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August 7, 2026

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, DC 20006

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

Dear Office of the Secretary:

BDO USA, P.C., appreciates the opportunity to respond to the Public Company Accounting Oversight Board's (the "Board") request for public comment on PCAOB standard setting. We commend the Board's effort to seek stakeholder input on matters that bear directly on investor protection, audit quality, transparency, and the operability of PCAOB standards in a changing audit environment. Consistent with our prior comments to the PCAOB, we encourage the Board to ground its future agenda in its core investor-protection mission while maintaining a practical, risk-focused, and agile approach to developments in technology, evolving market practice, and the continued refinement of firms' quality control systems.[1]

Summary

We support the development and adoption of a durable conceptual framework as the foundation for PCAOB standard setting. We believe such a framework would promote transparency, consistency, and a disciplined decision-making process by requiring the Board to clearly identify the problem, evaluate alternatives, and assess the expected benefits, costs, and potential unintended consequences of regulatory action. It would also help determine when standard setting is appropriate and when research, guidance, outreach, or other regulatory tools may better address an identified issue. We also believe it would help stakeholders understand how the Board evaluates priorities and assesses whether standards are achieving their intended investor protection and audit-quality objectives. Proposing the framework for public comment before its adoption would further support transparency, stakeholder input, and confidence in the Board's standard-setting process.

Consistent with that framework-based approach, we encourage the PCAOB to prioritize projects based on evidence-based needs, considering audit quality, materiality, feasibility, scalability, and expected benefits to investors. We also support measured modernization in areas affected by technology, the use of artificial intelligence ("AI") in auditing, digital assets, fraud and noncompliance with laws and regulations ("NOCLAR"), and selected interim standards, while reserving formal standard setting for matters where existing requirements are no longer fit for purpose or where clearer enforceable expectations are necessary.

Additionally, we do not believe the SEC's proposal to permit issuers to elect semiannual reporting would require amendments to AS 6101, *Letters for Underwriters and Certain Other*

[1] BDO USA, P.C., *Comment Letter on PCAOB Release No. 2026-001, Request for Public Comment: Draft 2026-2030 PCAOB Strategic Plan*, May 15, 2026, available on the PCAOB's website.

Requesting Parties. The current framework is operational under either a quarterly or semiannual reporting model, as evidenced by the capital markets activities of foreign private issuers. Accordingly, we do not believe amendments to the 135-day threshold are necessary solely to accommodate the SEC's semiannual reporting proposal, if adopted.

I. Revisiting the PCAOB's Approach to Standard Setting

We support a clear framework to guide PCAOB standard-setting decisions if it makes those decisions more transparent, consistent, durable, and efficient. We encourage the Board to use the framework to explain the objective of each project, identify the problem to be solved, and determine whether standard setting, guidance, research, outreach, or another regulatory tool is the best response.

Conceptual Framework and Characteristics of Effective Standards

We support the PCAOB's development and adoption of a durable conceptual framework for standard setting. We believe existing PCAOB staff guidance on economic analysis provides a strong foundation for such a framework, particularly its emphasis on clearly identifying the need for standard setting, establishing a baseline, considering reasonable alternatives, and analyzing benefits, costs, competitive effects, and potential unintended consequences.[2] We believe a formal conceptual framework would build on those concepts and make them more explicit, consistent, and enduring across Board leadership and standard-setting agendas.

We also encourage the PCAOB to consider the practical effects of standard-setting choices on firms of different sizes, including implementation costs, training needs, methodology changes, and the risk that overly broad or insufficiently targeted requirements could discourage innovation or create unintended burdens without commensurate investor-protection benefits.

Process, Stakeholder Engagement, and Economic Analysis

We encourage the PCAOB to apply the framework throughout the standard-setting life cycle, including agenda consultation, project prioritization, proposal development, evaluation of alternatives, stakeholder outreach, implementation planning, and post-implementation review. The framework could help the Board determine whether a matter warrants standard setting or whether staff guidance, research, outreach, or another regulatory tool would address the identified need more effectively, promptly, or for a more targeted audience.

Post-implementation review would provide an opportunity to assess whether a standard is achieving its intended investor-protection and audit-quality objectives, whether its actual costs and operational effects are consistent with the Board's expectations, and whether staff guidance, targeted amendments, or other action is warranted.

[2] PCAOB, *Staff Guidance on Economic Analysis in PCAOB Standard-Setting*, February 14, 2014; PCAOB, *The PCAOB's Use of Economic Analysis and Stakeholder Input in Standard Setting*, November 2020.

