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July 9, 2026

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

Re: PCAOB Rulemaking Docket Matter No. 057; PCAOB Release No. 2026-002 – Supplemental Request for Comment on Proposed Amendments to QC 1000, A Firm's System of Quality Control, and Related Rule and Forms

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Dear Office of the Secretary:

BDO USA, P.C. ("BDO" or "the Firm") appreciates the opportunity to comment on the Public Company Accounting Oversight Board's (PCAOB or the Board) Release No. 2026-002 *Supplemental Request for Comment: Proposed Amendments to QC 1000, A Firm's System of Quality Control, and Related Rule and Forms (Supplemental Request for Comment or SRC)*. We also appreciate the Board's responsiveness to stakeholder feedback during the implementation of QC 1000 and its willingness to propose targeted amendments that enhance the standard's clarity, scalability, and operability while preserving its objective of protecting investors.

We support the Board's objective of enhancing quality control systems in a manner that promotes audit quality and protects investors.

Consistent with our prior comments, we continue to believe that improvements to audit quality are best achieved through a framework that emphasizes clarity, scalability, and alignment with global standards, rather than increased prescriptiveness. For ease of reference, our comments are organized according to the relevant questions included in the Supplemental Request for Comment. We have focused our responses on those questions where we believe additional stakeholder input may be most helpful to the Board's evaluation of the proposed amendments.

Requirement to Design, Implement, and Operate a QC System (Response to Questions 1-3)

We support the proposed rescission of the "design-only" requirement and believe it is appropriate for the reasons described in the SRC.

In response to the Board's questions regarding whether a modified or partial design requirement or alternative trigger should be retained, we do not support introducing such approaches. These alternatives would reintroduce complexity and operational burden without a clear corresponding benefit to audit quality.

As a practical matter, establishing a consistent and operable trigger point prior to accepting a PCAOB engagement is inherently challenging. Engagement scope and participation often evolve

throughout the acceptance process, including in situations involving other auditors or changes in significance of the balances audited or hours performed. Accordingly, a clearly defined "on-ramp" is not readily operational in practice.

We do, however, believe additional guidance regarding transition expectations when a firm becomes subject to QC 1000 or ceases to issue an opinion or play a substantial role would be beneficial.

We note that this concern is not new. In response to the Board's 2022 proposal, commenters raised concerns regarding firms that are registered with the PCAOB but are not currently performing engagements under PCAOB standards, including the practical challenges that may arise when a firm transitions into performing PCAOB engagements or begins playing a substantial role. For example, commenters suggested that firms complying with ISQM 1 or SQMS 1 could be subject to a more tailored transition approach and that firms crossing relevant thresholds should be evaluated based on a specified cutoff or measurement date, similar in concept to SEC filer status determinations.

We also note that this concept is consistent with the Board's current request for comment. In connection with the SRC, Board Member Laughton specifically observed that the Board is seeking comment on alternatives to full rescission of the design-only requirement, including whether inactive firms should be required to design a QC 1000-compliant system closer in time to when they engage in PCAOB-related activities, such as pursuing an engagement.[1] We believe our recommendation builds on that concept by offering a practical framework that would provide firms with a clear compliance pathway while avoiding the operational challenges of a trigger that may not be known sufficiently in advance.

Accordingly, we encourage the Board to consider whether compliance with QC 1000 for firms that become subject to the standard after December 15, 2026, could be tied to an established evaluation period and measurement date rather than a specific triggering event. Many PCAOB-registered firms that are not currently required to design, implement, and operate a QC 1000-compliant system already operate systems of quality management and annual evaluation cycles under ISQM 1 or SQMS 1. Leveraging those existing evaluation cycles could provide a more practical, predictable, and scalable transition framework.

Under such an approach, a firm would determine at the beginning of its selected evaluation cycle whether it is required to comply with QC 1000 during that period. If the firm performs, or has accepted responsibility to perform, an engagement under PCAOB standards or play a substantial role during that cycle, it would design, implement, operate, and monitor its QC system throughout that evaluation period and evaluate the effectiveness of that system as of its selected evaluation date.

[1] https://pcaobus.org/news-events/speeches/speech-detail/statement-on-proposed-amendments-related-to-qc-1000---pursuing-a-more-moderate-and-sustainable-course

We believe this approach would provide firms with greater certainty, better leverage existing quality management processes, and avoid situations where firms are expected to transition effectively overnight from not being subject to QC 1000 to having a fully designed, implemented, operating, monitored, and evaluable system of quality control.

