

May 15, 2026

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

**Re: PCAOB Release No. 2026-001, Request for Public Comment – PCAOB Strategic Priorities**

Dear Board Members and Madame Secretary:

Americans for Financial Reform Education Fund (AFREF) and the undersigned organizations appreciate the opportunity to comment on the Request for Public Comment of the PCAOB’s strategic priorities.

**Question 1: “What should the PCAOB focus on as its strategic priorities in registration, inspections, and enforcement over the next two to five years to further its statutory mission?”**

In determining priorities, the PCAOB should continue to focus on new and developing areas of risk. In some cases, this may mean identifying particular issues and inspecting a larger number of audits across firms. It may also mean more rapid inspections that consider risks as they are unfolding, something that could implicate standards that govern “review” of interim financial information under AS 4105. We note that the PCAOB has in place a “target” team designed to focus on “emerging audit risks.”<sup>1</sup> We encourage the PCAOB to make increased use of these types of teams to conduct inspections that address current risks and developments that can impact financial statements.

We also believe that the PCAOB should place greater focus on how firms and auditors address critical audit matters (CAMs). Investors benefit when they can assess audit quality. Perhaps the most significant insight into audit quality for the public has been through the introduction of CAMs.<sup>2</sup> The importance of CAMs notwithstanding, their number has continued to fall.<sup>3</sup> Moreover, disclosure has become more uniform, with 77 percent of audit opinions reporting a single CAM.<sup>4</sup>

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<sup>1</sup> Public Company Accounting Oversight Board. [Spotlight: Staff Update on 2024 Inspection Activities](#). March 2025 at 10.

<sup>2</sup> See [AS 3101: The Auditor’s Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion](#).

<sup>3</sup> Golezer, Daniel. “[Most Audit Reports Contain a CAM, But Only One](#).” Audit Committee and Auditor Oversight Update. December 18, 2025. (“for audit opinions that contained a CAM, the average number of CAMs per opinion has fallen from 1.51 in 2020 to 1.27 in 2024.”)

<sup>4</sup> Ideagen. “[Critical audit matters A five-year review: 2020-2024](#).”

Recent research indicates that this may be because of practices inconsistent with the standard. Academics have suggested that auditors use “informal rules” in determining CAMs in order to not “be singled out by the PCAOB, alienate their clients, or stand out to investors.”<sup>5</sup> These include such approaches as deferring to the national office to ensure conformity or reporting the “right number of CAMs.” These “informal rules” could result in the failure to report CAMs that are unusual or involve unusual detail. These approaches have the potential to result in the underreporting of CAMs.

The Division of Registration and Inspections has identified “common deficiencies” with respect to CAMs,<sup>6</sup> but these mostly involve process concerns or the omission of disclosure items with respect to the CAM. They do not generally involve findings that auditors failed to include particular CAMs. We understand that ultimately the issue can involve a significant amount of judgement. But in some cases, such as to whether a matter is “challenging” or “complex,” determinations could be more objective. We strongly encourage the PCAOB to place greater emphasis on whether firms are applying informal rules that improperly limit CAM disclosure and whether audit reports include all of the CAMs required by the standard.

**Question 3: “What inspection information would be most useful to stakeholders, and how could inspection reporting be enhanced under a quality control-focused inspection program?”**

During the Open Board meeting of March 31, 2026, Board Chair Jim Logothetis clarified in his oral remarks that the PCAOB sought comment on its proposed “*new* inspection focus” on the “validation of Quality Control systems *as opposed to engagement level reviews being the core emphasis*” of PCAOB inspections (emphasis added). A proposed new inspection focus on validating the quality control (“QC”) systems of registered public accounting firms as opposed to engagement level reviews is inconsistent with the Sarbanes Oxley Act of 2002 (“SOX”), as amended, and would undermine investor protection.

A Focus on Quality Control Systems at the Expense of Engagement Level Reviews Is Contrary to the Bedrock Statutory Mandate of Sarbanes Oxley

The proposed new QC inspections focus in lieu of an engagement level inspection with QC observations is contrary to the bedrock statutory mandate of SOX,<sup>7</sup> which Congress passed almost unanimously.<sup>8</sup> The 2002 Report of the Senate Committee on Banking, Housing, and Urban Affairs that contemplated the creation of the PCAOB in advance of the adoption of SOX stated that:

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<sup>5</sup> Griffith, Emily E., Linette M. Rousseau, and Karla M. Zehms. “[Why do critical audit matters lack teeth? Insights from auditors’ implementation experiences.](#)” *Review of Accounting Studies*. March 28, 2026.

