Members of the Investor Advisory Group

Via Email

July 9, 2026

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

Reference: PCAOB Rulemaking Docket Matter No. 057, Supplemental Request for Comment: Proposed Amendments to QC 1000, A Firm's System of Quality Control, And Related Rule and Forms

Dear Secretary Brown and Members of the Public Company Accounting Oversight Board (PCAOB or Board):

The Members of the Investor Advisory Group (MIAG)[1] appreciate the opportunity to share our views regarding the PCAOB's "supplemental request for comment on potential amendments to certain provisions of QC 1000[[2]] and related amendments to the QC reporting rule and PCAOB forms" (Supplemental Request)[3] As we indicated in our May 2026 letter (MIAG May Letter) in response to the Board's request for public comment on the PCAOB's strategic plan,[4] "the MIAG believes that quality control is important, [but] assessing that quality should not take precedence over engagement-level inspection and reporting."[5] That said, the MIAG generally supports the Supplemental Request's targeted amendments to QC 1000 that reduce unnecessary implementation burden, and better align that standard with other quality management standards.

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[1] This letter represents the majority view of the Investor Advisory Group (IAG) that voted to submit this letter to the Public Company Accounting Oversight Board (PCAOB). One member of the IAG objected to some of the views contained in this letter and are free to express their alternative views to the PCAOB. This letter does not necessarily represent the views of any individual members, any member's employer or affiliated organization, or any other organization with which a member may be associated. IAG views are developed by the members of the group independent of the views of the PCAOB and its staff. For more information about the IAG, including a listing of the current members, their bios, and the IAG charter, see https://pcaobus.org/about/advisory-groups/investor-advisory-group.

[2] QC 1000, A Firm's System of Quality Control, PCAOB Release No. 2024-005 (May 13, 2024), https://assets.pcaobus.org/pcaob-dev/docs/default-source/rulemaking/docket046/2024-005-qc1000.pdf?sfvrsn=355bf24_2.

[3] Supplemental Request for Comment: Proposed Amendments to QC 1000, A Firm's System of Quality Control, And Related Rule and Forms, PCAOB Release No. 2026-002 (June 9, 2026), https://assets.pcaobus.org/pcaob-dev/docs/default-source/rulemaking/docket-057/2026-002-qc-src.pdf?sfvrsn=92c20332_2.

[4] Request for Public Comment, PCAOB Strategic Priorities, PCAOB No. 2026-001 (Mar. 31, 2026), https://assets.pcaobus.org/pcaob-dev/docs/default-source/about/administration/documents/strategic_plans/pcaob-no2026-001-rfc-sp.pdf?sfvrsn=b6ef3170_2.

[5] Letter from Members of the IAG to Phoebe W. Brown, Secretary, PCAOB, ***Reference: PCAOB No. 2026-001, Request for Public Comment – PCAOB Strategic Priorities*** 7 (May 13, 2026), https://assets.pcaobus.org/pcaob-dev/docs/default-source/about/administration/strategic-plan-comments-2026/28_miag.pdf?sfvrsn=6ab7d737_2.

The MIAG generally believes a clear and operational QC 1000 is in investors' long-term interests. At the same time, we believe that any changes to QC 1000 should preserve the core investor-protection objectives of the standard and maintain clear accountability for audit quality. With that as background, we provide the following responses to select questions posed by the Board in the Supplemental Request:

1. **Is the proposed rescission of the design-only requirement appropriate? Why or why not?**[6]

   The MIAG supports the proposed rescission of the design-only requirement**.** A critical basis for our support is the PCAOB's conclusion that the "design only requirement . . . may impose costs on firms without commensurate benefits."[7] As we explained in our January 2023 letter (MIAG 2023 Letter) in response to "A Firm's System of Quality Control and Other Proposed Amendments to PCAOB Standards, Rules, and Forms, PCAOB Release No. 2022-006":[8]

   > We . . . believe that it is not appropriate to require firms that have not and do not plan to perform engagements pursuant to PCAOB standards to design QC system in accordance with QC 1000. It would be desirable for them to do so, on the grounds that they may someday attempt audits under the PCAOB standards, but until they actually prepare to undertake such duties, it would possibly impose costs on firms that may never fall under PCAOB jurisdiction.[9]

   In addition, we support the Board's decision to "maintain unchanged the obligation [in paragraph .06][10] to design, implement, and operate a QC system in compliance with QC 1000 when a firm is subject to applicable professional and legal requirements with respect to any of the firm's engagements[.]"[11] We believe the Board should clarify that this obligation requires that a firm must have an appropriately designed and operational QC system before accepting or commencing PCAOB audit work.

