CohnReznick LLP
cohnreznick.com

August 7, 2026

Public Company Accounting Oversight Board
comments@pcaobus.org

Re: PCAOB Release No. 2026-005, Request for Public Comment on PCAOB Standard Setting

Dear Members of the Board:

CohnReznick LLP appreciates the opportunity to comment on PCAOB No. 2026-005, Request for Public Comment on PCAOB Standard Setting. CohnReznick is the 14th largest accounting firm in the United States, with origins dating back to 1919. While our domestic and international capabilities (including through our Nexia International membership) allow us to serve a broad array of clients, we are a significant provider of services to the smaller and middle market.

Our issuer audit practice represents less than 1% of firm revenue. Nonetheless, we are committed to doing the right thing—advancing audit quality and supporting investor confidence. Because firms operate with different sizes, business models, and issuer footprints, we respectfully ask that the PCAOB's standard setting and research activities explicitly incorporate scalability, including the recognition that smaller firms may implement quality objectives and related controls in different (but still effective) ways.

We support the PCAOB's statutory mission to protect investors and further the public interest in the preparation of informative, accurate, and independent audit reports. Below we offer an overall response and in the attached Appendix are specific responses to questions of the PCAOB.

OVERALL RESPONSE

General Support

We support the PCAOB's efforts to revisit its approach to standard setting and believe that, overall, this process can serve the public interest—subject to our comments below and in the Appendix.

Need for Collaboration with Other Standard Setters, Including AICPA and IASB

We recommend the PCAOB consider that the dual standard setter structure in the United States creates two issues that could erode audit quality:

- The difficulties encountered and resources used by firms in complying with PCAOB standards, AICPA AU-Cs, and IAASB International Standards on Auditing. By having to maintain different or overlapping methodologies, the resources of firms, from staff through partner level, both at the engagement team and at the national office level, are pulled away from the pure concept of performing high-quality audits.
- The lack of robust collaboration between standard setters (including the PCAOB and the AICPA Auditing Standards Board (ASB)) prevents brainstorming and information sharing that would benefit audit quality. Many of the same risks of material misstatement in private companies affect public companies and vice versa.

In order to serve the public interest, we recommend the PCAOB consider:

- Completely converging PCAOB standards with U.S. GAAS as of that point in time and on a roll-forward basis, only adding, subtracting, and modifying requirements for public companies as necessary; and
- Establishing more formal and continuing involvement with the ASB so that the PCAOB can continue contributing its knowledge and observations to standard setting while reducing unnecessary duplication in effort.

Benefits of a Reimplementation of U.S. GAAS for Public Company Audits

Audit quality and the public interest are served by the reimplementation of U.S. GAAS for public company audits for multiple reasons. In particular, audit quality and the public interest would be served by:

- **Robust and focused PCAOB involvement.** The PCAOB would be able to devote more effort to facilitating audit quality through research, analysis, practical implementation insight, and other quality-oriented matters, rather than continuing to draft and maintain a separate body of standards in areas where U.S. GAAS already provides a robust framework that is already substantially converged with international auditing standards yet updated for the U.S. environment. The AICPA Auditing Standards Board is a proactive standard setter serving the public interest. For example, recently, the ASB has:
    - Taken the lead in updating the core standard on Audit Evidence (AU-C 500) for changes in technology and more.
    - Materially updated the auditing standard on Going Concern (AU-C 570) in a manner that addressed FASB and IFRS differences and also advanced audit quality in terms of valuable application guidance for firms of all sizes.
    - Drafted and issued a whole standard for auditing Employee Benefit Plans (AU-C 703) which included working with the relevant regulator, the Department of Labor.
    - While mostly converging with recent revisions to ISA 600, made noticeable changes in order to allow for firms to make reference to component auditors in the auditor's report (which actually kept US GAAS more aligned to PCAOB)

  Also, for many years, the ASB has provided a large amount of application guidance that has advanced audit quality for firms of all sizes. These application materials establish a proactive approach to standards adherence that helps firms understand the application of the standard.

- **A universal set of updated and fit-for-purpose standards.** Public company audits would gain the benefit of one robust set of updated standards geared for both a U.S. and international environment which helps protect investors and also not stand in the way of facilitating capital formation that involves cross-border activities. We believe the provisions in U.S. GAAS are generally fit for purpose for public company audits, with the rationale for incremental public company requirements expressly highlighted where needed.

- **Increased time and focus on audit quality.** Public company auditors today devote significant effort to understanding, maintaining, and implementing methodologies that address differences among PCAOB standards, U.S. GAAS, and, in many cases, international auditing standards. Increased alignment could reduce the complexity associated with maintaining multiple frameworks and allow firms to focus additional resources on matters that more directly affect audit quality, including risk assessment, professional skepticism, staff development, consultation, and the design and performance of responsive audit procedures. Further, increased alignment can help improve and achieve compliance with standards as professionals do not have to remember multiple different exceptions and caveats, and reduces costs of audit methodology and software development. Given that both PCAOB standards and U.S. GAAS employ a risk-based audit model intended to reduce audit risk to an appropriately low level, we believe greater alignment supports audit quality and thus, investor protection.

