

August 4, 2023

PCAOB
Office of the Secretary
1666 K Street, NW
Washington, DC 20006-2803

Email: comments@pcaobus.org

RE: Request for Comments on PCAOB Release No. 2023-003 – Proposing Release: Amendments to PCAOB Auditing Standards related to a Company's Noncompliance with Laws and Regulations PCAOB Board

PCAOB Board:

The views expressed herein are written on behalf of Mayville Engineering Company, Inc. (MEC). Please find our responses below to the PCAOB's request for comment related to PCAOB Release No. 2023-003. For the reasons stated herein, MEC does not support the proposed amendments to the PCAOB Auditing Standards related to a Company's Noncompliance with Laws and Regulations (the Amendments). We believe the Amendments, as proposed, do not appropriately capture the intent of an integrated audit, nor do they provide financial statement readers and users any significant benefits that could be considered at least commensurate with the burdens and costs placed on issuers if the Amendments were made final as proposed. We believe that these burdens, costs and associated difficulties of compliance with this proposed standard as set forth in the Amendments are inappropriate and unnecessary for the following principal reasons:

- 1) The proposed Amendments are a significant scope expansion beyond the current requirements of an integrated audit and will result in auditors performing oversight of operational compliance for which they currently do not have expertise. The proposed requirement for the auditor to identify essentially all laws and regulations to which the company is subject, and then identify instances of non-compliance (without regard to materiality), is not reasonably practical for an auditor, will delay the audit function and cause potential confusion. We believe current audit procedures related to compliance with laws and regulations, including confirmation directly from an SEC registrant's external legal counsel, and use of experts on an as needed basis, among other currently required audit procedures, is appropriate to ensure the fair presentation in all material respects of financial information within a company's financial statements relating to any non-compliance with laws and regulations.
- 2) Conducting a financial statement audit applying these proposed Amendments would greatly increase the amount of time necessary to perform the audit, thus significantly increasing costs and audit fees as well as adding unnecessary additional pressure on the ability to complete the annual financial statement audit within the current required reporting time frame. Additionally, the proposed Amendments would have a significant impact to the amount of time spent and costs associated with internal controls over financial reporting related to complying with the proposed auditing standard. Given the extent of the proposed Amendments and lack of consideration for materiality, we anticipate significant increased burdens on in-house and external legal counsel, as well as the company's compliance and internal audit functions to comply with Sarbanes Oxley requirements associated with these proposed audit requirements in identifying all laws and regulations to which the company is subject and instances of noncompliance. The cost associated with hiring additional compliance, internal



audit, internal and external consultants and counsel, along with substantially increased external audit fees, would be significant to any company and we believe any assumed benefit will be insignificant relative to those incremental costs. As stated above, under the proposed Amendments, the integrated audit would take on characteristics of an operational compliance audit, ignoring the key objective of an integrated audit which is to provide reasonable assurance that such statements are materially correct and present fairly the financial position, results of operations and cash flows of the company, and that a company maintains effective internal controls to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Combining these factors with the lack of consideration of materiality, it does not appear that an adequate cost benefit consideration was made by the Board. We believe the cost and time from management required to implement and maintain the Amendments is unreasonably burdensome, especially for smaller SEC registrants such as MEC, and as such, has a cost that significantly outweighs any assumed benefit provided by these incremental audit procedures.

In conclusion, MEC does not believe that it is in the best interest of auditors, SEC registrants, shareholders, or the general public to implement the Amendments as proposed considering the substantial cost and burden that will be placed on companies for minimal value to a financial statement user. A controversial change in standards of this magnitude will have far-reaching effects on the audit profession and SEC registrants that will be required to comply with this standard.

We appreciate the opportunity to provide feedback on PCAOB Release 2023-003: Auditing Standards related to a Company's Noncompliance with Laws and Regulations.

Sincerely,

/s/ Todd M. Butz

Todd M. Butz
Chief Financial Officer
Mayville Engineering Company, Inc.

