



February 25, 2022

The Public Company Accounting Oversight Board (PCAOB)  
Office of the Secretary  
1666 K Street, NW, Suite 300  
Washington, DC 20006

Re: Board release number, PCAOB No. 2022-001

Dear Members of the PCAOB,

On behalf of the American Institute of CPAs (AICPA)<sup>1</sup>, I'd like to take this opportunity to congratulate new and continuing board members and thank you for your service in protecting investors and furthering the public interest in the preparation of informative, accurate, and independent audit reports of issuers and U.S. Securities and Exchange Commission (SEC)-registered brokers and dealers. The AICPA is very supportive of the vital mission of the PCAOB.

The AICPA also appreciates and supports PCAOB's continued efforts to obtain advice from investors and other stakeholders by structuring and convening advisory groups in the service of the PCAOB's statutory mission. We applaud the action-oriented nature and speed in which the new PCAOB Board is moving to launch the Investor Advisory Group (IAG) and the Standards and Emerging Issues Advisory Group (SEIAG). Such an action recognizes both the authority the Sarbanes Oxley Act of 2002 (as amended) provides the PCAOB and the value that advisory groups play in the development of PCAOB standards.

The AICPA previously provided perspectives and offered recommendations concerning a reconstituted Standing Advisory Group (SAG), particularly as it related to observer organizations (refer to our May 19, 2021 letter attached). Whereas the status and participatory roles of all SAG observer organizations was previously uncertain, the recently proposed SEIAG governance

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<sup>1</sup> The American Institute of CPAs® (AICPA®) is the world's largest member association representing the CPA profession, with more than 428,000 members in the United States and worldwide, and a history of serving the public interest since 1887. AICPA members represent many areas of practice, including business and industry, public practice, government, education, and consulting. The AICPA sets ethical standards for its members and U.S. auditing standards for private companies, not-for-profit organizations, and federal, state, and local governments. It develops and grades the Uniform CPA Examination, offers specialized credentials, builds the pipeline of future talent, and drives continuing education to advance the vitality, relevance, and quality of the profession.

framework resolves some of our concerns because it specifies that some previous SAG observer organizations would have permanent non-voting attendee status.

While we strongly support the formation and use of the SEIAG to assist the PCAOB with the development of high-quality auditing standards, we remain earnestly concerned about the absence of a named and permanent non-voting attendee for the AICPA Auditing Standards Board (ASB). We also believe the SEIAG would benefit from continuing to include a position for the U.S. Governmental Accountability Office (GAO) as a permanent non-voting attendee.

While our specific views and concerns are highlighted below, we would be pleased to discuss and share more with the PCAOB Board, or the staff, about the value and necessity of having an ASB representative as a non-voting attendee of the SEIAG before the PCAOB finalizes the completion of the SEIAG's governance framework.

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The AICPA, through the Chair of the ASB, was pleased and privileged to enjoy observer status with speaking rights on the SAG since 2004<sup>2</sup>. While the proposed SEIAG governance framework contemplates that additional non-voting attendees may be designated for meetings (as necessary or appropriate) and such meetings could presumably include ASB input, we urge you to consider how the ASB's standard setting role for audits of private entities (some of which "go public") could be helpful as the PCAOB seeks information and advice on its standards. The lack of recognition of the ASB as a permanent non-voting attendee on the SEIAG may unintentionally signal a lack of commonality between standard setters regarding audit quality and may impede efficient and effective standard-setting.

Additionally, a permanent role for a representative of the ASB as a non-voting SEIAG attendee would be in the public interest for the following reasons:

1. It is critically important to the U.S. capital markets that a clear understanding of the pathway and audit requirements of entities transitioning between private and public company status exists. The dynamism of the U.S. capital markets has never been more apparent as evident by the current phenomenon of companies accelerating their transition from private capital to public capital through proliferation of Special Purpose Acquisition Companies and the surge of private capital being invested in non-issuers<sup>3</sup> including those once publicly held. As a result, the public interest is best served by systematic information sharing between the PCAOB and ASB. Such an approach will aid audit committees, companies, and their auditors when companies transition between

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<sup>2</sup> See PCAOB's 2004 annual report: the original six organizations were the SEC, FASB, GAO, IAASB, DOL and ASB/AICPA.

