



AFL-CIO

AMERICA'S UNIONS

**American Federation
of Labor and
Congress of Industrial
Organizations**

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March 16, 2020

By email to comments@pcaobus.org

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

Re: PCAOB Release No. 2019-003, Potential Approach to
Revisions to PCAOB Quality Control Standards

Dear Board Members:

On behalf of the American Federation of Labor and Congress of Industrial Organizations (the "AFL-CIO"), I am writing to provide our comments to the Public Company Accounting Oversight Board (the "PCAOB") on Concept Release No. 2019-003, *Potential Approach to Revisions to PCAOB Quality Control Standards*. The AFL-CIO is a voluntary federation of 55 national and international labor unions that represent 12.5 million working people. Union members participate in the capital markets as individual investors as well as participants in pension and employee benefit plans.

The AFL-CIO strongly supports the use of rigorous quality control standards for audits of public companies and broker-dealers in order to protect the retirement savings of working people. Audit firm quality control systems play an important role in promoting audit quality and preventing fraud. While alignment with the IAASB's International Standard on Quality Management 1 may be a desirable goal, the PCAOB should not sacrifice U.S. quality control standards on the altar of international convergence. The U.S. capital markets are the envy of the world in part because of the PCAOB's standard setting.

The PCAOB's own inspection reports have found recurring audit deficiencies that suggest the need for more robust quality control standards. We therefore support the adoption of internal inspection requirements and the annual evaluation of quality controls. To this end, the PCAOB should consider adopting rigorous quality control requirements such as the ISO 9001 quality management system. However, audit firm internal inspection requirements also need to be complemented with accountability measures to ensure compliance. Accordingly, we support improving the oversight of quality control systems through the appointment of independent directors to audit firm boards for this purpose.

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Finally, we urge the PCAOB to require the use of audit quality indicators as part of audit firm quality control standards. Measuring audit quality indicators will promote enhanced audit quality. As was written by management expert Peter Drucker, “what gets measured, gets managed.” The PCAOB’s Release No. 2015-005 on audit quality indicators provides a useful list of potential indicators that should be incorporated into the quality control process. As we commented in our September 29, 2015 letter to the PCAOB, we also support the disclosure of quantitative data on audit quality indicators as a matter of transparency to investors.

Thank you for the opportunity to comment on the PCAOB’s concept release on quality control standards. Investors will benefit from enhanced transparency of audit firm quality control standards, and we urge the PCAOB to require that this information be made publicly available. If I can be of further assistance, please contact me at (202) 637-5152 or brees@aficio.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'B. J. Rees', with a stylized flourish at the end.

Brandon J. Rees

Deputy Director, Corporations and Capital Markets