August 5, 2026

PCAOB
Office of the Secretary
1666 K Street, NW
Washington, DC 20006-2803

Email: comments@pcaobus.org

RE: PCAOB No. 2026-005

We appreciate the opportunity to provide feedback on the PCAOB Release No. 2026-005, *Request for Public Comment on PCAOB Standard Setting*, dated June 23, 2026. PCAOB No. 2026-005 seeks public comment on 1) updating the standard-setting and research agendas, 2) revisiting the approach to standard setting, and 3) considering the impact of the recent proposal by the U.S. Securities and Exchange Commission (SEC) regarding semiannual reporting.

The views expressed herein are written on behalf of the Professional Standards Committee (PSC) of the Texas Society of CPAs. The committee has been authorized by the Texas Society of CPAs' Leadership Council to submit comments on matters of interest to the membership. The views expressed in this document have not been approved by the Texas Society of CPAs' Leadership Council or Board of Directors and, therefore, should not be construed as representing the views or policy of the Texas Society of CPAs. Please find our responses below for the request for comment.

Question 1:
Do you believe that the PCAOB should focus our standard-setting and research activities in areas discussed in the table above? How would you approach these areas (e.g., conduct further research, issue staff guidance, or advance to standard setting)? How would you prioritize these areas? Are there areas not listed in the table above that the PCAOB should prioritize?

Question 2:
Do you have any views not previously shared regarding the scope and objectives of potential standard setting or research in areas discussed in the table above? If yes, what specifically should the PCAOB focus on in each of these areas?

Question 3:
In areas where you believe issuing staff guidance would be preferable to amending PCAOB standards, what matters should guidance specifically address?

See the following responses to questions 1-3 above:

- <u>Data and Technology:</u> The PSC recognizes that technology developments including AI continue to significantly impact the audit profession at an accelerating rate and, therefore, these areas should remain top priorities in PCAOB standard-setting and research activities. The PSC also recommends these areas should be approached primarily by issuing staff guidance as opposed to new standard setting. Registered firms frequently receive feedback from PCAOB inspectors regarding the Board's expectations in this area, which are not consistent with, or not reflected in, existing standards. Publishing interpretations as staff guidance would enhance consistency in practice among firms and reduce uncertainty regarding PCAOB expectations.

- Fraud: The PSC believes AS 2401, *Consideration of Fraud in a Financial Statement Audit*, should be revised by considering potential amendments to AS 2401 in conjunction with potential amendments to AS 2405, *Illegal Acts by Clients*. The PSC recommends fraud and illegal acts should be drafted further incorporating the concept of materiality.
- Critical Audit Matters (CAMs): The PSC does not believe additional guidance, changes to PCAOB standards, or other regulatory actions are needed regarding CAMs. Experience has demonstrated the limited value provided to investors by CAM reporting.
- NOCLAR Standard: As stated in our comment letter to proposed PCAOB No. 2026-001, *PCAOB Strategic Priorities*, the PSC strongly recommends terminating the NOCLAR project as the standard would unnecessarily overturn traditional auditing concepts and dramatically expand costly auditing procedures with no demonstrated beneficial cost/benefit results.
- Firm and Engagement Performance Metrics: As expressed in our previous comment letter, the PSC believes projects relating to engagement metrics should be discontinued as the information generated is time consuming, costly and of limited value without extensive additional context.
- Auditor Independence: The PSC believes the PCAOB should eliminate its interim ethics and independence standards and instead utilize the SEC's existing independence framework to prevent potential overlap.

The PSC believes the PCAOB should include substantive analytical procedures and attestation standards in the list of potential standard-setting focus areas. As stated in our previous comment letter, the PSC recommends that the PCAOB fully align their attestation standards with those from the AICPA (which is finishing a major attestation standard project). In addition, the PSC recommends updating standards related to substantive analytics as firms currently often discourage the use of efficient substantive analytic procedures as a primary means of testing, which could be especially effective and efficient with the advent of new technologies.

The PSC has also observed in practice a recurring significant specific audit issue relating to obtaining relevant and sufficient audit evidence. The click ad revenue business model creates a significant audit evidence issue when the company's revenue is driven by a metric (clicks) that is generated and controlled by a third party (e.g., Google, Baidu). These third parties often do not have an acceptable relevant SOC report nor does the third party allow the parties to perform audit procedures to validate the revenue metrics. In addition, neither the company nor its customers have the ability to independently verify whether the click data is complete and accurate, making it extremely difficult to validate the reliability of the data used by management for purposes of revenue recognition. The PSC recommends the PCAOB timely develop and issue staff guidance relating to this revenue recognition audit issue.