4. **Are the proposed amendments to paragraph .12, to allow (a) the specified roles and responsibilities to be assigned to individuals who are not firm personnel and (b) firms to divide responsibilities of a role among multiple individuals, sufficiently clear and appropriate? If not, why not?**[12]

   The MIAG believes that the proposed amendments to paragraph .12 are sufficiently clear and appropriate.[13] More specifically, we support the proposing amendment to paragraph .12 to allow flexibility in assigning the specified roles and responsibilities to any individual (whether firm personnel or an 'other participant'[14]), rather than limiting those roles to firm personnel."[15] A critical basis for our support is PCAOB's conclusion that "this proposed amendment would support audit quality in cases where the individuals most qualified to assume responsibility for certain roles may not be firm personnel."[16]

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[6] PCAOB Release No. 2026-002 at 15 (emphasis added).
[7] *Id.* at 13.
[8] A Firm's System of Quality Control and Other Proposed Amendments to PCAOB Standards, Rules, and Forms, PCAOB Release No. 2022-006 (Nov. 18, 2022), https://assets.pcaobus.org/pcaob-dev/docs/default-source/rulemaking/docket046/2022-006-qc.pdf?sfvrsn=b89546e2_4.
[9] Letter from Members of the IAG to Office of Secretary, PCAOB, ***Reference: PCAOB No. 2022-06, Request for Public Comment – A Firm's System of Quality Control and Other Proposed Amendments to PCAOB Standards, Rules, And Forms*** 4 (Jan. 13, 2023), https://assets.pcaobus.org/pcaob-dev/docs/default-source/rulemaking/docket046/4_iag.pdf?sfvrsn=1941e7c0_4.
[10] *See* PCAOB Release No. 2026-002 at A1-1 (proposed amendment to paragraph .06).
[11] *Id.* at 13.
[12] *Id.* at 20 (emphasis added).
[13] *See id. at* A1–1 & A1–2 (proposed amendments to paragraph .12).
[14] *Id.* at 68.
[15] *Id.* at 17.
[16] *Id.*

In addition, we support the proposed amendments to the Note to paragraph .12 to allow firms to divide responsibilities of a role among multiple individuals.[17] A critical basis for our support is the PCAOB's conclusion that "these proposed amendments would increase flexibility in assigning these roles, reducing the need for organizational changes that may not serve audit quality and broadening the pool of individuals with the appropriate experience, competence, and authority to perform specified roles."[18]

We wish to emphasize that flexibility should not trump accountability. We, therefore, respectfully request that any final standard require clear identification of who is ultimately responsible for the QC system and key areas such as ethics, independence, monitoring, remediation, and the annual QC evaluation.

We also respectfully request that the PCAOB encourage the firms to consider the firm's retirees for QC system roles because we believe that those individuals would provide valuable experience to the firm's quality control function.

8. Are there additional costs and benefits of the proposed removal of the EQCF requirement that should be considered?[19]

The MIAG strongly opposes the proposed removal of the requirement for larger PCAOB audit practices to have an External QC Function ("EQCF"). The stated basis for the recission is the PCAOB concern "that the benefits of the requirement may not justify the costs, except potentially for the largest U.S. global network firms."[20] We disagree. While we recognize the concerns about costs, liability, and implementation, we believe some form of independent challenge is vital to an effective EQCF.

It is our understanding that the requirement for larger PCAOB audit practices to have an EQCF would be applicable to only five accounting firms. If our understanding is correct, we believe that fact alone may be sufficient for the Board to reject the proposed removal of the EQCF requirement.

Moreover, we believe there are at least two potential flaws with the PCAOB's analysis of the costs and benefits of the EQCF requirement. First, the PCAOB may have understated the potential benefits of the EQCF requirements by failing to consider the impact of the ongoing trend of private equity investment in accounting firms.

