proposed Release No. 2024-003 Firm Reporting (the "Proposal"). We appreciate the Board's efforts to evaluate whether additional information should be available to the PCAOB, investors, audit committees, and other stakeholders to support PCAOB's regulatory functions and investor protection. We have reservations, however, about the PCAOB's authority to issue these rules, the usefulness of the expanded requirements for their intended purpose, and the ramifications of continuing to add costly burdens without tangible, meaningful benefits. As a result of our concerns, which are discussed in further detail below, we cannot support various aspects of the Proposal.

Overall Comments:

The PCAOB Lacks Statutory Authority for Significant Aspects of the Proposal

When Congress enacted the Sarbanes-Oxley Act of 2002 ("SOX"), it enumerated specific authorities for the PCAOB to deploy in pursuit of its statutory mission. Those authorities include: (1) registration, *see* SOX Section 102; (2) standard-setting, *see* SOX Section 103; (3) inspections, *see* SOX Section 104; and (4) enforcement, *see* SOX Section 105. Congress specifically did not create the PCAOB to be a "prudential" or "safety and soundness" regulator and nothing in SOX supports the PCAOB acting as such a regulator. Yet, the current proposal appears to presume the opposite; namely, that all aspects of the businesses of registered public accounting firms are appropriately subject to PCAOB—and, potentially, public—oversight.

The Proposal identifies SOX Sections 101(c)(5) and 102 (primarily 102(d)) as the primary statutory authorities supporting the current rulemaking. Neither provision supports the PCAOB's authority to adopt most aspects of the Proposal.[1]

SOX Section 101(c)(5) grants the Board authority to "perform such other duties or functions as the Board determines are necessary or appropriate to promote high professional standards among, and improve the

[1] *See* Proposal at 11 n.19 (citing SOX Section 101(c)(5) for the proposition that "the Board's mandate extends to monitoring firms and the audit market for disruptions, including those related to firm viability, staffing, or potential legal liabilities"); *id.* at 4 n.3, 7, 19 n.48, 20, 23 n.58, 42 (citing various provisions of Section 102(b) through (e)).

quality of audit services offered by, registered public accounting firms and associated persons thereof, or otherwise to carry out this Act, in order to protect investors, or to further the public interest." This section is not—and, importantly, has not traditionally been read by the Board to be—a "catch all" authority to adopt any rule the Board declares to be in the public interest. As the Supreme Court has held, "the words 'public interest' in a regulatory statute [are] not a broad license to promote the general public welfare," but rather "take [their] meaning from the purposes of the regulatory legislation."[2] Similarly, a mere "statutory reference" to the performance of duties or functions that are "necessary or appropriate" does not give an agency "authority to act, as it [sees] fit, without any other statutory authority."[3] Such references must be read in the context of the specific authorities Congress granted to the PCAOB. Nothing in those specific authorities gives the PCAOB the authority to regulate and oversee registered public accounting firms' financial performance, governance structures, and/or cybersecurity.[4]

Likewise, Section 102(d) does not provide the Board with statutory authority for the Proposal. That section requires registered audit firms periodically to update the information contained in their registration applications and "to provide to the Board such additional information as the Board or the Commission may specify, in accordance with [subsection (b)(2)]."[5] Subsection (b)(2) states that firms applying for registration must submit to the Board certain identified information, as well as "such other information as the rules of the Board or the Commission shall specify as necessary or appropriate in the public interest or for the protection of investors."[6] The Board again appears to rely on this "such other information" clause for its proposed rules here. We believe that position is unsupported for the same reasons that the Board cannot rely on SOX Section 101(c)(5) to support most aspects of the Proposal.