Overall

We believe convergence of PCAOB standards with U.S. GAAS through a reimplementation of updated U.S. GAAS with focused public company overlays where needed would improve audit quality and be in the public interest.

If you have any questions concerning our comments or would like to discuss any of our responses or recommendations in more detail, please feel free to contact Steven Morrison, Partner, National Director of Audit, at (786) 868-1270 or steven.morrison@cohnreznick.com.

Yours truly,

CohnReznick LLP

APPENDIX – SPECIFIC RESPONSES TO QUESTIONS

Question 1 – Do you believe that the PCAOB should focus its standard-setting and research activities in areas discussed in the table above? How would you approach these areas? How would you prioritize these areas? Are there areas not listed in the table above that the PCAOB should prioritize?

As stated in our Overall Response, we support the PCAOB aligning completely with U.S. GAAS. However, should that not occur, our responses to these questions are below.

1. **Fraud**
   We are supportive of efforts to clarify and enhance the auditor's responsibilities relating to fraud in an audit of financial statements, including emphasizing the value of exercising professional skepticism in high-quality audits. We believe the PCAOB will be able to leverage the research already performed by the IAASB and ASB related to ISA 240 and potential changes to AU-C 240. We believe fraud standards should establish robust work-effort requirements and application material for circumstances when instances of fraud or suspected fraud are identified in the audit, including clarifying risks of material misstatement when fraud is perpetrated by (1) management, (2) non-management employees or contractors, and (3) third parties, including cyber-related matters.

2. **Critical Audit Matters (CAMs)**
   We recommend the concept of critical audit matters be revisited. In our view, if something is especially challenging, subjective, or complex, it should first and foremost be described in the financial statements and related disclosures themselves (for example, an estimate with significant measurement uncertainty), which is more a matter for FASB rather than the auditor's report.
   We encourage the PCAOB to make reporting of CAMs optional and thus market driven as to whether audit committees, after considering input from stakeholders, deems CAMs to be decision useful.

3. **Noncompliance with laws and regulations**
   We are supportive of efforts to improve audit quality overall, including in regard to an auditor's consideration of noncompliance with laws and regulations, particularly requirements that clarify important considerations about management's processes and direct auditors to make informed risk assessments. We do not believe moving away from the distinction between direct and indirect effects is in the public interest. We believe targeted improvements to AS 2401 and AS 2405, along with additional nonauthoritative guidance such as PCAOB Spotlight publications, would better improve audit quality.

4. **Data and technology**
   We believe the PCAOB's current standards are generally appropriate to address the use of AI. However, given the rapidly changing environment among preparers and at firms, the PCAOB should perform periodic outreach to firms and preparers, communicate inspection observations when relevant, and not rely on the inspections process to interpret or set standards related to the use of AI.

5. **Auditor independence.** To free up resources at the PCAOB and firms to better address areas affecting audit quality, we recommend the PCAOB evaluate whether maintaining broad interim independence standards continues to be necessary given the overlap with SEC independence rules.

6. **Firm and engagement performance metrics.** We have significant concerns that a very prescriptive metrics regime would not improve actual audit performance and would add costs ultimately borne by investors without a commensurate public interest benefit. We believe the PCAOB's resources and the resources of the firms it oversees should be focused on improving audit quality through performance requirements, guidance, and oversight rather than data aggregation exercises.

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?

Please see our response to Question 10.

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

As further articulated in our Overall Response, we believe the PCAOB should adopt U.S. GAAS on a roll-forward basis.

However, if the PCAOB does determine to standard set, we recommend that it use a more formal structure similar to the IAASB and ASB regarding requirements, application guidance, and interpretive publications. Guidance would be especially useful in rapidly changing areas such as AI, digital assets, and other technology-related developments. Also, we recommend the PCAOB enable the Office of the Chief Auditor to provide more interpretive guidance that goes beyond restating requirements and instead offers decision-useful insight (e.g., common fact patterns, indicators of acceptable implementation approaches, and illustrative examples of how requirements are applied).

The AICPA provides extensively used guidance including application guidance attached to the standard, hundreds of pages of industry and topic guidance in AICPA Audit and Accounting Guides, hundreds of pages of Technical Questions and Answers, and publications from the AICPA Center for Plain English Accounting (CPEA) and more.

More actionable guidance would improve consistency and reduce unnecessary rework, while supporting quality outcomes across firms of various sizes. If the PCAOB worked with the AICPA on producing such interpretive and authoritative guidance, along with having PCAOB converged with U.S. GAAS (and by extension, international auditing standards), audit quality and the public interest would be well served.

