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Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street NW
Washington, D.C. 20006-2803

Re: PCAOB Strategic Priorities, PCAOB No. 2026-001

Dear Office of the Secretary:

RSM US LLP (RSM, “we”) values the opportunity to offer our comments on the Public Company Accounting Oversight Board’s (PCAOB) *PCAOB Strategic Priorities* (the proposal). RSM is the leading provider of assurance, tax and consulting services focused on the middle market, with nearly 18,000 professionals in 77 U.S. cities, six locations in Canada, one in El Salvador and four in India.

Overall Comments on the Proposal

We genuinely appreciate the proposal and the PCAOB’s engagement with stakeholders on its strategic priority planning process. The PCAOB serves a wide range of stakeholders while executing its mission to protect investors and further the public interest in the preparation of informative, accurate and independent audit reports. Engagement of the public accounting profession and transparency are foundational to successfully executing this mission.

Comments on Specific Questions Posed by the Board

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?

We believe the PCAOB’s oversight resources are best directed at areas that most directly and significantly impact audit quality and investor protection. In the inspection program, this means evaluating whether auditors obtained sufficient appropriate evidence and exercised sound judgment in critical areas, rather than focusing disproportionately on documentation formalities or minor technical departures that do not substantially impair the quality of the audit.

In enforcement, we recommend the PCAOB concentrate on actions involving negligence or recklessness that pose a substantial risk of investor harm, rather than penalizing firms for compliance with nuanced technical rules such as Form AP reporting requirements. Enforcement resources directed toward the most consequential audit failures will yield the greatest improvement in public protection and audit quality. Further, we believe that the PCAOB should not pursue enforcement matters where the SEC has primary jurisdiction, such as independence matters. In recent years, there has been a change in how technical errors, such as compliance with reporting requirements, are addressed between inspections and enforcement. We recommend that the PCAOB publish a general framework addressing errors, deficiencies and observations that are addressed through the inspection process (e.g., quality control criticisms), and rule or standard violations that are referred to enforcement.

Additionally, we believe the interaction between the inspections program and teams and the Office of the Chief Auditor (OCA) can continue to be enhanced. This will allow for greater consistency by allowing the

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OCA to be directly involved in the final interpretation of the auditing standards. We are encouraged by the statements regarding the creation of a formal consultation process within the OCA. This formalized OCA consultation process will help all firms but will particularly help smaller firms that do not have annual engagement with the PCAOB or dedicated technical resources. By sharing learnings from the consultation process—such as through guidance, education and thought leadership—audit quality considerations can be proactively identified by firms and the perspectives of OCA on audit standards implementation can be mutually understood by all stakeholders. This can assist in the execution of strategic priorities for inspection and enforcement by enabling firms to address thematic issues prior to their inspection cycles, even when triennially inspected.

2. What changes should the PCAOB make to its inspections program including, but not limited to, changes in light of its new quality control standard (QC 1000)?

As stated in our response to question 1, we believe the PCAOB's inspection resources are best directed at areas that most directly and significantly impact audit quality and investor protection. To this end, changes can be made to incorporate firms' implementations and evaluations of the system of quality control, to more closely tailor inspections with the nature of the firms, and to improve timeliness of the inspection reports and the remediation process.

We are encouraged by the forthcoming supplemental request for comment on QC 1000. We believe further alignment with ISQM 1 will lay the foundation for changes to the inspection program to allow it to be strengthened by the firm's evaluation of its system of quality control. In addition, this further alignment will eliminate the cost associated with supporting two separate standards that are aligned in objective, but where the underlying requirements diverge in a significant manner. We also believe that open collaboration among the firms, OCA and the PCAOB's inspection teams during the QC 1000 implementation process will support audit quality by enabling proactive practical consultations and guidance. As mentioned above, this will allow for greater consistency by allowing the OCA to be directly involved in the final interpretation of the auditing standards.

We recommend the PCAOB update the inspections process to include a practical evaluation of firms' system of quality control implementation, operation and monitoring. A firm's system of quality control is a system of processes and controls designed using professional judgment. We strongly urge the PCAOB to design an inspection program that takes into account the principles-based nature of the system of quality control and allows for risk-based differences across firms.

A firm's system of quality control should look different based on the size and complexity of the firm and its clients. The inspection process for a firm's system of quality control can be consistently applied but will need to permit firms to have different quality risks, responses and controls. This inspection approach will be fundamentally different from the conclusions of an individual engagement. For example, it will not be helpful to audit quality for inspection to focus on direct quantitative comparisons across firms, such as the number of quality risks or responses. Firms have significant latitude in the standard to design their system of quality control with tailored specificity at the individual quality response level. This should be encouraged, so long as the system of quality control as a whole is operating effectively.