<sup>6</sup> <https://pcaobus.org/resources/staff-publications/audit-focus/audit-focus-critical-audit-matters>

<sup>7</sup> See 15 U.S.C. §§ 7211(c)-104.

<sup>8</sup> SOX passed with overwhelming bipartisan support with a vote of 99-0 in the U.S. Senate on July 25, 2002 and a vote of 423-3 in the House of Representatives on that same day.

Virtually every witness who addressed the details of auditor oversight agreed on the critical need for a regular and comprehensive review, by an independent body of inspectors, of each audit firm’s compliance with audit standards and procedures. . . . The Board is to inspect the operations of each registered accounting firm, in order to assess the compliance of that firm, and of its partners and employees, with the new statute, the Board’s rules, and professional accounting standards. . . . During an inspection, *the Board is to review particular audit engagements (that it selects) of a firm* and the firm’s general quality control systems and policies, as well as to perform such other testing of the firm’s audit, supervisory, and quality control procedures as is necessary or appropriate (emphasis added).<sup>9</sup>

The report makes clear that Congress intended review of “particular audit engagements” to be a necessary piece of the PCAOB’s oversight of auditing firms under SOX following the crisis in public confidence that the Enron and WorldCom accounting and auditing frauds created. This is logical, as the only way to get to an evaluation of a registered public accounting firm’s QC system is through an engagement level review. Indeed, the largest public accounting firms recognize this fact in their own internal inspection assessments, which typically involve randomized internal selection of audit engagements that are then subjected to a thorough engagement level inspection of everything from planning and acceptance through documentation, testing, and completion. It is only at the conclusion of such internal accounting firm inspections of their own staff audits that assurance partners of the firm make findings, including adherence to applicable quality control standards.<sup>10</sup>

A narrow focus on QC also appears incompatible with the Holding Foreign Companies Accountable Act (“HFCAA”), which Congress passed unanimously in 2020. The HFCAA contained significant potential ramifications for China-based companies that are publicly listed in the United States, including possible mandatory delisting for failure to comply with PCAOB inspections. The legislation focused on enabling PCAOB to inspect auditors based in China and Hong Kong consistent with the Board’s historical and statutory inspections mandate. It is not plausible that Congress acted unanimously to threaten companies with potential delisting from U.S. exchanges so that the PCAOB would inspect only the quality control systems of China-based accounting firms. Instead, Congress passed the HFCAA and President Trump signed it into law to require robust inspections of the firm-level and engagement-level compliance of accounting firms with SOX, the Board’s auditing standards, the rules of the Board, and other professional standards.

### A Focus on Quality Control Systems at the Expense of Engagement Level Reviews Would Undermine Investor Protection

The proposed QC focus would be detrimental to investor protection. In addition to not benefiting from the more thorough inspections engagement level reviews provide, a shift to a QC-focused

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<sup>9</sup> [Senate Report S. 2673](#). July 3, 2002. Emphasis added.

<sup>10</sup> See, e.g., Delarue, Marie-Laure et al. EY. “[How can a high-quality audit deliver confidence from complexity?](#)” 2026.

approach would significantly decrease the amount of information investors receive and undermine their ability to evaluate reports auditing firms release voluntarily.

QC defects identified during inspections are communicated to accounting firms in draft form and are often remediated by the accounting firms during a 12-month period prior to publication of a final audit inspection report, which may not include any remediated QC defects.<sup>11</sup> Instead, the final audit inspection reports focus on specific violations of professional audit standards and related Board rules and only include non-remediated QC defects that the Board determines are warranted for publication and for which advanced notice is provided to the accounting firm. If, as the PCAOB board now proposes in its 2026-2030 Strategic Plan, its new inspection focus will be on “validating” the QC systems of registered public accounting firms as opposed to engagement level reviews, accounting firms will likely remediate those quality control issues during a 12-month period prior to publication of PCAOB inspection reports and the investing public and other stakeholders will be deprived of any meaningful inspections information.