Effective application of the framework also requires careful consideration of how the PCAOB obtains stakeholder input and uses existing channels for engagement. The PCAOB's Standards and Emerging Issues Advisory Group ("SEIAG") provides an existing forum for obtaining input on standards and emerging issues. Before creating new governance mechanisms, we encourage the PCAOB to consider whether it can better leverage or institutionalize existing structures. For example, the Board could establish or leverage a standing group analogous to the Technology Innovation Alliance Working Group to supplement the broader work of the SEIAG and support more targeted research, outreach, and practical guidance.

We also encourage the PCAOB to use the communication and implementation tools best suited to the issue and intended audience. Staff guidance, roundtables, research, public reporting of observations, and clearer feedback on inspection and remediation themes may serve different purposes and audiences. Clearly identifying the purpose, intended audience, and status of each communication would help stakeholders understand why the PCAOB selected a particular approach. For example, investors may benefit from Spotlights and roundtables, while auditors may benefit more directly from implementation guidance on specific topics, such as Staff Audit Practice Alerts.

Separately, the PCAOB's Firm Consultation Process, administered through the Office of the Chief Auditor, provides registered firms with a channel to raise questions about the interpretation and application of PCAOB standards and related requirements. Questions arising through that process may help the PCAOB identify recurring interpretive issues or areas of inconsistent application that warrant broader research, implementation guidance, or other action.

Building on existing PCAOB staff guidance on economic analysis and considering the work of other standard setters, we encourage the PCAOB to integrate economic analysis throughout the standard-setting process and evaluate the scalability of proposed requirements. That analysis would include expected benefits, implementation and compliance costs, competitive effects, cumulative burden, and potential unintended consequences, including whether firms of different sizes can implement proposed requirements without costs or complexity that exceed the expected benefits to investors and audit quality.

Coordination and Alignment with Other Standard Setters

We encourage the PCAOB to address coordination and alignment with other standard setters as an explicit component of its conceptual framework. We encourage the PCAOB to avoid unnecessary divergence, including terminology differences, while preserving differences necessary to reflect U.S. legal requirements, the needs of investors in U.S. public markets, or specific risks identified through PCAOB oversight. When the Board retains a difference, we encourage the Board to explain the rationale with sufficient specificity for stakeholders to understand why alignment would not be appropriate and how the expected benefits justify the related operational, training, methodology, and compliance costs.

We also encourage the PCAOB to deepen its coordination with relevant domestic and international regulators and standard setters. Meaningful, ongoing dialogue can help identify emerging risks, foster consistency where appropriate, and support well-informed, balanced solutions that advance audit quality and investor protection without imposing unnecessary burdens. As appropriate, sharing insights from the PCAOB's oversight activities could help inform other standard setters addressing common or overlapping issues.

Consideration of alignment with other standard setters is most effective when the Board evaluates the appropriate response to an identified matter, before determining that standard setting is warranted. If the Board determines that standard setting is appropriate, that evaluation would continue throughout the project through structured comparisons with analogous standards of other relevant standard setters. The Board could also consider previously completed projects where divergence has proved operationally significant, difficult to implement, or insufficiently justified.

II. Updating the Standard-Setting and Research Agendas

We support disciplined, evidence-based standard-setting and research agendas that advance audit quality and further the PCAOB's investor-protection mission. We encourage the PCAOB to prioritize projects based on demonstrated need, materiality, urgency, feasibility, economic effects, and scalability. We also encourage the PCAOB to distinguish among matters best addressed through research or guidance, matters warranting targeted standard setting or modernization, and matters that do not currently warrant standard-setting action.

Topics for Research or Guidance

The following topics warrant continued PCAOB attention through research, outreach, staff guidance, implementation support, or other non-standard-setting tools before the Board determines whether formal standard setting is necessary.

Data and Technology, Including AI. The PCAOB's existing Data and Technology research project provides an appropriate mechanism for evaluating how data, technology, and AI are reshaping business processes, internal controls, financial reporting, and audit execution. These developments may affect audit evidence, documentation, supervision, review, risk assessment, internal control auditing, and quality control. Given the pace of change, targeted research, outreach, practical implementation guidance, or other non-standard-setting tools may provide the most effective near-term response while the Board continues to gather evidence about emerging risks, use cases, governance expectations, and the need for formal standard setting.

Relevant work by other standard setters, professional bodies, and groups with focused expertise may also inform the PCAOB's evaluation. Considering that work, while preserving the PCAOB's independent standard-setting role, could promote consistency where appropriate and reduce the risk of unnecessarily divergent expectations across auditing frameworks.

Digital Assets. For digital assets, we encourage the Board to consider near-term implementation guidance tailored to PCAOB standards on access, ownership, control, existence, custody, third-party custodians, blockchain evidence, off-chain records, contractual rights, and internal controls. The AICPA's nonauthoritative practice aid, *Accounting for and Auditing of Digital Assets*, developed by its Digital Assets Working Group, may provide useful insight into emerging audit issues, practice questions, and areas where additional clarity regarding PCAOB expectations could benefit auditors.