This consideration is particularly important for firms within global networks that may only periodically become subject to PCAOB requirements through participation in multinational group audits. Expanding and maintaining a pool of qualified PCAOB-registered firms capable of participating in complex group audit structures is important to audit quality. A transition framework that is practical and operational can help achieve that objective without diminishing accountability or investor protection.

Roles and Responsibilities (Response to Questions 4-7)

We support the proposed flexibility to assign roles and responsibilities described in paragraph .12 to any qualified individual, whether firm personnel or an other participant, and to divide responsibilities of a role across multiple individuals. These changes appropriately reflect how firms operate in practice and support the use of specialized expertise while still maintaining the core objectives of the requirement.

In response to the Board's question regarding whether the proposed amendments to paragraphs .12 and .15-.17 should be limited based on firm size or other factors, we do not believe such limitations are appropriate. These flexibilities should be available to all firms, provided accountability is clearly established.

This flexibility is important for firms of all sizes, but for different reasons. Smaller firms may rely on other participants to obtain specialized skills, expertise, and objectivity. Larger firms may divide responsibilities across multiple individuals to enhance capacity, leverage specialized expertise, and strengthen oversight. Preserving this flexibility allows firms to tailor their quality management structures to their size and complexity while continuing to achieve the underlying objectives of effective governance and audit quality.

Overall, we believe these changes appropriately enhance scalability and operational effectiveness without introducing unnecessary structural constraints.

External QC Function (EQCF) (Response to Questions 8-12)

We support the proposed removal of the EQCF requirement. Removing the prescriptive requirement provides firms with greater flexibility to design governance structures that are appropriately tailored to their size, complexity, and circumstances, including determining whether and how independent perspectives are incorporated into oversight activities.

Importantly, removing the EQCF requirement does not diminish the focus on quality. The proposed quality objectives for governance and leadership continue to require firm leadership to demonstrate a commitment to quality, establish clear accountability, support quality through

strategic decisions and actions, and allocate resources in a manner that enables an effective system of quality control.

We do not support retaining the requirement for a subset of firms based on issuer audit thresholds, nor do we support introducing alternative prescriptive oversight mechanisms. We believe a principles-based approach is preferable to a mandatory governance construct. The proposed removal appropriately addresses prior implementation concerns and that firms are best positioned to determine appropriate governance structures based on their size, complexity, and risk profile. Many firms, including ours, already incorporate independent voices into their governance and oversight processes and may continue to do so where it enhances the effectiveness of their quality management systems.

We agree that the proposed removal would reduce implementation costs, governance restructuring efforts, and challenges associated with identifying qualified independent individuals. We do not believe these costs are offset by a commensurate audit quality benefit because firms already employ a variety of governance and oversight structures that can appropriately address relevant quality risks.

Overall, we believe that removing the EQCF requirement enhances scalability and flexibility while maintaining a strong focus on accountability, governance, and audit quality outcomes.

Information and Communication (Metrics) (Response to Questions 13-14)

We support the proposed narrowing of the requirement in paragraph .53e to public written communications that include firm metrics. In our view, the proposal appropriately focuses on publicly disclosed metrics and allowing firms to provide explanatory information through external sources where these are generally one-way communications.

In response to the Board's question regarding investor usefulness, we do not believe these changes reduce transparency. Rather, they appropriately focus requirements on information that is most relevant to users. It also preserves the Board's objective of ensuring that public users of firm metrics have sufficient context to understand the information presented, while avoiding unnecessary compliance burden associated with providing duplicative explanations in nonpublic communications where dialogue and follow-up are readily available.

We recommend that the Board provide practical implementation guidance, including illustrative examples, regarding how firms may design and operate controls to comply with the revised requirement. Such guidance could reduce implementation uncertainty, facilitate more efficient compliance, and promote greater consistency across firms of varying sizes and structures.

Monitoring and Remediation Process

a. Evaluating Whether Similar Engagement Deficiencies Exist (Response to Questions 15-17)

We support the proposed limitation to paragraph .68(d) to focus the requirement on evaluating whether similar engagement deficiencies exist so it applies to those that resulted, or could result

in, a failure to obtain sufficient appropriate evidence to support the conclusion reached on an engagement, or an inappropriate overall conclusion on the subject matter of an engagement.

However, we believe additional clarification is necessary to ensure this requirement can be applied consistently and in a manner that is operational.