Put differently, the Board's authority under Section 102(b)(2) "must be read with 'some concept of the [Board's] relevant domain' in mind."[7] The words "such other information" have a similar effect under established precedent, which holds that "general words" that "follow specific words in a statutory enumeration" should be "construed to embrace only objects similar in nature to those objects enumerated by the preceding specific words."[8]

---

[2] *NAACP v. FPC*, 425 U.S. 662, 669 (1976); *see also, e.g.*, *Bus. Roundtable v. SEC*, 905 F.2d 406, 413 (D.C. Cir. 1990) ("'public interest' is never an unbounded term . . . broad 'public interest' mandates must be limited to the purposes Congress had in mind when it enacted [the] legislation") (alteration in original) (internal quotations omitted).

[3] *N.Y. Stock Exch. LLC v. SEC*, 962 F.3d 541, 554-55 (D.C. Cir. 2020) (interpreting Exchange Act Section 23 granting to SEC "power to make such rules and regulations as may be necessary or appropriate to implement the provisions" of Exchange Act).

[4] We note additionally that the Supreme Court is currently considering a case, *Loper Bright Enterprises v. Raimondo*, in which the D.C. Circuit held that an agency "may not rely on a 'necessary and appropriate' clause to claim implicitly delegate authority beyond its regulatory lane or inconsistent with statutory limitations or directives." *Loper Bright Enters., Inc. v. Raimondo*, 45 F.4th 359, 368 (D.C. Cir. 2022); *see also, e.g.*, *N.Y. Stock Exch. LLC v. SEC*, 962 F.3d 541, 554-55 (D.C. Cir. 2020) (rejecting SEC's "view that the statutory reference to 'regulations as may be necessary or appropriate'" in 15 U.S.C. § 78w(a)(1) "gave it authority to act, as it saw fit, without any other statutory authority"). The Court's decision in *Loper Bright* may also operate to further constrain the Board's authority.

[5] 15 U.S.C. § 7212(d).

[6] *Id.* § 7212(b)(2)(H).

[7] *Chamber of Comm. v. SEC*, 412 F.3d 133, 139-40 (D.C. Cir. 2005).

[8] *Circuit City Stores, Inc. v. Adams*, 532 U.S. 105, 114-15 (2001) (internal quotations omitted); *see also, e.g.*, *Bus. Roundtable*, 905 F.2d at 413 ("[T]he general standard at the end of [a] list should be construed to embrace only issues similar to the specific ones.").

Further applying these principles to Section 102(b)(2), the Board's authority to require the provision of "other" information under subsection (b)(2)(H) is limited to information of the type enumerated in subsections (b)(2)(A) through (b)(2)(G), which includes the names of clients, fees received from issuers and broker-dealers, certain other financial information, quality control policies, the names of accountants, criminal or civil proceedings, and instances of accounting disagreements.[9] That list does not suggest that Congress contemplated the disclosure of most of the detailed information called for by the Proposal –and certainly does not contemplate the PCAOB requesting information to assess the stability or solvency of auditing firms akin to that collected by a prudential regulator.

As one example of the Board's potential overreach, the Proposal would require the disclosure of any cybersecurity incident that has led, "or [is] reasonably likely to lead, to unauthorized access to the [information systems] of the firm in a way that has resulted in, or is reasonably likely to result in, substantial harm to the audit firm or a third party."[10] This would arguably require a firm to report instances when systems related to non-audit practice areas are breached. There is no reason to believe that Congress intended registered firms' non-audit operations to be subject to PCAOB oversight in this way.

The Proposal Raises Significant Confidentiality and Privacy Concerns

In addition to our concerns with the Board's statutory authority for the Proposal, we are concerned with the practical impacts of the Proposal on audit firms' confidential information. Should the Board move forward with the Proposal, we believe that much of the information sought should be submitted to the PCAOB through its inspection program, where the Board is already collecting various aspects of the identified categories of data, rather than through reporting on either Form 2 or Form 3. Submission through the inspection program under SOX Section 104 would extend the statutory confidentiality protections under SOX Section 105(b)(5),[11] and would ensure that other federal, state, or non-U.S. regulatory authorities that receive the information maintain its confidentiality. Such protections likely are unavailable if the reporting requirements stem from authority purportedly granted to the Board under SOX Section 102.

