

June 7, 2024

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

Re: Firm and Engagement Metrics and Firm Reporting Proposing Releases; PCAOB Rulemaking Docket Matter Nos. 041 & 055, Respectively

Dear Office of the Secretary:

Forvis Mazars, LLP (“Forvis Mazars” or “the Firm”), appreciates the opportunity to respond to the PCAOB’s proposals, *Firm and Engagement Metrics* and *Firm Reporting* (collectively the “Proposals”). Forvis Mazars ranks among the top 10 public accounting firms in the United States. Forvis Mazars, LLP is also a member of a two-firm global network with Forvis Mazars Group. Forvis Mazars Group, is an internationally integrated partnership established on June 1, 2024, operating in more than 100 countries and territories. Our comments are focused on the impact of the proposals on PCAOB registrant firms in the U.S. and should be read in conjunction with the comment letter submitted by Forvis Mazars Group, which sets out their comments on the impact on the international market.

The Firm continues to be an active participant in many profession-wide endeavors, including, but not limited to, participating on various committees, task forces, and working groups of the Center for Audit Quality (the CAQ) and the American Institute of Certified Public Accountants (the AICPA). We have again worked with the CAQ as it developed its response to the PCAOB’s Proposals. Our comments below are intended to supplement the views expressed in the CAQ’s comment letters.

Our responses are also framed by our experiences serving primarily middle-market public issuers and include our observations and concerns regarding the potential implications the Proposals could have for firms below the top six Global Network Firms (GNFs) whereby the size of their domestic and international PCAOB audit practices are significantly smaller than their private company audit practice.

General Comments

We would like to open by quoting Board Member Christina Ho who summarized our sentiments well, by stating (in part) that “... this proposal contains a significant expansion of reporting requirements, except that here there are no clear and direct linkages between the proposed new reporting requirements and audit quality.”

We strongly agree with Board Member Christina Ho that without a direct tie to enhanced audit quality, we do not believe that the significant costs that will be incurred to comply with these proposals are comparable to the perceived benefits.

We would urge the Board to wait until the new Quality Control (QC) standard, *i.e.*, QC 1000, has been adopted by firms, and a post-implementation review of the standard has been performed before proposing any additional disclosures by firms. We believe that adopting the requirements in the QC standards will already require significant time and cost for firms to adopt and adding additional requirements before QC 1000 has even been adopted seems premature and could have a detrimental impact on audit quality. We also believe that many of the disclosures that are already required in QC 1000 will provide additional information to investors related to quality control procedures in place at firms. Therefore, expanding on these requirements through the Proposals at a time when firms already need to spend significant time to adopt substantial requirements in QC 1000 creates unnecessary resource constraints, especially when we are not yet able to evaluate any potential implications or lessons learned from the QC standard. We recommend the Board consider the cumulative impact/cost of other pending PCAOB proposals and consider how their requirements interact with (and possibly duplicate) each other before moving forward.

It should be noted that in the past six months alone, the Board has released over 1,000 pages in proposed and final rules and auditing standards. This would seem to be one of the greatest rulemaking periods in the PCAOB's history. At the same time, firms continue to support and prepare for the implementation of final standards and rules that will be effective in 2024. Imposing such rigorous and extensive rule changes on firms in such a short period of time could have the opposite effect of what is intended. Specifically, requiring these additional reporting requirements without a clear linkage to an increase in audit quality will divert resources that might otherwise be available to focus on audit engagements.

As noted in the CAQ's comment letter responses to these Proposals, we believe there could also be significant legal challenges related to the disclosure of certain information by firms that we believe could have significant unintended consequences on the profession's regulatory framework and should be evaluated before moving forward with these Proposals. The CAQ has provided additional research and context in their letters that strongly support an argument for holding off on asking for additional disclosure or information until the Board can ensure there are no unintended legal consequences to the firms or their issuer clients.

As noted in the CAQ comment letter sent on May 22, we believe that the comment letter deadline of June 7 (or 60 days) is aggressive and did not give respondents sufficient time to adequately review all the proposed metrics and evaluate how much time and effort it would take to adopt each of them. It is also important to note that it has been nearly 10 years since the initial Concept Release on Audit Quality Indicators, in which the PCAOB allowed for a 90-day comment period and then included a number of post comment period stakeholder touch points, including discussions with the Standard Advisory Group¹, to ensure sufficient stakeholder input was solicited and considered. Now, nearly ten years later, these Proposals which will have a substantial impact on firms' ability to comply, allow for very minimal time to provide stakeholder input.

One of the bedrocks of the standard setting process is the ability for stakeholders to provide constructive feedback, articulate potential consequences, and recommend solutions that enhance

¹ Public Company Accounting Oversight Board's Standing Advisory Group meeting on November 12, 2015.

proposed laws and regulators. This helps limit potential unintended consequences of new rules and regulations. Therefore, to ensure all respondents are given adequate time to review and comment on these proposals in the future, we continue to recommend longer comment periods, especially in situations where the consequences of proposed changes are so extensive that stakeholder feedback is imperative to ensure there are no unintended consequences.

Finally, the current Proposals provide very little scalability, specifically for firms that are simply registered but do not currently issue opinions under PCAOB standards or participate in audits conducted under PCAOB standards yet would still be subject to a majority of the proposed requirements. As Board Member Christina Ho noted in her dissent, it is also “unclear on the value for investors of more burdensome reporting from these firms.” It is unclear how these Proposals allow for adequate scale, and they could have a disproportionate impact on firms that audit smaller issuers.