We support the Board's objective of identifying deficiencies before they result in unsupported engagement conclusions. However, we believe additional clarification is needed regarding the phrase "could result." Given QC 1000's reasonable assurance framework, which is based on reducing risk to an appropriately low level rather than eliminating all conceivable risk, we recommend that the Board (1) revise the proposed text from “could result” to “reasonably could result,” (2) clarify through practical implementation guidance that the phrase is intended to capture deficiencies that create a meaningful risk that sufficient appropriate evidence was not obtained, rather than remote or theoretical possibilities, and (3) provide illustrative examples and evaluation factors to promote consistent application. Without this suggested change to the requirement and added clarification, firms may apply the requirement inconsistently and exert a level of effort and cost that may not be meaningful because virtually any possibility of an engagement deficiency could be viewed as potentially resulting in insufficient audit evidence under some set of circumstances.

We also note that certain examples included in the proposal do not clearly reflect the intended application of the requirement. In particular, the example related to the failure to confirm a cash balance has created confusion. PCAOB auditing standards require auditors to obtain audit evidence from external sources for cash held by third parties; however, sufficiency of audit evidence obtained is inherently based on a risk-based and holistic assessment of the audit evidence obtained.

An engagement team’s failure to perform a specific audit procedure does not necessarily mean that sufficient appropriate evidence was not obtained. Auditing standards recognize that audit conclusions are based on the totality of audit evidence obtained and evaluated in the context of the engagement as a whole. Accordingly, where the omitted procedure relates to a matter that is not material, or where the relevant assertion is otherwise supported through alternative audit procedures, the engagement team may nevertheless have obtained sufficient appropriate evidence to reduce audit risk to an appropriately low level to support its conclusions.

As a result, the example may be interpreted as establishing a threshold that is not clearly aligned with the reasonable assurance framework that underpins PCAOB auditing and quality control standards.

This has created uncertainty regarding whether the Board intends to capture individual execution issues on a standalone basis, or only those deficiencies that indicate a meaningful risk that the engagement team failed to obtain sufficient appropriate evidence or otherwise support the conclusions reached on the engagement.

We recommend that the Board refine the existing example and provide additional scenarios that clearly distinguish between engagement execution issues on a standalone basis and deficiencies that indicate a meaningful risk that the engagement team failed to obtain sufficient appropriate evidence or otherwise support the conclusions reached.

b. Definition of QC Deficiency (Response to Question 18)

We support the clarification allowing firms to consider compensating controls when determining whether a QC deficiency exists. This approach appropriately reflects how systems of quality control operate in practice and avoids over-identification of deficiencies where risks are effectively mitigated.

Evaluation of and Reporting on the QC System

a. Evaluation Date (Response to Questions 19, 25)

We appreciate and support the proposal to allow firms to select their own annual evaluation date for their QC system because of the many challenges noted by audit firms, including ours, and acknowledged by the Board in the SRC.

We also support the proposal to require firms to notify the PCAOB of changes to the evaluation date. However, additional clarification regarding timing conventions (e.g., calendar days versus business days) would support consistent implementation.

We further believe the Board should clarify how information identified after the evaluation date should be considered when evaluating the system of quality control. Specifically, we recommend clarifying that information obtained after the evaluation date should affect the evaluation conclusion only to the extent that it provides evidence regarding conditions that existed as of the evaluation date. Conversely, information relating solely to conditions, events, or activities arising after the evaluation date should be addressed through the firm's ongoing monitoring and remediation process and considered in subsequent evaluation periods.

For example, findings identified through preissuance reviews, internal inspections or other internal quality review activities performed after the evaluation date on engagements that were not complete as of the evaluation date generally would not affect the evaluation conclusion as of that date. Similarly, inspection findings, comment forms, or other feedback received from the PCAOB or other regulators after the evaluation date should not automatically require revision of the evaluation conclusion and would affect that conclusion only to the extent the feedback provides evidence of conditions that existed as of the evaluation date but were not appropriately considered in the firm's evaluation.

We believe this approach would promote consistency in application, avoid unnecessary reassessment of conclusions based on subsequently arising matters, and appropriately distinguish between information that provides evidence about the effectiveness of the system as of the evaluation date and information that should be addressed through future monitoring and remediation activities.

b. Timing of First Evaluation (Response to Question 20)

We support allowing firms to select their own evaluation date and believe firms should perform their initial evaluation of the system of quality control as of that selected date.