Additionally, we note that Congress made clear that, outside of clearly delineated powers under Section 102, it intended the PCAOB to exercise its regular oversight of registered firms through a confidential inspections process. "It is unlikely that Congress intended to allow" the confidentiality afforded to that aspect of Board oversight "to be bypassed so easily."[12] Therefore, if the Board proceeds to require reporting of the identified confidential information to the Board, we strongly encourage the Board to require such reporting pursuant to its inspection authority in Section 104.[13]

---

[9] *See* 15 U.S.C. § 7212(b)(2)(A)-(G).
[10] Proposal Appendix, Item 9.1.
[11] 15 U.S.C. § 7215(b)(5).
[12] *MCI Telecomms. Corp. v. Exalon Indus., Inc.*, 138 F.3d 426, 430 (1st Cir. 1998); *see also Whitman v. Am. Trucking Ass'ns*, 531 U.S. 457, 468 (2001) ("Congress … does not alter the fundamental details of a regulatory scheme in vague terms or ancillary provisions.").
[13] We also note that, while Section 102(e) of the Act requires the PCAOB to grant confidentiality to any information "reasonably identified by the subject accounting firm as proprietary," 15 U.S.C. § 7212(e), the Board in fact determines in advance the circumstances in which it will grant confidential treatment, and, notwithstanding the express terms of the statute, may seek to deny confidential treatment in other situations that meet the requirements of Section 102(e). Therefore, Section 102(e) does not stand as a guarantee of confidentiality and appears subject to potentially shifting PCAOB determinations regarding how to implement the confidentiality regime related to this provision of Sarbanes-Oxley.

We are also concerned that a requirement that firms publish public information about their cybersecurity policies and procedures may have an adverse effect on cybersecurity. The public reporting of such information may serve to highlight potential weaknesses in a firm's policies and procedures that could be exploited by potential attackers. If the PCAOB adopts a requirement that these policies and procedures be provided, we would recommend that they be reported confidentially to the PCAOB.

The Proposal Would Impose Significant Costs without Significant Corresponding Benefits and Will Have an Adverse Impact on Smaller Firms

We are concerned that the information the Proposal would require be reported does not necessarily have a direct relationship to audit quality, a fact acknowledged in the Proposal.[14] Furthermore, as a firm with a relatively modest issuer and broker dealer practices, we are concerned that the costs of compliance with the revised reporting requirements will outweigh any potential benefits. The Proposal necessarily will result in incremental costs to firms with an active issuer and broker-dealer audit practice. All firms—regardless of size—will be required to put in place new processes and systems to track, test, and report the requested information to the PCAOB. The more incremental, compliance-based costs the PCAOB seeks to impose on firms, the more likely it is that small and medium-sized firms such as ours will be forced by economic realities to opt out of participating in the issuer and broker-dealer audit practices. The PCAOB needs to consider strongly whether further concentration in the audit industry aligns with its statutory mission and strategic objectives.

Aside from concerns with the costs of the Proposal, which are significant, the economic benefits of the Proposal are also unclear. Consistent with its enumerated statutory authorities, it is unclear what the PCAOB intends to do with the new information that would be reported. There is nothing in the PCAOB's statutory mandate that would allow it to take any specific actions related to many of the new reporting requirements. Assume, for example, that a registered firm reports a cybersecurity incident that resulted in the loss of firm data. Such a loss ultimately has nothing to do with whether an audit firm appropriately applied PCAOB standards or rules to any issuer or broker-dealer audit or maintained an effective quality control system over its issuer and broker-dealer audit practice. Who at the PCAOB would investigate the incident, and what would the PCAOB's ultimate purpose of such investigation be? Without a clear understanding of how the results of the investigation are relevant to audit quality, it seems like much of the Proposal seeks to provide transparency solely for the sake of transparency.

