



CENTER FOR CAPITAL MARKETS  
C O M P E T I T I V E N E S S

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June 18, 2020

Ms. Phoebe W. Brown  
Secretary  
Public Company Accounting Oversight Board  
1666 K Street, N.W.  
Washington, D.C. 20006-2803

**Re: PCAOB Request for Comment: *Interim Analysis of Critical Audit Matter Requirements* (Interim Analysis No. 2020-01; April 17, 2020)**

Dear Ms. Brown:

The U. S. Chamber of Commerce’s (the “Chamber”) Center for Capital Markets Competitiveness (“CCMC”) appreciates the opportunity to comment on the Public Company Accounting Oversight Board (“PCAOB”) request for comment (“RFC”) on stakeholders’ initial experiences with auditor reporting of critical audit matters (“CAMs”).

The purpose of the RFC is to inform the interim analysis of the PCAOB’s CAM requirements being conducted by the staff of the PCAOB’s Office of Economic and Risk Analysis. Under a phased implementation approach, the PCAOB’s auditor reporting standards related to CAMs took effect for fiscal years ending on or after June 30, 2019 for large accelerated filers. The second effective date, which impacts audits of all other companies to which the CAM requirements apply, is for audits of fiscal years ending on or after December 15, 2020.

The RFC explains that the Securities and Exchange Commission (“SEC”) has set out an expectation that the PCAOB would complete a

Ms. Phoebe W. Brown

June 17, 2020

Page 2

post-implementation review as soon as reasonably possible, including some analysis between effective dates for CAMs.<sup>1</sup> The PCAOB is committed to completing this interim analysis before the second phase of CAM implementation begins.<sup>2</sup>

CCMC is a strong supporter of post-implementation reviews of accounting and auditing standards. We appreciate the PCAOB's commitment to conducting such reviews. We also recognize that phased implementation of PCAOB standards on auditor reporting of CAMs can facilitate its post-implementation review process. Importantly, phased implementation also provides an opportunity for the PCAOB to consider necessary adjustments to its standards.

The RFC solicits comments from a number of stakeholders, including investors, analysts, other financial statement users, preparers, audit committees, and auditors on the use of CAMs and the costs, benefits, and unintended consequences of the CAM requirements. However, the RFC comes during the throes of the COVID-19 pandemic and attendant shutdown of the U.S. economy.

This is not a time for “business as usual” for any stakeholder. All stakeholders are consumed with meeting their professional and personal responsibilities during these difficult and challenging times. Everyone will continue to do so for the foreseeable future as we work to navigate the path forward.

To acknowledge the unprecedented circumstances of the COVID-19 pandemic and provide some relief, other accounting and auditing standard-setters such as the Financial Accounting Standards Board (“FASB”) and the Auditing Standards Board (“ASB”) of the American Institute of Certified Public Accountants (“AICPA”) have postponed the effective

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<sup>1</sup> See the RFC, page 1.

<sup>2</sup> See the PCAOB website for Update (dated April 17, 2020), “PCAOB Posts Request for Comment, Seeks Stakeholder Input on Critical Audit Matters.”

dates for the implementation of their new standards. For example, in April, the ASB deferred the effective dates for Statements on Auditing Standards (“SAS”) Nos. 134-140 for one year due to the Coronavirus, making them generally effective for audits of calendar year-end 2021 financial statements. The postponed SASs include ones amending the ASB’s auditor reporting standards.<sup>3</sup>

CCMC recommends that the PCAOB likewise postpone the effective date for implementing phase two of CAM reporting for one year, while allowing the option of voluntary early implementation. There are several advantages for taking this approach, including:

- In addition to giving some relief during these difficult times, postponement would provide an opportunity for a high-quality implementation of the second phase of CAM reporting, hopefully when the distractions from the pandemic are diminished.<sup>4</sup>
- Given the PCAOB’s concern about conducting an interim review of auditor reporting of CAMs *before* the second phase of implementation of the requirements, postponing the effective date for phase two would give adequate time for the PCAOB to consider evidence from an interim analysis and make any necessary adjustments related to auditor reporting of CAMs. Further, it would provide adequate time for phase two auditor reporting to incorporate any adjustments, which would not occur under the PCAOB’s current approach.<sup>5</sup>
- Postponing the effective date for phase two, while allowing for voluntary early implementation, would also facilitate the PCAOB’s

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<sup>3</sup> See AICPA news release dated April 20, 2020.

<sup>4</sup> See AICPA news release dated April 20, 2020.

<sup>5</sup> While the second phase of CAM reporting applies to audits of fiscal years ending on or after December 15, 2020, the PCAOB does not expect to produce a report until the fourth quarter of 2020 to communicate findings and provide stakeholders with early insights into initial CAM implementation (RFC, page 3). The RFC also states that the PCAOB is committed to carefully evaluating the evidence obtained from the interim analysis and considering whether additional guidance or other steps may be appropriate (page 1).

Ms. Phoebe W. Brown

June 17, 2020

Page 4

post-implementation review of CAM reporting standards by expanding the conditions for and circumstances of the PCAOB's phased implementation.

Thank you for your consideration of CCMC's recommendation to postpone the effective date for implementation of phase two of auditor reporting of CAMs. We stand ready to discuss this recommendation with you further.

Sincerely,

A handwritten signature in black ink, appearing to read 'TK' followed by a long horizontal flourish.

Tom Quaadman