<sup>3</sup> <https://www.sec.gov/news/speech/lee-sec-speaks-2021-10-12>.

the private and public capital markets and when navigating the related reporting and regulatory environments.

2. The PCAOB and the ASB have a unique responsibility given their respective purviews and a shared interest in safeguarding the public trust and advancing audit quality in the U.S. The two must leverage their resources and common goals to proactively address issues that likely impact both public and private company audits. The AICPA's vantage point is unique due to our broad outreach with U.S. practitioners and business and as such, our perspectives are unlike the International Auditing and Assurance Standards Setting Board (IAASB), which does not have an interest in understanding audit issues particular to the U.S. The AICPA is also unlike the IAASB in that the AICPA has the benefit of knowledge gained from a congruent peer review program.
3. The PCAOB and the ASB are addressing common challenges (e.g., disruptive technology, cyber security, talent shortages, and fraud) and opportunities (e.g., data analytics, environmental, social and governance, potential future standard setting actions such as fraud and the evolving auditors report, and outreach with investors and other users of the auditor's report). In addition, a common range of issues affect both the PCAOB and ASB including but not limited to practice issues, results of inspection, ethics, and enforcement matters and auditing networks operating under multiple jurisdictional and quality assurance regimes. In short, we can learn from each other.
4. An ASB non-voting attendee can offer the AICPA's strength in knowledge and understanding of broad policy issues and other matters that affect stakeholders and those charged with governance.
5. We also believe that the PCAOB's vital statutory mission would be well-served with ASB input because considerable time is spent by the ASB debating current audit issues and standards, and the PCAOB and its SEIAG would benefit from leveraging knowledge gained from such debates.

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We know the PCAOB values collaboration, and we strongly believe that advisory groups with a diverse range of purviews and perspectives help to inform and clarify emerging audit standard setting issues. The PCAOB, ASB, and the GAO have a common goal – setting standards for the performance of quality audits in the U.S. Open dialogue among all U.S. audit standard setters is vital to the future of high-quality audits and the public trust in the U.S, as without dialogue and collaboration, by design, there is significant risk for unexplainable and unintended differences which will be detrimental to audit quality in the U.S.

As mentioned earlier, we would be pleased to discuss and share with the full PCAOB Board, or the staff of the PCAOB more about the value and necessity of having an ASB representative included as a non-voting attendee of the SEIAG before the PCAOB finalizes the completion of the SEIAG's governance framework.

Sincerely,



Susan S. Coffey, CPA, CGMA

Chief Executive Officer – Public Accounting

cc:

PCAOB:

Erica Y. Williams, Chair  
Duane DesParte, Board Member  
Christina Ho, Board Member  
Kara M. Stein, Board Member  
Anthony C. Thompson, Board Member  
Barbara Vanich, Acting Chief Auditor

SEC:

Gary Gensler, Chair  
Caroline Crenshaw, Commissioner  
Allison Herron Lee, Commissioner  
Hester Peirce, Commissioner  
Paul Munter, Acting Chief Accountant

GAO:

Gene Dodaro, Comptroller General

Attachment



May 19, 2021

The Public Company Accounting Oversight Board  
Attn: Chairman William Duhnke III  
1666 K Street, NW, Suite 300  
Washington, DC 20006

Dear Chairman Duhnke,

We appreciate and support the PCAOB's focus on enhancing its outreach to stakeholders by reconsidering the structure and use of advisory groups in the standard-setting process. The development of high-quality auditing standards to support the performance of high-quality issuer audits is a critical part of the PCAOB's mission. We recognize that the PCAOB has taken significant steps to develop a standard-setting process and is also considering process improvements. We believe the new charter for the formation of a new Standards Advisory Group (SAG) approved on March 29, 2021, which outlines SAG membership, use of task forces, and deliverables, among other matters, will enhance the effectiveness of the SAG, the insights and feedback gained by the PCAOB, and the timeliness and relevance of such advice.