In 2022, then Acting Chief Accountant of the Securities and Exchange Commission Paul Munter, observed that private equity investments in accounting firms "could create incentives that conflict with the auditor independence rules [and] [a]ccounting firms that enter into transactions with private equity firms should therefore proactively guard against any potential issues, including appearance issues, regarding the accounting firm's priorities and motives that could compromise its ethical responsibilities and compliance with independence requirements."[21] And just last month, George R. Botic, PCAOB Board Member, stated:

> Recently, we have seen significant evolution in the accounting profession impacting firms' systems of quality control. Examples include changing firm ownership structures [and]

[17] *See id.* at A1–2 (proposed amendments to Note of paragraph .12).
[18] *Id.* at 18.
[19] *Id.* at 23 (emphasis added).
[20] *Id.* at 22.
[21] Paul Munter, Acting Chief Accountant, Statement, Auditor Independence and Ethical Responsibilities: Critical Points to Consider When Contemplating an Audit Firm Restructuring (Aug. 29, 2022), https://www.sec.gov/newsroom/speeches-statements/munter-statement-auditor-independence-ethical-responsibilities-082922.

> expanding numbers of firm mergers and acquisitions . . .. These changes, in my view, underscore the need for the PCAOB to provide a robust quality control framework.[22]

We observe that since 2024 two of the larger PCAOB practices that would be within the scope of the EQCF requirement became recipients of capital from private equity firms.[23] And just days ago, two more of the 20 largest accounting firms that conduct public company audits (now 10 of the 20 largest) announced deals with private equity firms.[24]

We note that the MIAG May Letter requested that the Board prioritize "consideration of how private markets . . . impact the Board's initiatives . . . ."[25] In this circumstance, we believe the consideration of the risks of private equity investments on auditor independence, including the potential trade-offs between audit quality and commercial decisions, increases the benefits of the EQCF requirement.

Second, we believe the PCAOB may have overstated the potential costs of the EQCF requirement. While acknowledging the narrow responsibilities of an individual serving the EQCF,[26] the PCAOB estimated the costs by considering the compensation of a "non-employee director at S&P 500 public companies"[27] and the "remuneration for individual independent nonexecutives (INEs) under the U.K.'s audit firm governance rules."[28] We believe using either of those costs as benchmarks significantly overstates the costs of the EQCF.

10. Is there an alternative threshold that would be appropriate? If so, what is that threshold and why would it be appropriate?[29]

As indicated in response to question 8, the MIAG supports retaining the EQCF requirement at the current threshold. We, however, would not oppose an alternative threshold whereby the requirement would apply only for firms that issued audit reports to more than *200 issuers* during the prior calendar year. We believe

[22] George R. Botic, Board Member, PCAOB Open Board Meeting: Inviting Broader Stakeholder Perspectives on Proposed Amendments to QC 1000, A Firm's System of Quality Control (June 9, 2026), https://pcaobus.org/news-events/speeches/speech-detail/inviting-broader-stakeholder-perspectives-on-proposed-amendments-to-qc-1000--a-firm-s-system-of-quality-control.

[23] *See* Mark Maurer, Grant Thornton Is Now the Biggest Accounting Firm to Get Private-Equity Backing, Wall Street J., Mar. 31, 2024, https://www.wsj.com/articles/grant-thornton-is-now-the-biggest-accounting-firm-to-get-private-equity-backing-f77243d5 ("The New Mountain-led group's investment constitutes a 60% stake in Grant Thornton's U.S. unit and centers on the nonaudit business, people familiar with the matter said [and] . . . the new majority owners will also have a contractual relationship with the audit business through a management services agreement between the two entities, the people said."); Courtney Vien, BDO Chose an ESOP As An Alternative to Private Equity Funding, CFO Brew, Mar. 20, 2025, https://www.cfobrew.com/stories/2025/03/20/bdo-chose-an-esop-as-an-alternative-to-private-equity-funding (The employee stock ownership plan was "financed with $1.3 billion in private credit from Apollo Global Management among others").

[24] Courtney Vien, 10 Of the Top 20 CPA Firms Are Backed by Private Equity, CFO Brew, June 26, 2026, https://www.cfobrew.com/stories/10-of-the-top-20-cpa-firms-are-backed-by-private-equity ("In recent weeks Crowe (No. 12) and Eide Bailly (No. 18) both announced deals with PE funds").

[25] Letter from Members of the IAG to Phoebe W. Brown, Secretary, PCAOB, ***Reference: PCAOB No. 2026-001, Request for Public Comment – PCAOB Strategic Priorities*** at 4.

[26] *See* PCAOB Release No. 2026-002 at 71 ("For example, directors at S&P 500 public companies are members of a board with broad responsibilities over the company while the EQCF is focused on significant judgments made and the related conclusions reached by the firm when evaluating and reporting on the effectiveness of its QC system.").