Given the rapid evolution of digital asset activities, beginning with research, outreach, and targeted implementation guidance could promote greater consistency in practice and support audit quality while preserving flexibility to evaluate whether longer-term standard setting is warranted.

Other Interim Standards for Research or Guidance. The Data and Technology research project could also provide a useful means of evaluating whether targeted guidance or modernization is warranted in two areas governed by interim standards:

- **Service organizations.** The evaluation could consider changes in technology, outsourcing, cloud services, subservice organizations, and multilayer service-provider environments. It could also consider distinctions between service organizations relevant to internal control over financial reporting and third parties that merely execute authorized transactions or provide operational support.
- **Inventory.** The evaluation could consider current audit practices involving cycle counts, auditor presence, virtual observation, alternative procedures, third-party inventory locations, statistical sampling, and rollforward or rollback procedures.

Topics for Targeted Standard Setting or Modernization

We support a measured, framework-driven approach to the remaining interim standards. Rather than broad modernization, we encourage the Board to evaluate each interim standard individually and prioritize action where a clear and demonstrable gap exists, the expected benefits justify the associated costs, and targeted changes would improve audit quality or reduce unnecessary complexity.

As part of that evaluation, we encourage the Board to distinguish between differences that serve a substantive investor-protection purpose and those that reflect legacy wording, structure, or historical development. Where a difference is no longer necessary, conforming, consolidating, or retiring the requirement may improve operability and reduce complexity without diminishing audit quality.

The topics below illustrate where the case for targeted action appears strongest:

- **Interim Ethics and Independence Standards.** We encourage the Board to reassess its interim ethics and independence standards and related rules in coordination with the U.S. Securities and Exchange Commission ("SEC"). These standards were largely established before the current SEC independence framework matured and, as PCAOB Rule 3500T reflects, do not supersede the Commission's independence rules. In 2020, the Board adopted targeted amendments to avoid differences and duplicative requirements with

Rule 2-01 of Regulation S-X. Those amendments addressed, among other matters, lending relationships and the alignment of common definitions.[3]

Consistent with the disciplined, problem-focused approach described above, we encourage the Board to build on that effort to identify interim requirements that duplicate, or have been overtaken by, the Commission's rules, and to conform, consolidate, or retire them where they no longer serve a distinct investor-protection purpose. Doing so would lower cost and complexity for firms and audit committees and reduce the risk of inconsistent interpretation, without diminishing investor protection.

- **Going Concern**. We encourage the Board to prioritize modernization of AS 2415, *Consideration of an Entity's Ability to Continue as a Going Concern*, as it develops its standard-setting agenda. In our experience, the central difficulty in applying AS 2415 is that the auditor's and management's evaluations no longer rest on the same foundation.

  AS 2415 was established before U.S. generally accepted accounting principles ("U.S. GAAP") required management to perform its own going-concern evaluation. The Financial Accounting Standards Board later added that requirement in Accounting Standards Codification 205-40, Presentation of Financial Statements: Going Concern. Under that model, management looks forward one year from the date the financial statements are issued and evaluates whether substantial doubt exists about the company's ability to continue as a going concern. AS 2415, by contrast, directs the auditor to evaluate going concern from the date of the financial statements being audited and applies a different threshold.

  Because the two evaluations begin on different dates and apply different measures, management and the auditor can reach different conclusions about the same company. That outcome can be confusing for investors and difficult to explain. We encourage the Board to consider aligning AS 2415 with the current financial reporting framework and analogous standards of other standard setters so that the auditor's and management's going-concern conclusions rest on a common basis.

- **Fraud and Noncompliance with Laws and Regulations.** We encourage the Board to pursue any related projects concurrently, given their overlapping considerations, while keeping them distinct. As we explained in our August 7, 2023 response to PCAOB Release No. 2023-003,[4] the effectiveness of any project in this area depends first on a clear articulation of the problem to be solved, including whether the matter reflects a gap in auditor performance or instead concerns management responsibilities, legal requirements, or broader questions of public policy outside the auditor's role.

[3] PCAOB, *Amendments to PCAOB Interim Independence Standards and PCAOB Rules to Align With Amendments to Rule 2-01 of Regulation S-X*, PCAOB Release No. 2020-003, PCAOB Rulemaking Docket Matter No. 047, November 19, 2020.

[4] BDO USA, P.C., *Comment Letter on PCAOB Release No. 2023-003, Proposed Amendments to PCAOB Auditing Standards Related to a Company's Noncompliance with Laws and Regulations and Other Related Amendments*, August 7, 2023, available on the PCAOB's website.