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? If the standards were to be updated on an individual basis, which should be prioritized?

No. As further articulated in our Overall Response, we believe the PCAOB should adopt U.S. GAAS completely at a point in time and then continue on a roll-forward basis, only making focused public company-specific changes where needed. Ultimately, we believe such changes will be limited in nature.

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?

We generally believe 60 days is an appropriate timeframe. However, if a proposal is issued in the January through April timeframe, we recommend at least 90 days to allow for more time due to the demands on preparers and auditors during the traditional Busy Season.

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?

We recommend the PCAOB continue asking this question in specific proposals, noting that each proposed standard may have different effects. Generally, the PCAOB should consider factors such as:

- methodology updates,
- systems and technology changes at auditors and at preparers (as prepares have to provide information to auditors usually),
- training development,
- training execution,
- consultation needs, and
- whether the proposal affects interim-period procedures.

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?

We recommend all of the above factors be considered through the lens of serving the public interest. We also recommend there be a formal assessment of how any potential standard setting may affect smaller firms. Because firms operate with different sizes, business models, and issuer footprints, we respectfully ask that the PCAOB's initiatives explicitly incorporate scalability, including recognition that smaller firms may implement quality objectives and related controls in different, but still effective, ways. We do believe this perspective may also benefit larger firms as well.

Question 8 – In your view, should the PCAOB pursue standard setting and research to address the matters previously identified by commenters regarding AI, or are these matters best addressed through the issuance of staff guidance?

We believe it is important that the PCAOB not go alone in terms of AI. The environment is evolving too fast, and what is in use today will likely change materially over the next several years. We recommend the PCAOB actively collaborate with the ASB, IAASB, and other regulators to more fully understand the environment, from the use by auditors and by preparers, as it develops. Such collaboration would also serve the broader public interest.

Question 9 – In light of rapid advancements in data and technology, including AI, are there additional matters the PCAOB should consider addressing?

See our response to Question 10.

Question 10 – Are there specific areas of the PCAOB's current standards that you believe are not fit for purpose in an AI environment? If so, what are those areas and what changes may be necessary to address the impact of AI on auditing?

We believe the PCAOB's current standards are generally appropriate to address the use of AI. However, given the rapidly changing environment among preparers and at firms, the PCAOB should

- perform outreach to firms and preparers periodically about the use of AI,
- note inspection observations that may occur related to the use of AI by auditors and/or preparers, and
- provide guidance from the Office of the Chief Auditor to the Division of Registration and Inspections so inspections are aligned with standard setting.

We generally do not believe that the PCAOB's current standards are fundamentally unfit for purpose in an AI-enabled audit environment. Core concepts embedded throughout the standards—including professional skepticism, obtaining sufficient appropriate audit evidence, risk assessment, supervision, documentation, evaluation of internal control, and auditor responsibility for conclusions reached—remain as relevant in an AI environment as they are in a traditional audit environment. The standards are largely principles-based and therefore capable of accommodating technological innovation.

However, we believe there is a significant need for implementation guidance regarding the development, deployment, validation, monitoring, and use of AI-enabled audit tools. In our view, the greatest current challenge is not that the standards are inadequate, but rather that firms, preparers, regulators, and inspectors are collectively learning how to operationalize existing standards in a rapidly evolving technological environment.

> Accordingly, we believe the PCAOB can provide substantial value through a combination of outreach, inspection observations, staff guidance, and practical examples of effective practices. The PCAOB is uniquely positioned to observe a broad range of AI implementations across firms and therefore can help identify common governance practices and validation approaches that promote audit quality while reducing the risk of inappropriate reliance on AI-generated outputs. The PCAOB observed that commenters suggested addressing documentation of AI-assisted audit procedures and the extent of human involvement in and supervision of such work, and cautioned against

deploying AI-enabled audit tools without the necessary governance and relying on the outputs of such tools without appropriate human review.

In particular, we believe guidance would be helpful in the following areas:

A. Validation and Testing of AI Tools

AI tool validation should be viewed as an ongoing process rather than a one-time event. As tools evolve, underlying models change, data sources expand, and use cases broaden, testing and validation should likewise be iterative. The PCAOB could provide examples of effective practices for initial validation, periodic revalidation, change management, and ongoing monitoring. Such guidance would help firms demonstrate that AI-enabled tools continue to operate as intended over time rather than only at the point of deployment.

B. Defining Scope and Use Boundaries

We believe many AI tools are, and will be, designed to assist with specific audit procedures or defined populations of transactions rather than serve as a comprehensive push-button audit solution by itself. Guidance would be beneficial regarding how firms should document a tool's intended purpose, known limitations, assumptions, exclusions, and required practitioner judgments. Clear articulation of what a tool can and cannot do can be important in preventing misuse and overreliance.