Audit quality and the public interest are served by clear and timely information. While the timeliness of inspection reports has improved, significant improvement is required with respect to the timeliness of the remediation process. Currently, firms have remediation schedules established by the PCAOB with timelines to provide action plans responsive to quality control criticism issued in an inspection report. However, there is no such timeline or timeliness in the remediation process; rather, it often takes years beyond when the firm has provided a finalized action plan for the PCAOB to conclude on whether sufficient actions have been implemented to address the quality control criticisms. With a shift toward

inspections prioritizing more testing and understanding of a firm's system of quality control, the remediation process should similarly be better understood and the timeline shortened.

Shortening the remediation process will serve the public interest by providing relevant information on a firm's audit quality that could impact current audit engagements.

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

As noted in our response to question 2, timeliness is essential. Timely reporting ensures that information available to stakeholders reflects the current state of audit quality and does not include items that have since been remediated. We urge further improvement in the cycle timing between performing inspections and publishing public reports, including determining whether or not to make quality control criticisms public.

We recommend the PCAOB consider including broader context in inspection reports of how prevalent the inspection findings are across the profession and whether the findings are in the PCAOB's focus areas for inspection. This context can highlight audit standards that may benefit from clarifying amendments or additional guidance. Further, providing insight on whether the findings are in inspection focus areas provides qualitative information on the findings relative to the focus work being performed by the inspections team. It is not uncommon to have more inspection findings in areas where the inspection teams are dedicating more time. These changes would be an enhancement over simply reporting deficiency rates. This information could be particularly helpful to audit committees as well as smaller firms that are inspected triennially.

We also encourage the PCAOB to highlight positive attributes in inspection reports, such as best practices, positive actions and strong design elements of a system of quality control. The U.K.'s Financial Reporting Council (FRC) currently highlights best practices in firm inspection reports, and this approach serves as a useful model. If inspection reports are intended to provide transparency and an understanding of the overall quality of the audits performed by the firm, including elements of successful outcomes will provide stakeholders with a balanced perspective of the quality of the firm and provide useful guidance for consideration by other firms. Such balanced reporting would incentivize continued investment in quality and demonstrate to investors and other stakeholders that the PCAOB recognizes audit quality holistically.

4. What standard-setting projects should the PCAOB pursue?

As addressed more thoroughly in our response to question 5, our foremost recommendation for the PCAOB's standard-setting agenda is to pursue greater engagement with international standard-setting and alignment with international standards. Greater alignment between PCAOB standards and the International Standards on Auditing (ISA), where appropriate, would provide meaningful benefits to audit execution without diminishing audit quality. Differences in underlying requirements that pursue the same objectives often necessitate maintaining separate systems, processes, methodologies and documentation approaches. This duplication increases complexity and requires incremental time and resources that could otherwise be directed toward performing and supervising high-quality audits. Aligning requirements where objectives are consistent would allow firms to focus efforts on risk assessment, professional judgment and audit quality, rather than on managing avoidable differences in form or compliance.

We believe significant progress could be made by performing a thorough qualitative alignment of PCAOB standards to the ISAs issued by the International Auditing and Assurance Standards Board (IAASB). Historically, the PCAOB has published grids that line up the paragraphs from various standards, but no

qualitative or instructive analysis of where the performance, documentation or reporting by the auditor is intended to be different. The PCAOB should publish guidance setting forth the intentional, qualitative differences between PCAOB auditing standards and ISAs and seek input from the public. This can provide the PCAOB with input on areas in which firms have differing interpretations of their expectations as well as input from stakeholders on the need for disparate standards.

In areas where the words are different but there are no intended practical execution differences, this should be identified and shared as well. Going forward, if there are intentional differences, those should be clearly outlined in future proposals with their reasoning and related expectations (e.g., expectations regarding performance and documentation).

This proposed comment process can provide the PCAOB with a foundation to establish a prudent plan to modernize the legacy AICPA rules. Standards that are in need of modernization should begin with the current form of the ISA requirements, which have been updated using a full due process structure. These can then be adapted as necessary for the U.S. environment. Certain standards, while old, may not need to be updated based on the comparison analysis as recommended above.

We strongly support the consultation process with the OCA that has been recommended. This will also provide opportunities for staff guidance publications or FAQ documents to be published shortly after new standards are adopted to aid effective implementation. Additionally, the consultation process can identify emerging trends where standard-setting may be needed.

Overall, increased transparency throughout the PCAOB's standard-setting process—including clearer articulation of objectives, greater visibility into the evaluation of stakeholder feedback, and more explicit discussion of alternatives and differences from other standards—would support more consistent interpretation and implementation. In this context, providing sufficient time for stakeholders to assess proposals and respond meaningfully is equally important. Thoughtful feedback requires careful analysis across methodologies, systems and global networks; adequate response periods help ensure that comments are substantive, constructive and ultimately supportive of high-quality audits.