Comparability likely is also not a meaningful benefit for the information that would be reported publicly under the Proposal. Comparing the names of those involved in firm governance, descriptions of legal structures, ownership, governance, network structures and cybersecurity policies and procedures across multiple firms is unlikely to result in a ranking or judgement of one firm being more qualified than others to serve as auditor for an issuer or broker dealer.

[14] Excerpt from the Proposal on page 68 and 69, "While the proposed disclosures would not necessarily have a direct relationship to audit quality, they may enhance audit quality as investors and audit committees iteratively select and monitor firms and advance their understanding ..."

Feedback Regarding Specific Aspects of the Proposal:

Fee Information

First, we are opposed to the collection of firm data that does not pertain to services provided to issuers or broker-dealers. Specifically, we question the value of any party—be it the PCAOB, an investor, an audit committee, etc.—drawing any conclusions about a firm's audit quality or technical capabilities based on the proportion of the fees for services provided to issuers and broker-dealers to the fees for services provided to other clients. Doing so would require a user to make numerous additional assumptions and we do not believe there is a direct correlation between this type of fee relationship and audit quality.

If anything is to be reported, we suggest that the information be limited to fees from audit and non-audit services provided to issuers and broker-dealers.

Audit Firm Governance

Second, we question whether naming individuals involved in an audit firm's governance will provide any meaningful benefit. Such information is unlikely to provide decision-useful information to the PCAOB, which already has access to it through its inspections program, or to investors or others.

In addition, we are concerned that certain of the firm governance disclosures in the Proposal are duplicative with each other as well as with reporting requirements contained in the Board's new Quality Control Standard (New QC Standard).

Special Reporting Requirements

Third, we have concerns with the proposed changes for the Form 3 Reporting requirements:

- We question whether there is evidence to demonstrate that the current timeline is insufficient for purposes of the PCAOB's regulatory role. Specifically, to justify the additional costs firms will incur to increase the monitoring for such events, the Board should demonstrate specific actions it would take as a result, and the benefit of taking such actions 16 days earlier.
- Required reporting should only apply to events or impacts that have actually taken place. There should be no requirement for events that are "reasonably likely" to happen.
- We question the PCAOB's authority to require disclosures in areas beyond a registered public accounting firm's issuer and broker dealer audit practice. Consistent with its mandate under SOX, the PCAOB should focus its disclosure requirements on events that have an impact on the firm's ability to perform quality audits of issuers and broker dealer and, as such, should not extend any reporting requirement to areas beyond the Board's jurisdictional authority. The PCAOB has no statutory authority related to other operational aspects of a firm's business.
- It is unclear what import the phrase "or more promptly as warranted" would mean in practice. The Board should provide a clear, detailed definition of this term, including by providing illustrative examples that would assist firms in their determination of when and how to report.
- It is unclear how the PCAOB would utilize certain disclosures it has proposed. For example, what will the Board do with information relating to insurance claims? Absent a clear purpose for such information, the Proposal appears to impose costs without tangible benefits.

Cybersecurity Incident Reporting

Finally, although we question the PCAOB's authority to regulate any aspect of a registered public accounting firms' internal cybersecurity programs, we believe the scope of the proposed reporting outlined in the Proposal far exceeds that which could possibly be deemed appropriate. If any reporting of a cybersecurity incident is to be required, it should be limited to cybersecurity incidents that have an impact on an audit firm's performance of audit services for an issuer or broker-dealer client. Those incidents that do not have a direct impact on audit services provided to such clients should not be under the PCAOB's supervision.

We further suggest that the timing for reporting should be aligned with all other special event reporting requirements. Any entity that experiences a data breach already has a myriad of jurisdictional reporting requirements under various data privacy and other laws. Requiring reporting to the PCAOB within 5 days adds to the regulatory burden, without a clear demonstration of any benefit of receiving this information, much less within such a short time frame.