However, we question whether the proposed five-month minimum operating period is necessary to achieve the Board's objectives. As proposed, firms may otherwise select an evaluation date that results in an initial evaluation period extending beyond twelve months, suggesting that the Board has already concluded that a longer operating period may be appropriate to support a meaningful evaluation of a newly implemented system of quality control.

This approach may also create practical challenges for firms seeking to align their QC 1000 evaluation process with evaluations performed under ISQM 1 and SQMS 1. For example, if a firm selects March 31 as its annual evaluation date, the proposed five-month requirement could result in the firm's first QC 1000 evaluation occurring as of March 31, 2028, resulting in an initial QC 1000 evaluation period of approximately 15.5 months. However, ISQM 1 and SQMS 1 contemplate annual evaluation periods that generally do not exceed twelve months. In that scenario, the firm would likely be required to perform an ISQM 1 or SQMS 1 evaluation as of March 31, 2027, while the corresponding QC 1000 evaluation would not occur until March 31, 2028. As a result, the firm would effectively be required to evaluate the same period under different evaluation cycles, creating complexity, reducing comparability, and potentially requiring firms to maintain separate evaluation processes during the transition period.

As an alternative, the Board could permit firms to perform their initial evaluation as of their selected evaluation date, consistent with their normal quality control processes, while requiring the first Form QC filing only for the first evaluation period ending after September 30, 2027. Under this approach, firms would still be required to perform and document their initial evaluation on a timely basis but would not be required to establish a separate transition reporting cycle solely to satisfy the five-month minimum operating period requirement.

The challenges associated with the proposed five-month requirement are particularly evident for firms that become subject to QC 1000 after its effective date. As discussed above, we believe a framework tied to a firm's established evaluation cycle and measurement date would provide a more predictable and operational transition mechanism. Such an approach would leverage existing quality management processes already operating within firms, better align with annual evaluation concepts under ISQM 1 and SQMS 1, and avoid the practical challenges associated with establishing separate transition periods each time a firm becomes subject to QC 1000. We also believe this approach would support broader participation by qualified PCAOB-registered firms in complex group audits by reducing unnecessary implementation complexity while maintaining the Board's quality objectives.

We do not believe this approach would reduce the Board's visibility into firms' implementation of QC 1000. The Board currently obtains information regarding firms' systems of quality control through inspections, implementation outreach, annual data requests, and other regulatory

interactions. The Board could continue to obtain information regarding a firm's initial evaluation, implementation progress, significant findings, and remediation activities through these existing mechanisms prior to the firm's first Form QC filing. We believe this approach would provide the Board with timely insight into implementation while allowing firms to evaluate their systems over a complete operating cycle, improving consistency across firms and aligning more closely with the principles underlying ISQM 1 and SQMS 1.

c. Evaluation Conclusions (Response to Questions 21, 26)

We support the three proposed conclusions in paragraph .77 and do not support a binary model.

We believe the proposed framework provides more meaningful information to stakeholders regarding the effectiveness of a firm's QC system and better reflects the realities of how QC systems operate in practice. QC systems exist on a spectrum of effectiveness, and a three-tier framework appropriately recognizes varying degrees of severity and impact rather than requiring an overly simplistic pass/fail conclusion. Further, alignment with ISQM 1 and SQMS 1 in this area is important to promote consistency, comparability, and understandability across global quality management frameworks, particularly for firms operating in multiple jurisdictions.

d. Evaluating the Severity and Pervasiveness of Unremediated QC Deficiencies (Response to Questions 22, 27)

We support the inclusion of additional proposed factors and other revisions in paragraph .78 to guide evaluation of severity and pervasiveness. We do not believe additional mandatory factors are necessary at this time. Instead, practical implementation guidance and illustrative examples would likely be more effective in promoting consistent application while preserving appropriate judgment.

e. Removal of "Major QC Deficiency" (Response to Question 23)

We support the proposed removal of the concept of a "major QC deficiency" as it simplifies the framework and improves alignment with other quality management standards.

Reporting to the PCAOB (Response to Questions 24-25)

We support the proposed changes to Form QC timing and generally support the conforming amendments.

We continue to have concerns regarding the confidentiality of information submitted through Form QC, particularly information relating to identified deficiencies, root causes, remediation strategies, governance matters, and other aspects of a firm's system of quality control. While we understand that Form QC is nonpublic, additional clarity regarding applicable confidentiality protections, information sharing protocols, and the circumstances under which such information may be disclosed would provide firms with greater certainty regarding the treatment of highly sensitive quality management information.