[27] *Id.*

[28] *Id.* at 69.

[29] *Id.* at 23 (emphasis added).

the relatively large revenue base from the issuer audits of these audit companies could more easily support the firm's alleged incremental cost of the EQCF requirement.[30]

13. Are the proposed amendments to paragraph .53e sufficiently clear and appropriate? If not, why not?[31]

The MIAG believes the proposed amendments to paragraph .53e are appropriate.[32] We, however, also believe that the PCAOB must clearly communicate to the firms that the intent of this provision is that the firms must "ensure that the explanation remains accurate and publicly available,"[33] including an accurate and publicly available explanation of any changes in the definitions or measurements of the metrics over time.

14. Would allowing firms to provide an explanation of metrics on their website adversely affect the utility and comprehensibility of metrics made public for investors and other users? If so, how?[34]

The MIAG supports allowing the firms to provide an explanation of the metrics on their websites. A critical basis for our support is the PCAOB's conclusion that "permitting a firm to make reference to a single publicly available explanation could reduce unnecessary duplication of disclosures [and] . . . providing a reference to where the explanation can be found in the same public written communication as the metric would preserve the importance of the explanation to the intended audience and their ability to easily access additional information if desired, and would not adversely impact the quality of information that firms make public about themselves."[35] That said, consistent with the recommendation in the MIAG May Letter that the PCAOB consider greater use of artificial intelligence (AI) "so that investors and members of the public might be able to [more easily access and] . . . valuable information" relevant to audit quality,[36] we believe the Board could and should use existing AI technology to scrape the metrics and related information from the each of the firms' websites or other public sources and provide on the PCAOB's website a publicly accessible report displaying all the firms' metrics in one place, preferably with interpretive context that allows investors to understand when there are substantive issues.

19. Is permitting firms to choose their own evaluation date to conclude on the effectiveness of the QC system appropriate? Why or why not?[37]

The MIAG does not oppose permitting firms to choose their own evaluation date to conclude on the effectiveness of the QC system. We note that the MIAG 2023 Letter states:

> We believe that November 30 is an appropriate evaluation date for firms to conclude on the effectiveness of the QC system. It blends in well with the time of year that most firms will become

[30] *Cf. id*. at 22 ("We have considered retaining the EQCF requirement for only those firms that issue audit reports for more than 500 issuers in the prior calendar year [and] [w]e considered this approach because these firms currently audit companies that make up approximately 98% of U.S. public market capitalization, and they have a relatively large revenue base from issuer audits that could more easily support the incremental cost of an EQCF [and] [r]etaining the EQCF requirement for this population, therefore, may generate benefits to investors that justify the associated costs.") (footnote omitted).
[31] *Id.* at 26 (emphasis added).
[32] *See id.* at A1–5 (proposed amendments to .53e.).
[33] *Id.* at 25.
[34] *Id.* at 26 (emphasis added).
[35] *Id.* at 25.
[36] Letter from Members of the IAG to Phoebe W. Brown, Secretary, PCAOB, ***Reference: PCAOB No. 2026-001, Request for Public Comment – PCAOB Strategic Priorities*** at 12.
[37] PCAOB Release No. 2026-002 at 46 (emphasis added).

> enmeshed in auditing duties. We would not recommend that firms be allowed to set their own reporting date.[38]

We have revised our view on this issue based the new information contained in the Supplemental Request. A critical basis for our revised view is the PCAOB's conclusion that "allowing each firm to select its evaluation date based on the particular facts and circumstances of the firm would be responsive to the implementation challenges experienced by some firms and, in particular, could reduce the burden and costs of multiple annual evaluations that some firms could have experienced due to having different required evaluation dates for their QC system under QC 1000 and other regulations to which they are subject [and] [i]t would also better align with the flexibility provided by other quality management standards, which permit firms to choose their own evaluation date."[39] Additionally, our view has changed because of the PCAOB's conclusion that they "*do not believe that allowing firms to select their own evaluation date would impair [their] . . . ability to carry out [their] . . . inspection program*."[40]

26. Would the alternative evaluation framework with a binary conclusion (i.e., that the QC system is either effective or not effective in achieving the reasonable assurance objective) be more appropriate for evaluating the effectiveness of the QC system? Why or why not?[41]