Responses to Select Questions Posed by the Board:

Q4. Is our proposed approach to confidential treatment requests for publicly reported information appropriate? Should we permit confidential treatment requests for any of the information proposed to be public? If so, what information?

- If the Board proceeds with requiring disclosure of the firm's policies and procedures to identify, assess and manage material risks from cybersecurity threats, we believe this information should be submitted confidentially rather than made public. Although the Proposal indicates that reporting of cybersecurity policies and procedures is not intended to elicit detailed, sensitive information, we have concerns that the firm's public reporting of a description of a firm's policies and procedures to identify, assess, and manage cybersecurity risks may serve to highlight potential weakness in policies and processes that could be exploited by potential attackers.

Q8. Are the proposed fee reporting requirements clear and appropriate? Will they elicit useful information for investors, audit committees, and other stakeholders? Is there other revenue or expenditure information that should be reported?

- We are opposed to the collection of firm data that does not pertain to services provided to issuers or broker-dealers. As Section 101 of Sarbanes-Oxley makes clear, the Board's authority extends to the oversight of "public accounting firms that prepare audit reports for issuers, brokers, and dealers."[15] If anything is to be reported, we suggest that the information be limited to fees from audit and non-audit services provided to issuers and broker-dealers.

  In addition, we question the value of drawing a conclusion about a firm's technical capabilities based on the proportion of fees for services provided to issuers and broker-dealers to the fees for services provided to other clients.

- To illustrate, assume an example scenario in which two firms are compared. Both have $10 million in fees from services performed for issuers and broker-dealers, but one firm has $90 million in fees from all other clients, and the other firm has $6 million in fees from all other clients. In the firm with $100 million in total fees from all clients, this is a much larger firm that could have additional financial, technological and human resources that could be drawn to bear on the issuer and broker-dealer audit

[15] 15 U.S.C. § 7211(c)(1).

engagements. On the other hand, the firm with $16 million in total fees from all clients may be allocating more of its dedicated resources to the issuer and broker-dealer practice given its relative importance to the firm. Drawing a conclusion about a firm's audit quality based on this information would require making other assumptions and we do not believe there is a direct correlation between this type of fee relationship and audit quality.

Q12. Should financial statements for any subset of firms be disclosed publicly?

- No. We believe it would be inappropriate to require any privately-owned firms to publicly disclose their financial statements. There is no basis in SOX or other relevant law to support the mandated disclosure of such information, whether to the PCAOB or to the public.

Q13. Is the requirement that financial statements be presented in accordance with an applicable financial framework reasonable? Are the accommodations allowed during the interim transition period reasonable? Are there exceptions or modifications to the applicable financial reporting framework that we should accept?

- Our understanding is that many firms currently do not have any current external financial reporting requirements, and therefore utilize a financial reporting framework that is appropriate for internal management purposes, which in many cases is not a generally accepted financial reporting framework. If firms are required to report financial statements under a prescribed reporting framework, many firms would be required to implement new financial reporting processes and controls solely for this purpose, which would be costly and cumbersome.

Q15. Should we define the fiscal year for firms required to submit financial statements?

- No. We do not believe that the PCAOB should dictate a specific fiscal year for firms. Not only would this seem to be an excessive regulatory imposition, it is also unclear how it would result in any benefits.

Q22. Are the proposed requirements for audit firm governance information clear and appropriate? Will they elicit useful information for investors, audit committees, and other stakeholders? Should we consider additional requirements?

- We recognize the importance of the tone at the top set by those acting in a governance role. However, it is unclear what benefit there is to be derived from naming various individuals in roles as required by the Proposal. Presumably, in order to obtain some benefit, a user of this information would have to perform additional research on each person to obtain other available information beyond just their name and role. Such other publicly available information is unlikely to provide insight as to the person's influence on the firm's tone at the top.