> We support targeted enhancements that clarify the auditor's responsibilities and strengthen risk assessment. We also encourage the Board to anchor any changes to the objective of a financial statement audit and the auditor's professional competence so that the respective responsibilities of management and the auditor remain clear within the financial reporting ecosystem.

Topics That Do Not Currently Warrant Standard Setting

The Board adopted firm and engagement metrics requirements in November 2024 and later withdrew them before they took effect. The Board is now considering whether further research and outreach would be beneficial. We share the Board's objective of giving investors and audit committees better insight into audit quality and would support a well-designed means of doing so. However, consistent with our prior comment on this topic, significant questions remain about whether specific metrics would be reliable and comparable and whether their benefits to investors would justify the associated costs and complexity when reported without the context of individual engagements.[5] Until those questions are resolved, we support continued research and engagement rather than standard setting. In the meantime, metrics remain most useful where they can directly inform audit quality, in the audit committee's oversight of the auditor, rather than through public reporting.

Cross-Cutting Implementation Discipline

We encourage the PCAOB to support new standards with realistic comment periods, effective dates, stakeholder engagement, and practical guidance to promote effective and scalable adoption. In determining an appropriate comment period, we encourage the PCAOB to consider the proposal's complexity and expected operational consequences, including required methodology changes and interactions with other standards and quality control systems. More complex proposals may also require additional time for firms to assess the PCAOB's economic analysis and obtain input from engagement teams, subject-matter specialists, global networks, and other affected stakeholders.

Consistent with the framework discussed above, we encourage the PCAOB to begin its analysis by clearly defining the problem and evaluating whether standard setting, guidance, research, outreach, inspection or enforcement efforts, or another regulatory response would best address it. Integrating economic analysis throughout that evaluation would allow the expected benefits, implementation and compliance costs, competitive effects, scalability, cumulative burden, and potential unintended consequences to inform project prioritization, proposal development, and the Board's ultimate decisions.

For proposals expected to materially affect audit methodology, technology, training, or quality control systems, we encourage the PCAOB to consider whether targeted pre-adoption outreach or field testing could provide decision-useful evidence before finalizing a standard. Such outreach or testing could help assess whether proposed requirements are

[5] BDO USA, P.C., *Comment Letter on PCAOB Release No. 2024-002, Firm and Engagement Metrics*, June 7, 2024, available on the PCAOB's website.

understandable, scalable, capable of consistent application, and supported by appropriate implementation planning.

III. Semiannual Reporting

Consistent with our comment letter to the SEC on its semiannual reporting proposal, we do not believe the proposal, by itself, requires amendments to AS 6101, *Letters for Underwriters and Certain Other Requesting Parties*. AS 6101 remains operational in a semiannual reporting environment because negative assurance is anchored to the most recent audited or reviewed period and the related 135-day threshold, rather than to whether an issuer reports quarterly or semiannually.

Under AS 6101, an accountant may provide negative assurance on subsequent changes in specified financial statement line items only through a date less than 135 days from the end of the most recent audited or reviewed period. After that point, AS 6101 permits the accountant to report procedures performed and findings obtained, but not to provide negative assurance. This limitation remains important in evaluating any semiannual reporting framework because the associated risk increases as the period between the cutoff date and the most recent audited or reviewed period lengthens.

Current practice for foreign private issuers supports this view. Auditors of foreign private issuers that report semiannually already issue comfort letters in registered offerings, and underwriters may request incremental procedures when the 135-day requirement limits negative assurance. Although such procedures may help address offering needs, they are not equivalent to extending negative assurance beyond the existing threshold.

Accordingly, we encourage careful consideration of any expansion of negative assurance beyond the existing 135-day threshold. If the Board reconsiders that threshold in connection with a semiannual reporting framework, we encourage it to evaluate whether additional procedures, safeguards, and clear reporting limitations would be necessary to mitigate the associated risk.

Capital markets due diligence practices may continue to drive demand for more current financial information, even if SEC reporting requirements permit less frequent reporting. When offering documents include financial statements that could be more than six months old, underwriters may seek additional procedures or more current information to address investor expectations and manage offering-related risk. We therefore encourage the PCAOB to distinguish between minimum SEC reporting requirements and the information or procedures requested in capital markets transactions.

Separately, the SEC's adoption of a semiannual reporting framework would likely require conforming amendments to other PCAOB auditing standards, including AS 4105, *Reviews of Interim Financial Information*.

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We appreciate the opportunity to share our perspectives on the PCAOB's current request for public comment and would welcome continued dialogue with the Board and its staff. If you would like to discuss our comments further, please contact Michael Stevenson, Assurance National Managing Principal, Professional Practice and Audit, at (214) 665-0707 or mstevenson@bdo.com, or Rob Thornton, Principal, Chief Auditor, at (713) 561-6515 or rthornton@bdo.com.

Sincerely,

BDO USA, P.C.

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