Firm Reporting Specific Comments

Our Firm provides a different perspective from the top six GNFs in that the size of our public company audit practice is significantly smaller compared to the Firm as a whole. For example, in 2023, revenues from our PCAOB audit practice were less than 3 percent of the entire Firm’s revenue. As such, our Firm’s financial statements include mostly information related to services provided to entities that are not subject to the jurisdiction of the PCAOB.

Converting our firm’s financial statements to U.S. GAAP would introduce additional cost and complexity without true linkage to enhancements of audit quality. Therefore, it is unclear to us what the perceived benefit to the PCAOB is that would justify this cost. Specifically, it is unclear what actions, if any, the PCAOB would take, or is legally allowed to take, if any, to address issues that might be uncovered in a firm’s financial statements. Before proceeding with this requirement, we urge the Board to provide clarity on how obtaining financial statements from firms would facilitate its oversight functions in accordance with its statutory mandate.

Related to the proposed requirements around cyber incident reporting, we would ask the Board to provide greater clarity over the definition of a “significant cyber incident,” as well as examples of what would fit under this proposed definition to help firms operationalize this proposed requirement.

We also believe that the requirement to report any significant cyber incidents within five days may be difficult to achieve in practice given the need for firms to take action to deal with the incident first and foremost, including considering any legal implications (including for any clients or other external parties affected by the incident).

Firm and Engagement Metrics Specific Comments

We echo the CAQs comments that audit committees are best positioned to understand the information that will help it evaluate the auditor and fulfill its responsibilities and that oversight, in concert with the Board’s inspection process, serves to protect investors. We believe that firm-level Audit Quality Indicators (AQIs), similar to those developed by the Financial Reporting Council, might be a more effective way to establish greater transparency. However, without context and

effective two-way communication, providing AQIs in isolation will have very minimal impact to audit quality.

As noted in DHG's [comment letter](#) related to Release No. 2015-005, *Concept Release on Audit Quality Indicators*, AQIs should be only reported to audit committees and should focus primarily on engagement-level indicators, with firm-level information provided to add context or enhance understanding of engagement-specific matters. We believe this approach would promote a robust dialogue between the audit committee and the engagement team, which is critical to providing the context necessary to understand the potential significance and meaning of the indicators.

However, we do not support providing any of the proposed engagement-level metrics publicly on Form AP, as we believe that these metrics are not well suited for public disclosure without appropriate context and two-way dialogue. Without additional context and that two-way dialogue, any metrics have the potential to be misleading given the wide variety of issues that may arise on particular engagements. Additionally, the timing issues associated with gathering such information in time for the filing will divert engagement team resources from focusing on performing quality audits. We believe certain engagement-level metrics are more appropriately suited to be shared with audit committees as they are best positioned to understand the context behind any engagement-level metrics that would be provided and can work with firms on a more tailored approach.

In situations where a firm's public practice is limited to a small number of PCAOB engagements, the publication of certain of the firm-level metrics may not be appropriate (for example, information published where only one engagement is performed will be clearly identifiable to an individual engagement).

On the requirements related to disclosure of industry experience, our Firm, like many others, has not historically tracked the information required by the detailed calculation proposed for our personnel. Normal data retention policies would therefore make this information impossible to recreate. As a result, we would not be able to comply with the method for calculating years of experience. We also wonder how we would gather this data from experienced hires and merged firms. For example, would the proposal allow us to rely on self-certification or would firms need to start adding some level of verification during the hiring process to confirm accuracy of any prior industry experience?

Practically, there are no legal means for us to compel another firm to share hours data with us if we hire one of their members. There are also concerns about the lookback period and how helpful this information will be if, for example, consider someone who worked on a banking client for five years but it was 20 years ago. Would that individual be considered to have better-perceived experience than someone who only spent four years in the industry, but they have more recent experience? Also, given the ever-evolving nature of our capital markets, there is the risk that industries will evolve over time and firms would then need to recategorize items individually, which would be quite burdensome.

We would also like to note the additional cost burden on firms to be able to put mechanisms in place to track and verify this information. These costs will be passed on to the issuer clients and indirectly to their investors. In cases like ours where PCAOB audit clients only make up a small

portion of our practice, the spread of any overhead costs to a smaller number of clients is even more significant.

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In closing, we are supportive of the PCAOB's efforts in advancing the auditing standards, but are strongly opposed to proposed expansion of what a firm is required to report to the PCAOB and have significant concerns about the scope of these Proposals and whether they are even within the purview of what the PCAOB can require under its current regulatory power. As drafted, the proposals require significantly greater disclosure without sufficient justification of whether the disclosure is relevant to the purported users. The proposals also lack appropriate consideration of the cost of adoption and whether such cost is justified by the perceived benefit, specifically considering the role of the audit committee in the selection and appointment of the auditor as compared to the roles of other users.

We would urge you to perform additional outreach and research with the accounting firms that will be impacted and audit committees who have primary responsibility for overseeing the work of the independent auditor before moving ahead with these Proposals, so that the final result is a standard that appropriately balances the cost of the proposed disclosure with the benefits it will provide.

We appreciate the opportunity to comment on the Proposal and are pleased to discuss any questions the Board and its Staff may have concerning our comments. If you have any questions related to this response and would like to discuss further, please email Jeff Rapaglia, National SEC Services Partner at Jeff.Rapaglia@us.forvismazars.com; Will Neeriemer, Chief Quality Officer, at Will.Neeriemer@us.forvismazars.com; or Kristy Kennedy, Director in PSG, at Kristy.Kennedy@us.forvismazars.com.

Regards,

Forvis Mazars, LLP