The MIAG does not support the alternative evaluation framework with a binary conclusion. We share the PCAOB's concerns that the binary approach "could reduce the rigor of the evaluation process and reduce the ability of the evaluation conclusion to convey meaningful information to the firm and the PCAOB about the nature and impact of identified QC deficiencies, particularly where QC deficiencies exist but do not rise to a level that would warrant an overall conclusion that the QC system is not effective."[42]

28. Are the proposed amendments to paragraph .84 sufficiently clear and appropriate? If not, why not?[43]

The MIAG believes the proposed amendments to paragraph .84 are sufficiently clear and appropriate.[44] We support simplifying communication and documentation requirements when they are unnecessarily burdensome, including allowing firms to retain QC documentation in source systems if it is readily retrievable.

A critical basis for our support for the proposed amendments are the PCAOB's conclusions that the amendments would address the firms' two concerns: (1) "regarding the need for new technology solutions to be implemented by the firm for the purpose of meeting QC 1000's documentation requirements because the revised requirement would make clear that documentation can continue to exist within the systems in which it originated or was used as long as it remains available for retrieval" and (2) "regarding data confidentiality such that documentation can continue to exist in the system of record without creating additional data transfer risks or the potential increase to the number of individuals with access rights to the data."

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[38] Letter from Members of the IAG to Office of Secretary, PCAOB, ***Reference: PCAOB No. 2022-06, Request for Public Comment – A Firm's System of Quality Control and Other Proposed Amendments to PCAOB Standards, Rules, And Forms*** at 6.
[39] PCAOB Release No. 2026-002 at 33-34.
[40] *Id.* at 34 (emphasis added).
[41] *Id.* at 47 (emphasis added).
[42] *Id.* at 43.
[43] *Id.* at 50 (emphasis added).
[44] *See id.* at A1–11 (proposed amendments to .84).

29. Is the proposed amendment to retain documentation for five years sufficiently clear and appropriate? If not, why not?[45]

The MIAG believes the proposed amendment to retain documentation for five years is sufficiently clear and appropriate. A critical basis for our support of the proposed amendment is the PCAOB's conclusion that "reducing the number of years that firms are required to retain QC documentation to five *would not adversely affect the PCAOB's ability to inspect, and would not otherwise have any impact on audit quality*."[46]

34. Have the economic considerations fairly considered the potential impacts of the proposed amendments? If not, please describe any other potential economic impacts of the proposed amendments. To the extent feasible, please quantify your response and explain your methodology.[47]

The MIAG generally agrees that the economic considerations fairly considered the potential impacts of the proposed amendments. We, however, believe the analysis could be improved by more "appropriately balancing the costs of [the proposed amendments] . . . with the [audit] quality investors expect"[48] by addressing the following potential economic impacts that do not appear to have been fully considered in the Supplemental Request:

- The potential economic impacts of private equity investments in determining the benefits of the EQCF (see response to question 8);
- The potential economic impacts of the higher compensation costs of non-employee directors at S&P 500 public companies, and the remuneration for INEs under the U.K.'s audit firm governance rules, as benchmarks in determining the costs of the EQCF (see response to question 8);
- The potential economic impacts of the cost reductions that may accrue following the initial implementation of the proposed amendments;
- The potential economic impacts of the proposed amendments on smaller issuers and emerging growth companies since those companies may rely especially heavily on the external audit given greater information asymmetry and less market coverage;
- The potential economic impacts of the proposed amendments on audit quality, firm capacity, inspection outcomes, and investor confidence; and
- The potential economic impacts of the costs to investors and the public of audit failures that could result from a more flexible system of quality control because of the proposed amendments.

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[45] *Id.* at 50.
[46] *Id.* (emphasis added).
[47] *Id.* at 82 (emphasis added).
[48] Mark A. Calabria, Board Member, PCAOB Open Board Meeting: Comment on Proposed Amendments to QC 1000 (June 9, 2026), https://pcaobus.org/news-events/speeches/speech-detail/advancing-audit-quality-through-balanced-regulation--statement-in-support-of-supplemental-request-for-comment-on-proposed-amendments-to-qc-1000.

Thank you for considering the comments of the MIAG, which represents the primary customers of audited financial reports. If you, any members of the Board, or your staff have questions or seek further elaboration of our views, please contact Amy McGarrity at mailto:amcgarrity@copera.org.

Sincerely,

Members of the Investor Advisory Group

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