The shift to the QC focus would also make the voluntary public annual accounting firm “reporting”<sup>12</sup> even more difficult for consumers of such reporting to evaluate. There is no way for readers of such reports (or external regulators) to verify or fact check the contents of the reporting; further, the methodology of the reporting and what is selected for reporting often changes by the same firm year-over-year, rendering the contents of those reports impossible to compare to prior year reports. Providing investors with less information about inspections would only exacerbate these problems.

#### **Question 4: “What standard-setting projects should the PCAOB pursue?”**

We strongly urge the PCAOB to continue to work on developing standards that will push firms to improve the quality of audits. In addition, we encourage the PCAOB to revisit efforts to develop firm and engagement metrics. Engagement metrics in particular would provide investors with greater insight into the quality of audits and engagement teams.

#### **Question 7: “How can the PCAOB enhance transparency with its stakeholders?”**

We encourage the PCAOB to consider additional ways to provide increased transparency both with respect to audits and with respect to the actions of the PCAOB. The PCAOB has taken important steps in recent years related to transparency. This includes the expansion of the Inspection Report to include “other instances of non-compliance” (Part 1.B) and independence violations (Part 1.C). These efforts should be continued and the level of detail increased.

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<sup>11</sup> PCAOB Rule 4009. Firm Response to Quality Control Defects.

<sup>12</sup> Annual public accounting firm reports (Deloitte. [Deloitte reports FY2025 revenue](#). September 30, 2025; KPMG. [Transparency Report 2025](#). December 2025; EY. [EY Value Realized 2025](#). 2025; PwC. [Global Annual Review 2025](#). 2025.) are not required by the PCAOB and are therefore made by accounting firms on a voluntary basis.

There are some additional areas where the PCAOB could increase transparency. First, the PCAOB should revisit the policy decision of not including violations by engagement teams of a firm's system of quality control. Sarbanes Oxley prohibits disclosure of "defects in the quality control systems" that are not cured within 12 months.<sup>13</sup> The statute does not prohibit disclosure of failures by the engagement team to conform to a firm's system of quality control. The earliest inspection reports by the PCAOB included these types of deficiencies.

Second, investors are uniquely disadvantaged with respect to the lack of disclosure of the issuers whose audits are subject to an inspection. The auditor and the board of course know about the inspection. As part of the inspection process, the PCAOB has discussions with chairs of audit committees, a discussion that presumably alerts the chair to the existence of an ongoing inspection.<sup>14</sup> Shareholders of that company, however, are not made aware of the inspection, though their knowledge can help inform the engagement process. The PCAOB could address this anomaly by publishing a list of issuers inspected in each cycle.

Third, the PCAOB has unique insight into the audit process. A great deal of the information cannot, however, be disclosed because of limitations in Sarbanes Oxley. One way to provide investors with insights from the data within these statutory limitations is to continue and expand the program of having academics serve as fellows and allow them to mine the data for anonymized insights that are useful to the PCAOB and the public.

We appreciate the PCAOB's consideration of our concerns. For further discussion, please contact Natalia Renta at [natalia@ourfinancialsecurity.org](mailto:natalia@ourfinancialsecurity.org).

Sincerely,

American Federation of Labor and Congress of Industrial Organizations (AFL-CIO)  
American Federation of State, County and Municipal Employees (AFSCME)  
Americans for Financial Reform Education Fund  
Chevedden Corporate Governance  
Green America  
Interfaith Center on Corporate Responsibility  
Natural Investments PBLLC  
Public Citizen  
SOC Investment Group  
Transparency Task Force

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<sup>13</sup> 15 U.S.C. § 7214.

<sup>14</sup> See Public Company Accounting Oversight Board. "[Firm and Engagement Metrics](#)." PCAOB Rulemaking Docket Matter No. 041. November 21, 2024 at 29. (noting that PCAOB has "discussions . . . with audit committee chairs as part of our inspections process."); see also Temprow, Glenn. Public Company Accounting Oversight Board. "[Inspections Overview](#)." October 19, 2020 at 10. ("In 2019, we expanded our outreach to the audit committee chairs of almost all of the U.S. issuers whose audits we selected for review").