We also believe, however, that additional clarity and transparency regarding SAG observers would be beneficial to all stakeholders. The language in the new SAG charter creates uncertainty regarding the status of previous SAG observer organizations and the ability of these organizations to consistently observe all public and non-public meetings of the SAG and its task forces going forward. The new SAG charter explains the following:

- The meetings of the SAG will generally be nonpublic, but the Board may call public meetings of the SAG for any purpose;
- The Board may designate official observers for public SAG meetings;
- The SAG Chair, in consultation with the Board, may invite external experts to any SAG meeting, nonpublic or public, provided such experts agree to maintain confidentiality of any non-public information;
- The SAG will conduct its work through the use of task forces, and task force meetings will generally be nonpublic, but the Board may call public meetings of a task force for any purpose;
- The Board may designate official observers for public task force meetings;
- The SAG Chair, in consultation with the Board, may invite external experts to any task force meeting, nonpublic or public, provided that such external experts agree to maintain confidentiality of any nonpublic information they may receive.

The above language indicates that observers may be designated for public meetings of the SAG and task forces (but not nonpublic meetings); and, although it mentions external experts may be invited to nonpublic SAG and task force meetings, it is unclear who might be considered external experts. The previous PCAOB SAG, which last met in 2018, included designated observers. These observers, as outlined in PCAOB annual reports, were: the Securities and Exchange Commission, the Financial Accounting Standards Board, the Government Accountability Office, the Department of Labor, the Auditing Standards Board of the American Institute of Certified Public Accountants, the International Auditing and Assurance Standards Board of the International Federation of Accountants, the Financial Industry Regulatory Authority and the U.S. Federal Financial Institution Regulatory Agencies (“observer organizations”). Each of these observer organizations plays a vital role in quality audits, is a critical stakeholder in the work of the PCAOB, and is part of the regulatory and standard-setting ecosystem that exists in the US to support quality audits and quality financial reporting. Collaboration between the PCAOB and these observer organizations is integral to quality auditing and financial reporting in the US and to our capital markets.

Previously, observer organizations were included in SAG meetings and break-out group discussions. Such inclusion and collaboration among the SAG, PCAOB, and observer organizations was very helpful and remains vitally important to consistently address accounting and auditing issues. Enormous benefits result from the observer organizations attending all SAG and task force meetings. These include:

- Hearing first-hand the issues being discussed and potential solutions and recommendations being considered
- Gaining and sharing valuable insights and perspectives regarding particular issues and potential solutions
- Encouraging dialogue and collaborating on potential solutions
- Avoiding duplication of efforts
- Creating and enhancing consistency across standard-setters and regulators.

The challenges and issues that are discussed and considered by the PCAOB SAG and its task forces will also be contemplated and considered by the observer organizations. To enhance the effectiveness and efficiencies of how the PCAOB and observer organizations collaborate, it is important that the observer organizations continue in their observer status under the structure of the new SAG. Further, making it clear that the observer organizations will continue to have observer status for all public and nonpublic SAG and task force meetings will confirm the PCAOB’s commitment to collaboration and engagement with other regulators and standard-setters.

We recommend that when the PCAOB announces the new SAG members, the PCAOB also announce that the previous observer organizations will continue in their observer status for all public and nonpublic SAG and task force meetings. Announcing this information about observers will make it clear to all stakeholders that there will be continued engagement, collaboration, and communication amongst this group. The PCAOB's strategic plan emphasizes its goal of embracing collaboration – clarifying the role of the observer organizations will signal to all stakeholders the PCAOB's intent to meet that goal.

We welcome the opportunity to discuss this recommendation further with you.

Sincerely,

A handwritten signature in black ink, appearing to read "Susan S. Coffey". The signature is fluid and cursive, with the first name "Susan" being more prominent and the last name "Coffey" written in a smaller, more connected script.

Susan S. Coffey, CPA, CGMA  
Chief Executive Officer – Public Accounting

cc:

PCAOB:

Duane Desparte, Board Member  
Rebeka Goshorn Jurata, Board Member  
Megan Zietsman, Board Member  
Barbara Vanich, Acting Chief Auditor

SEC:

Gary Gensler, Chair  
Caroline Crenshaw, Commissioner  
Allison Herron Lee, Commissioner  
Hester Peirce, Commissioner  
Elad Roisman, Commissioner  
Paul Munter, Acting Chief Accountant