Question 4:
In addition to performing standard-setting or research activities in the potential focus areas, should the PCAOB undertake modernization of the remaining "interim" PCAOB standards (including those discussed by commenters; e.g., going concern, inventory, use of service

organizations, use of internal auditors)? If the standards were to be updated on an individual basis, which standards should we prioritize?

The PSC believes modernization of the interim standards included in Appendix 1 should not be a high priority for the Board, except as discussed in our responses to Questions 1-3 above.

Question 5:
Some users of PCAOB standards have expressed concern about the accelerated pace of standard setting and length of comment periods to react to proposals. What would be the preferred length of comment periods to enable stakeholders to fully analyze and respond to proposals? What factors should be taken into account when determining the length of the comment period?

The PSC recommends comment periods to be standardized to a minimum of 90 days.

Question 6:
When setting the effective dates of new standards, what factors should be taken into account to provide a sufficient period of time for implementation? Recognizing that implementation timelines will vary depending on the nature and complexity of a standard, what range of time do firms typically need to implement a new standard, including updating audit methodologies and technological resources and training staff?

The PSC's primary input regarding effective dates of new standards relates to ensuring that adequate consideration is given to the unique implementation issues of medium and small audit firms, especially considering that smaller firms often rely on third-party providers of accounting practice aids, such as CCH and PPC. Once third-party provider packages are available and deployed, training must be properly conducted.

Question 7:
When prioritizing potential standard-setting or research projects, including those outlined above, how and to what degree should the PCAOB consider economic benefits, costs, competitive effects, and unintended consequences? Should such analyses involve an assessment of how any regulatory action may affect smaller firms, including potential barriers to entry or scalability concerns?

Economic benefits, costs, competitive effects, and unintended consequences should be fundamental considerations by the Board in any standard-setting project, especially for medium and small firms. The PSC believes that prior Boards did not appropriately prioritize performing objective, quantifiable cost/benefit analyses when developing and issuing new standards. (The expansive, costly NOCLAR standard fully exemplifies this point, and the PSC was surprised to see it appear on this new Board's list of potential focus areas.) The Board should proactively reach out to impacted stakeholders to obtain objective cost and implementation time estimates and perform implementation "beta" testing prior to issuing exposure drafts of proposed standards.

Data and Technology: Questions 8, 9 and 10
Refer to our response to Questions 1-3 above. The PSC observes technologies are evolving very quickly and as a result believes the issuance of timely staff guidance would be helpful to assist firms as AI technologies become prevalent in the industry, in priority to new standard setting in this area.

Question 11:
Do you believe there is a need for the PCAOB to address this topic [Digital Assets]? If so, should the PCAOB pursue standard setting and research to address matters related to auditing digital assets (e.g., access, ownership, control, and existence when held by a third party)? Alternatively, are these matters best addressed through the issuance of staff guidance? In addition to matters discussed in comments provided on the Strategic Priorities RFC, what questions should be specifically addressed through either guidance or standard setting?

The PSC believes the PCAOB should address matters related to digital assets through the issuance of staff guidance. The PSC has observed that mid-sized and small-sized firms in particular have been penalized in inspections, due in part to a lack of staff guidance on the topic.

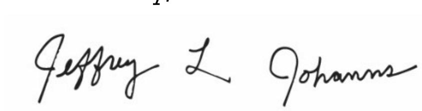
Approach to Standard Setting: Questions 12-16
The PSC believes that although the development of a conceptual framework may be beneficial in the long term, this should be a lower priority for the PCAOB.

Approach to Standard Setting: Questions 17-21
The PSC agrees that alignment with international standards should be a high priority and a formal process should be implemented to work collaboratively with other standard setters while considering the uniqueness of the U.S. market and the need for divergence.

Potential Impact of Recent SEC Proposal to Allow Optional Semiannual Reporting: Questions 22-24
The PSC recommends monitoring developments regarding the amendments proposed by the SEC to allow optional semiannual reporting. If changes to reporting requirements are adopted by the SEC, then AS 6101 should be amended accordingly. The PSC also recommends reaching out to other stakeholders, such as underwriters, to consider their requirements for comfort letters.

We appreciate the opportunity to submit comments on the proposed PCAOB No. 2026-005, *Request for Public Comment on PCAOB Standard Setting.*

Sincerely,



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