August 5, 2026

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

Submitted via email: comments@pcaobus.org

Re: Request for Public Comment on PCAOB Standard Setting

Dear Members of the Board:

We are professors of accounting who research auditing, audit regulation, and audit oversight. Our research on the PCAOB and the audit profession appears in leading peer-reviewed journals, including Accounting, Organizations and Society, Contemporary Accounting Research, and the Review of Accounting Studies. We commend the Board for issuing its first request for comment on its standard-setting and research agendas and for inviting stakeholders into the process at this early stage.

We limit our comments to areas where our research provides direct evidence. Accordingly, we do not comment on the potential impact of the SEC proposal regarding semiannual reporting. Our comments proceed in three parts. Part I addresses the Board's general approach to standard setting and regulation. Part II identifies priorities for the standard-setting agenda. Part III identifies priorities for the research agenda.

Part I: The Board's General Approach to Standard Setting and Regulation

1. Build persuasion and dialogue into the regulatory process before escalation. Responsive regulation theory holds that effective regulators secure compliance through persuasion first and escalate penalties only when persuasion fails. Our multi-method study of the PCAOB's early interactions with the largest audit firms finds that the Board did not use persuasion as a first response to perceived noncompliance (Ege, Knechel, Lamoreaux, and Maksymov 2020). Firms that publicly disagreed with inspection findings faced escalating consequences, stopped disagreeing publicly, and may have formed a lasting culture of resentment toward the Board. Resentment is costly: it converts a profession that could partner with the regulator in raising audit quality into an adversary focused on managing regulatory risk. Our interviewees also perceived that auditing standards are drafted primarily for enforceability rather than usability by the practitioners who must apply them. As the Board revisits its general approach, we recommend that it (a) treat stakeholder disagreement during standard setting and inspections as dialogue rather than as a signal of noncompliance, and (b) add a usability review to its drafting process.

2. Require enforcement actions to establish and describe investor harm. Our interviews with 20 sanctioned auditors and 13 former PCAOB enforcement staff members reveal a shared concern: enforcement staff face incentives to pursue high numbers of sanctions and fines rather than cases of significance to investors, and investor harm is not assessed when cases are pursued (Cannon, Lamoreaux, Maksymov, and Myers 2025). The result, in participants' views, is a caseload tilted toward matters that are easy to sanction, particularly at small firms that cannot afford a costly defense, rather than matters that protect investors. Our key recommendation, consistent with the views of former enforcement staff, is that the Board require its enforcement staff to establish how an infraction negatively affects investors, both as a criterion for pursuing enforcement and as a description of that negative effect in the enforcement order itself. This requirement would align enforcement staff incentives with the Board's investor-protection mandate, reduce the appeal of low-investor-harm cases, and refocus enforcement resources on substantive audit issues that present genuine risks to investors. Participants also identify related fairness concerns, including one-sided language in orders and the absence of a meaningful avenue to correct perceived inaccuracies, that the Board could address as part of the same effort.

3. Increase the transparency and consistency of the inspection process. Drawing on interviews with 29 former PCAOB inspectors, we construct a phase-based account of inspections of global network firms across four phases: hiring, training, and performance assessment; planning; execution; and resolution (Maksymov and Westermann 2026). This synthesis identifies where opacity and inconsistency arise in practice, including in inspector training and calibration across teams and in the timeliness of resolution. Greater transparency about inspection methodology, sustained investment in inspector training, and shorter resolution timelines would strengthen both the quality and the perceived legitimacy of oversight. Audit partners perceive that PCAOB inspection risk goes up appreciably if one of their audit clients has a "Big R" restatement, but the PCAOB is not transparent about whether that is the case (Maksymov, Peecher, Sutherland and Weber 2024). Legitimacy matters most now, when the structure and independence of audit oversight face renewed scrutiny.

Part II: Priorities for the Standard-Setting Agenda

4. Modernize auditor and PCAOB communications with audit committees. We surveyed 342 audit committee members (ACMs) of U.S. publicly traded companies and conducted 35 interviews with ACMs, audit partners, and investors (Lamoreaux, Maksymov, Peecher, and Williams 2026). Three findings bear directly on the Board's agenda. First, ACMs rank direct PCAOB communication to audit committees among the Board's most important roles, statistically on par with enforcement and standard setting and well above communication to investors. Second, ACMs express strong demand for engagement-level disclosures, including auditor feedback on management competence, that no current standard requires auditors to provide. Third, ACMs overwhelmingly view PCAOB information as relevant to their oversight yet passively rely on auditors to supply it rather than proactively seeking it. We recommend that the Board (a) consider a project on AS 1301, Communications with Audit Committees, to enable engagement-level, decision-useful communications; (b) establish a direct communication channel to audit committees, for example planning-stage question guides and proactive outreach before public actions; and (c) calibrate any firm-level disclosure projects to the evidence that ACMs weight engagement partner attributes over firm-level metrics when evaluating auditors.

5. Recalibrate ICFR auditing toward risk. Our survey of 145 accounting executives at large U.S. public companies, supplemented by 35 interviews, finds that executives feel constrained in leading the ICFR process (Maksymov, Pickerd, Wilks, and Williams 2023). Most executives feel compelled, through their auditors, to follow PCAOB preferences that they believe often distract management and auditors from riskier areas. Executives also view some auditor ICFR assessments as excessive, prompting disputes, and view audit committee involvement in ICFR as too limited. We recommend a standard-setting or interpretive project on the audit of internal control (AS 2201) that redirects effort toward genuinely risky areas and incorporates preparer-side evidence that the Board rarely hears.

Part III: Priorities for the Research Agenda

6. Study structural change in audit firms, including consulting growth and private equity investment. Using a difference-in-differences design and interviews with 17 highly experienced audit practitioners, we find that Big 4 acquisitions of consulting firms whose services relate to the audit improved audit quality at the local office level, while acquisitions of unrelated consulting firms degraded it, consistent with a cultural shift toward commercialism (Donelson, Ege, Imdieke, and Maksymov 2020). As private equity capital enters the accounting profession, the same tension between expertise transfer and commercial culture warrants sustained attention. We recommend a research agenda item on how firm structure, ownership, and business mix affect audit quality.

7. Recognize complementary quality mechanisms in the small-firm ecosystem. Our field evidence from the U.S. audit liability insurance industry, based on 16 interviews and 83 survey responses, shows that insurers transfer risk management knowledge to the audit firms they insure through free consultative services, premium incentives, and continuing professional education, and that small, resource-constrained firms rely on and benefit from this knowledge the most (Frank, Maksymov, Peecher, and Reffett 2021). Research on how the Board's requirements, including QC 1000 implementation at smaller firms, interact with these private-sector mechanisms could identify ways to raise audit quality at lower cost.

Conclusion

We appreciate the Board's commitment to a transparent and responsive standard-setting process and the opportunity to provide input at this early stage. We would welcome the opportunity to discuss any of these comments or the underlying research with the Board or its staff.

Respectfully submitted,

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