  In addition, we are concerned that certain of the firm governance disclosures in the Proposal are duplicative with each other as well as with reporting requirements contained in the Board's New QC Standard. Prior to finalizing any Firm Reporting Rule, we encourage the PCAOB to ensure there are no duplicative disclosures requirements between this Proposal and the New QC Standard. In addition, we note that the PCAOB can easily obtain the information from firms in the inspection process; we question, therefore, the utility (and resultant cost) from providing duplicative disclosures.

Q24. Will the proposed requirements meaningfully contribute to improving audit quality?

- In our general comments above, we addressed concerns over some of the noted benefits outlined in the Proposal. Specifically, as it relates to the governance information, we do not believe the proposed required disclosures will result in the stated benefits. Nor will the information provide any means to compare firms. Lastly, since the PCAOB can and does obtain this information as needed through the

inspection process, requiring public disclosure would not seem to result in any improvement to the PCAOB's oversight.

Q31. Should we consider some other period for reporting? Is the "more promptly" component sufficiently clear and workable? Are there specific items or events that necessitate reporting more promptly than 14 days that we should clearly delineate? Should material events, for example, be reported more promptly (e.g., within five business days)? Should the PCAOB align its reporting deadlines and requirements with those of the SEC's Form 8-K?

- The proposed requirement to report "more promptly as warranted" is not workable since it is unclear the standard that firms will be held to. The standard should be defined by rule to avoid having it defined by ad-hoc enforcement. In addition, it is unclear what need is served by reporting within 14 days, let alone more promptly than that. Reporting deadlines for the SEC's 8-K reporting are appropriately driven by the need for investors to have immediate access to events at the issuer whose securities are publicly traded. The events reported on Form 3 pertain to the PCAOB's oversight of firms and are unlikely to have an immediate or meaningful impact on any given issuer or its investors.

Q32. Is 14 days sufficient time for smaller firms or non-U.S. firms to comply with the proposed reporting requirement?

- Systems could be designed to gather information and monitor for reporting within 14 days. However, operating these processes twice as frequently will certainly increase the cost to comply with these requirements. Smaller firms are disproportionately affected because there are fewer client engagements to spread this cost over. If there were a meaningful benefit to the shortened timeframe, this increased cost perhaps could be justified. Nevertheless, it is unclear what impact receiving this information 16 days sooner will have.

Q34. Will the additional material event reporting requirement elicit useful information for stakeholders? Is the non-exhaustive list helpful in understanding potential subjects for material event reporting?

- A requirement that is open to interpretation creates the opportunity for differences in opinion about what qualifies for the "general special reporting obligation." In addition, the non-exhaustive list includes multiple items that we believe do not provide benefits to stakeholders regarding their understanding of a firm's capacity, incentives or constraints, or audit quality. For example, "any actual or anticipated non-compliance with loan covenants" could be not only relatively inconsequential to the firm, but also have no impact on any potential stakeholders. The only item in the non-exhaustive list that would seem to impact a firm's ability to provide audit services is the determination that there is substantial doubt about the firm's ability to continue as a going concern.

Q37. Is the proposed cybersecurity incident reporting requirement formulated clearly?

- If the PCAOB is to adopt any requirement in this area, which we believe is beyond its statutory authority, any cybersecurity incident information reported to the PCAOB should be limited to those incidents that have an impact on an audit firm's performance of audit services. Those incidents that do not have a direct impact on audit quality should not be subject to reporting to the PCAOB. Further, we understand that investors or other stakeholders may desire a general understanding of the security of an issuer's data. However, for this understanding to be complete, they would need to understand the data security provisions of all entities with which the issuer shares data, not just the audit firm.

Q38. Should cybersecurity incident reporting be completely confidential or should there be some degree of public reporting?

- To the extent it is required, cybersecurity incident reporting should be completely confidential. There are already various laws and regulations imposing requirements related to data security. If there is a data breach, firms are already required to make certain disclosures and reporting as a result. There is no benefit to additional public reporting, and in fact such reporting could hinder an investigation.