C. Human Review and Professional Judgment

The PCAOB should provide examples illustrating the appropriate level of human involvement in AI-assisted audit procedures. Guidance regarding when additional corroborating procedures, challenger review, or when escalation may be appropriate may help reinforce the continuing importance of professional skepticism and auditor judgment.

D. Documentation Expectations

As firms increasingly develop proprietary AI tools, questions naturally arise regarding the level of documentation necessary to support reliance on those tools. The PCAOB could provide examples of documentation that support effective governance, including evidence of design considerations, testing protocols, validation procedures, control activities, and ongoing monitoring.

E. Inspection Transparency and Effective Practices

Perhaps most importantly, the PCAOB could periodically communicate observations from inspections regarding both deficiencies and effective practices. Many firms are currently attempting to answer the same questions relating to model governance, validation, supervision, change management, and reliability of outputs. Sharing examples of "what good looks like" would promote consistency and help firms avoid repeating mistakes identified elsewhere in the profession.

Ultimately, we believe the greatest near-term benefit to audit quality would come from staff guidance and inspection-based observations rather than prescriptive rulemaking. AI technology is changing rapidly, and overly detailed requirements may become outdated quickly. By contrast, guidance that highlights effective governance, validation, human oversight, and documentation practices can help auditors appropriately leverage AI while maintaining responsibility for audit judgments and conclusions. Such guidance would also help reduce the risk that auditors either over-rely on AI outputs or, conversely, underutilize tools that could enhance audit quality and investor protection.

It is important that PCAOB "best practices" guidance not be used as a presumptive template in PCAOB inspections. Given that the PCAOB is not actually performing audits and thus not contemporaneously seeing the full spectrum of what is occurring in the use of technology, it is vital that the PCAOB remain principles based in its oversight role.

Question 11 – Do you believe there is a need for the PCAOB to address digital assets? If so, should the PCAOB pursue standard setting and research to address matters related to auditing digital assets, or are these matters best addressed through the issuance of staff guidance?

We believe the PCAOB's current standards are generally appropriate to address digital assets. However, given the rapidly changing environment of digital assets, we believe the PCAOB should

- perform outreach to firms and preparers periodically about issues encountered in auditing digital assets,
- note inspection observations that may occur related to digital assets, and
- provide guidance from the Office of the Chief Auditor to the Division of Registration and Inspections so inspections are aligned with standard setting.

Questions 12 through 16 – Conceptual framework and standard-setting process

See our Overall Response.

Question 17 – What topics should be the highest priority for alignment and why? Should alignment with IAASB standards be given higher priority than alignment with standards of other standard setters and why?

We believe the PCAOB should pick a date in the near term to switch from PCAOB standards to U.S. GAAS all at once. Since U.S. GAAS is already in effect and used by firms, such a change would not be as large a conceptual shift. Only having a prospective set of incremental changes is problematic because it creates a continuing exercise of tracking differences and can confuse auditors, which may negatively affect audit quality. We understand that making such a shift may require larger firms to retool software and methodologies, hence the request for several years before the switch. Many smaller firms likely operate on a base package of a GAAS audit with PCAOB additions, thus the change will not likely be as difficult.

Question 18 – Should alignment be considered prospectively, or should the PCAOB also examine previously completed projects to determine whether additional alignment would be feasible and appropriate?

As further articulated in our response to Question 17, we believe the PCAOB should move to a U.S. GAAS baseline in a single transition rather than rely solely on prospective alignment. A prolonged model of tracking differences can create unnecessary complexity and reduce focus on audit quality.

Question 19 – Should the PCAOB establish formal means to work collaboratively with other standard setters, such as seeking to develop certain projects jointly?

Yes. We support more formal collaboration with other standard setters, consistent with the suggestions in our Overall Response. Earlier and deeper collaboration would improve information sharing and proactively shorten the response time to drafting standards on emerging issues through the sharing of resources.

Question 20 – In addition to potential differences between PCAOB standards and those of other standard setters that are mentioned above, are there any other reasons for potential divergence that may be necessary to consider?

Overall, we believe such circumstances will be limited. Some divergence may be necessary because of U.S. federal securities law, SEC reporting requirements, or specific risks observed through PCAOB oversight activities. Even then, the rationale should be clearly articulated.

Question 21 – Would alignment with international standards create any unique challenges or have disproportionate impact on smaller firms?

Changing from something different from U.S. GAAS (current PCAOB) to yet something different again would be problematic for smaller firms. By contrast, there would be tremendous benefits to smaller firms, and to audit quality overall, if all standards use a common structure (for example, the same standards numbering and structure of standards) and if a U.S. GAAS base is paired with a focused "public company" overlay where needed.