Dennis R. Beresford, CPA
1170 Lake Welbrook Drive
Athens, Georgia 30606
dberesfo@uga.edu
706 207-1840

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Public Company Accounting Oversight Board
1666 K Street NW
Washington, DC 20006-2803

RE: PCAOB Release No. 2026-005

Dear Board Members:

This letter responds to the Board's Request for Public Comment on PCAOB Standard Setting (Request). I will leave comments on specific auditing issues to others who are more directly involved in those matters. Instead, I wish to reiterate two recommendations from my April 3, 2026, comment letter on the PCAOB's Strategic Priorities that I believe are equally relevant to this Request.

Page 12 of the Request notes that "Commentators on the Strategic Priorities RFC indicated that stakeholders would value more transparency regarding the PCAOB standard-setting process, including criteria used to prioritize standard-setting projects, key considerations for determining whether to issue staff guidance or amend PCAOB standards, stakeholder engagement in standard-setting activities, and evaluating and addressing stakeholder feedback." My April 3 letter was cited in a footnote as one of the letters addressing those issues. The Request further states: “In light of this feedback, we are considering establishing explicit criteria for identifying and prioritizing projects based on evidence from oversight activities, investor impact, and stakeholder input, and a consistent approach for evaluating alternatives (e.g., standard setting vs. guidance).”

I strongly support the Board's efforts in these areas. However, I also note that the Questions for Commenters following this discussion include none specifically addressing the broader issue of transparency in the standard-setting process. Instead, they focus largely on the possible development of a conceptual framework for standard setting. As a result, relatively few commenters are likely to address transparency more generally.

I continue to believe that two recommendations from my earlier letter would materially improve both the transparency and the effectiveness of the Board's standard-setting process: (1) more substantive public meetings in which Board members openly discuss and debate significant issues as projects develop, and (2) limited exposure of near-complete standards to knowledgeable stakeholders to identify potential "fatal flaw" implementation issues before final adoption.

These recommendations are discussed below.

<u>More substantive public Board deliberations</u>

At present, public Board meetings to authorize the issuance of exposure drafts or final auditing standards typically include no or very little substantive discussion or debate among Board members or between Board members and staff. The usual format consists of a brief staff presentation followed by each Board member reading prepared remarks explaining his voting position. While these meetings communicate the Board's decisions, they provide little insight into the deliberative process that led to those decisions. Interested parties therefore gain only limited understanding of the policy alternatives considered, the reasoning behind significant judgments, or why particular staff or stakeholder recommendations were accepted or rejected. Although much of this information appears in the later draft or final standards, more substantive public discussions would provide a much clearer understanding of the Board's reasoning and would enhance confidence in the standard-setting process.

The PCAOB's current practice contrasts sharply with that of the FASB, whose public meetings routinely include substantive discussions of technical issues, questioning of staff recommendations, debate over alternative approaches, and explanation of the reasoning underlying Board members' views before votes are taken. These discussions provide valuable insight into the Board's deliberative process, demonstrate that significant issues have been thoroughly considered, and help constituents better understand both the proposed requirements and the Board's objectives. When these discussions occur during the development of a standard rather than only at the point of final approval, they also provide interested parties with greater confidence that the Board is considering all relevant perspectives - or an opportunity to provide additional information if important issues have been overlooked.

The PCAOB need not adopt the FASB's highly detailed process of dividing projects into numerous individual issues and conducting public meetings on each one. That process provides exceptional transparency but often requires dozens of public meetings over several years before a proposal or final standard is completed. Between the FASB's highly transparent approach and the PCAOB's current practice lies a practical middle ground. I encourage the Board to consider holding public meetings at key stages of major projects where Board members openly discuss significant policy choices before those decisions are finalized. Such deliberations would substantially improve transparency, strengthen confidence in the Board's decision-making process, and likely result in higher-quality standards by exposing Board members to additional perspectives before final decisions are made.

Limited exposure of near-complete standards

My second recommendation is that the Board selectively use limited exposure of near-complete standards before final adoption. Following the normal exposure draft process, the Board and staff frequently make significant revisions in response to public comments and further deliberations. Those revisions often improve proposals, but they may also introduce implementation questions or unintended consequences that were not apparent during the original comment period because the revised provisions had not previously been available for public review. The FASB has successfully employed a limited "fatal flaw" review process in appropriate circumstances for many years.

A limited review by a representative group of knowledgeable and affected stakeholders could help identify implementation issues before a standard is finalized. Such a review would not necessarily reopen policy decisions already made by the Board. Rather, it would focus on whether revised provisions can be consistently interpreted and applied in practice, whether they create unnecessary operational difficulties, and whether additional clarification is needed to achieve the Board's intended objectives. Even if used selectively for major standards or when substantial late-stage revisions have been made, this process could improve the quality of final standards while reducing the need for subsequent amendments, staff guidance, or implementation corrections.

Conclusion

The recommendations above are intended to complement, not replace, the initiatives discussed in the Request. Establishing explicit criteria for selecting and prioritizing standard-setting projects is an important step. Equally important, however, is increasing transparency in how those standards are developed. Providing greater public insight into the Board's deliberations and creating targeted opportunities to identify significant implementation issues before standards are finalized would strengthen confidence in the PCAOB's standard-setting process and ultimately contribute to higher-quality auditing standards that better serve investors and the public interest.

Thank you for considering these comments.

Sincerely,

/s/ Dennis R. Beresford

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