Q39. Should the reporting be more prompt? Should we require, for example, that cybersecurity incidents be reported immediately, or with all practicable speed but no later than five business days?

- No. If and to the extent cybersecurity incident reporting is required, we suggest that the timing for reporting should be aligned with all other special event reporting requirements. Any entity that experiences a data breach already has a myriad of jurisdictional reporting requirements under various data privacy and other laws. Requiring reporting to the PCAOB within 5 days adds to the regulatory burden, without a clear demonstration of the benefit of receiving this information within such a short time frame.

Q55. Have we appropriately described the benefits, including potential benefits for smaller firms or issuers and including potential benefits that would accrue to investors and audit committees? If not, how can we improve the analysis?

- Some of the benefits outlined in the Economic Impacts section of the Proposal are not adequately correlated to the proposed requirements.
    - Firms' capacity, incentives, and constraints – In more than one instance, the Proposal refers to benefits from this proposal in providing greater transparency to assess firms' capacity, incentives and constraints. We do not believe that any of the proposed reporting requirements actually provide any insight into these factors. For example, it may be implied that a firm with more total fees from audit services has more capacity, but the only true measure of capacity is the number of resources that are available and unused (i.e., staff with unscheduled time). If capacity is intended to include technical capability, none of the proposed requirements provide a measure of this. The Proposal itself acknowledges: "Some of the proposed disclosures may not directly reflect a firm's capacity, incentives, and constraints. For example, stronger member networks may not directly translate to more technical resources for some firms or the composition of governing boards and management committees in some firms may not directly reflect accountability or its enforcement."[16]
    - Comparison of information between firms – The Proposal purports to improve the comparability of information between firms, by the PCAOB, investors, audit committees, and other stakeholders, by requiring such information in a standardized format. Unlike the Board's proposal for Firm and Engagement Metrics, we do not believe that the qualitative and narrative information that comprises most of the proposed new requirements lends itself to meaningful comparison. Comparing the names of those involved in firm governance, descriptions of legal structures, ownership, governance, network structures and cybersecurity policies and procedures across multiple firms is unlikely to result in a ranking or judgement of one firm being more qualified than others to serve as auditor for an issuer.
    - Improvement of the PCAOB's statutory oversight – The Proposal indicates "Collecting the proposed disclosures on Form 2 annually, across firms, would support the PCAOB's efforts to enhance audit quality and protect investors by more effectively planning and scoping inspection

[16] Page 64 of the Proposal.

selections."[17] This seems to be a vague and insufficient basis for implementing new annual reporting requirements, since the PCOAB staff can continue to request information when inspection planning begins. The sources referenced supporting this statement support a positive association between PCAOB inspections and audit quality. There is no indication or reason to believe that providing this information outside the inspection process further enhances audit quality. The Proposal also indicates that enhanced understanding of a firm's operations and financial strength would help the Board "assess and share information with the Board's oversight authorities regarding certain developments"[18], but it is unclear what decisions or actions this would prompt.

--*

Plante Moran appreciates the opportunity to comment on the Proposed Release No. 2024-003 Firm Reporting. We would be pleased to discuss our comments or answer questions from the Board or PCAOB staff regarding the views expressed in this letter. Please address questions to Carole McNees (carole.mcnees@plantemoran.com) or Dawn Stark (dawn.stark@plantemoran.com).

Sincerely,

Plante & Moran, PLLC

Plante & Moran, PLLC

cc: **PCAOB**
Erica Y. Williams, Chair
Christina Ho, Board member
Kara M. Stein, Board member
Anthony C. Thompson, Board member
George Botic, Board member
James Cappoli, General Counsel
Barbara Vanich, Chief Auditor
Martin C. Schmalz, Chief Accountant

SEC
Paul Munter, Chief Accountant

[17] Page 65 of the Proposal.
[18] Page 66 of the Proposal.