We also recommend clarification of certain operational aspects of reporting requirements, including timing conventions and their interaction with evaluation and remediation processes, to support consistent implementation.

Documentation (Response to Questions 28-29)

We support the proposed documentation-related changes, including the removal of the requirement to assemble a "complete and final set of documentation," the ability to retain documentation within its original system of record, and the shortened retention period. Collectively, these proposed changes appropriately reduce operational complexity, administrative burden, and compliance costs, while continuing to provide the PCAOB with access to information necessary to achieve its regulatory objectives.

However, we believe there is an opportunity to further refine the retention requirements in a manner that continues to support the Board's inspection mandate while improving efficiency.

The Board has indicated that documentation requirements are intended, in part, to support its oversight activities. In practice, inspections occur within the proposed five-year retention window. As such, a single retention period applied uniformly across all QC system documentation may extend beyond what is necessary for this purpose.

We therefore encourage the Board to consider a more risk-based approach to the retention period. Documentation supporting the firm's evaluation of its system of quality control, including evidence of identified deficiencies and remediation efforts, could be retained for a longer period (e.g., five years), while broader system documentation could be subject to a shorter retention period (e.g., three years).

We also note that quality control documentation is inherently dynamic. Systems of quality control are continuously updated to reflect changes in professional standards, the firm's risk assessment, evolving business practices, and ongoing technological advancements. As a result, documentation that is several years old may no longer reflect the current design, risks, or responses within the system and may have limited relevance in evaluating its effectiveness. Retaining all documentation for extended periods may increase complexity without a corresponding benefit to audit quality or oversight.

Additional practical implementation guidance would also be beneficial regarding the "experienced auditor" standard and to clarify that documentation requirements do not imply re-performance of procedures.

Other PCAOB Forms (Response to Questions 30-31)

We support the proposed conforming amendments to Form 1, and Form 2 described in Appendix 3 of the SRC.

In response to the Board's question regarding disclosure of applicable quality control frameworks, we believe such disclosure may be appropriate within firm-related registration filings. Providing

this information would enhance transparency and clarify the frameworks under which a firm's system of quality control is designed and evaluated, particularly where firms operate under multiple complementary frameworks.

Additional Feedback

We believe the following principles remain critical not only to the successful implementation of QC 1000 and related rules, but also to future PCAOB standard-setting activities. These themes are consistent with those discussed in BDO's May 15, 2026, comment letter on PCAOB Release No. 2026-001, Request for Public Comment on PCAOB Strategic Priorities[2]. Specifically, we encourage the Board to:

- Continue to incorporate risk-based and materiality-focused concepts that prioritize matters based on their significance and potential impact on investor protection and audit quality.
- Continue to evaluate opportunities to harmonize PCAOB requirements with analogous quality management and auditing frameworks, including ISQM 1, SQMS 1, and International Standards on Auditing, where such alignment can be achieved without compromising the Board's statutory mandate.
- Clearly articulate the rationale for retaining differences from other frameworks, including the investor protection benefits expected to result from those differences.
- Maintain a scalable approach that recognizes the significant differences among firms in size, structure, geographic footprint, and complexity while continuing to achieve the Board's quality objectives.
- Continue engaging with stakeholders throughout both the standard-setting and implementation processes to identify operational challenges, unintended consequences, and opportunities to improve effectiveness.
- Provide timely and practical implementation guidance, including illustrative examples and good practices in sufficient detail to promote consistent application while preserving appropriate professional judgment.

We believe continued emphasis on these principles will promote standards that are durable, scalable, and capable of being applied consistently over time. Doing so will enhance comparability across firms, reduce unnecessary implementation complexity, and enable investors, audit committees, issuers, and auditors to respond with greater confidence and certainty, all in the furtherance of the ultimate goal of investor protection.

Conclusion

We appreciate the Board's responsiveness to stakeholder feedback and its willingness to propose targeted amendments to enhance the standard's clarity, scalability and operability while preserving its objective of protecting investors.

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[2] https://assets.pcaobus.org/pcaob-dev/docs/default-source/about/administration/strategic-plan-comments-2026/58_bdo.pdf?sfvrsn=ec9dd9bf_2

We also appreciate the opportunity to share our perspectives on the SRC. If you would like to discuss our comments further, please contact Michael Stevenson (mstevenson@bdo.com), Marcy Johnson (marcy.johnson@bdo.com) or Lillian Ceynowa (lceynowa@bdo.com) regarding our submission.

Respectfully submitted,

BDO USA, P.C.

cc:

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