5. How can the PCAOB achieve greater alignment of its auditing standards with international auditing standards?
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The PCAOB can achieve greater alignment with international auditing standards through development of a harmonization roadmap, minimization of stylistic differences, more transparent due process and active global participation in the standard-setting process.

As described more thoroughly in our response to question 4, the PCAOB should begin with an analysis of the current state of alignment between PCAOB auditing standards and ISAs. This analysis, supplemented by public comment, will enable the PCAOB to identify priority areas where its standards can be harmonized with ISAs and to develop a phased roadmap addressing key standards (e.g., risk assessment, auditor reporting, quality control) over a defined timeframe. This effort should aim to move toward aligned high-quality standards that reduce discrepancies across jurisdictions and improve the comparability and reliability of audit reports for global investors.

The PCAOB should consider developing a published framework for standard setting to help minimize differences that are purely stylistic or related to verbiage. Additionally, greater transparency into the standard-setting journey and deliberations, beyond only the final proposal and release, would also help stakeholders understand and support alignment efforts and improve the adoptability of standards. For example, we were very supportive of the PCAOB's use of roundtables in 2024 in connection with the NOCLAR proposal, which included stakeholders from a range of constituent groups and provided a valuable forum for dialogue and illustrated how earlier and broader engagement can enhance transparency and stakeholder buy-in.

The IAASB's standard-setting process included multiple open meetings for which meeting materials, discussion papers and the discussions themselves are publicly available. The PCAOB should similarly increase the public discussions throughout the standard-setting process with particular focus on issues highlighted during the comment letter process. This could include open discussions through mechanisms such as advisory boards (e.g., existing Investor Advisory Group and Standards and Emerging Issues Advisory Group), roundtables or open board discussions. This iterative process is necessary to develop and revise standards and guidance, as appropriate, that are consistently understandable, executable and inspectable.

Finally, the PCAOB should be actively involved in participation with the IAASB through the standard-setting process. This could include active engagement as a recognized observer to the IAASB or nominating a board member, providing support for task forces, monitoring standards development, providing comments at each board meeting, and commenting on exposure drafts. This should also include active involvement in the International Forum of Independent Audit Regulators (IFIAR) Standard-Setting Working Group to share ideas and drive consensus among the largest and most mature global audit regulators. By being involved early in the ISA development process, the PCAOB can help ensure that new international standards have contemplated U.S. capital market needs such that they can be efficiently adopted or adapted domestically.

6. In what ways should the PCAOB consider deploying technology, including AI, to help further its investor-protection mission?

We note that this question has two potential dimensions: how auditors should be permitted to use technology under PCAOB standards, and how the PCAOB itself should deploy technology in its oversight functions. We have chosen to respond to both dimensions of this question.

From an auditor's perspective, standards should not only avoid prohibiting technology adoption but should actively encourage and enable its use where it improves audit quality. It would be helpful for the PCAOB to publish additional guidance on expectations for the auditor's evaluation of technology processing and outputs as part of the firm's system of quality control and individual engagement performance. For example, the Committee of Sponsoring Organizations recently issued guidance, *Achieving Effective Internal Control Over Generative AI*; the IFIAR released a report, *Use of technology in audits – observations, risks and further evolution*; and the FRC published guidance, *AI in audit – Illustrative example and documentation guidance*. It would be helpful to understand how the PCAOB may or may not consider this relevant to a firm's system of quality control. One key principle we recommend for consideration is that when artificial intelligence (AI) is used in the performance of an audit, if AI is required to be 100% reperformed, it is not useful to audit quality or efficiency. Auditors also do not face the same requirement when performing supervision and review on an audit engagement, using internal audit work or supervising component auditors. Today, PCAOB audit standards do not prohibit the use of technology, but there are areas of ambiguity and fear of inspection that may prevent firms from adopting innovative tools. The PCAOB can address these areas through timely focused guidance and the open consultation process, supported by the development of a scalable framework with examples and frequently asked questions designed to evolve with ongoing technological advances.

From the PCAOB's perspective, we recommend the PCAOB implement ideas from the 2024 Technology Innovation Alliance report, *Transforming Audit Quality Through Technology*. Specifically, we recommend the PCAOB consider creating innovation labs, hosting tech sprints, and developing more guidance and use cases for AI in the audit. The Dutch regulator AFM Netherlands has a sandbox environment for firms to work with the regulator to experiment with implementation approaches in a safe setting—the PCAOB could draw on that model.

We also believe that technology can be utilized by the PCAOB for benchmarking and analysis of data. Technology also creates an opportunity to enable OCA consultations to be shared more quickly with all

stakeholders on a redacted basis or through practice aids and guidance. Additionally, the PCAOB could evaluate the potential to use technology for benchmarking to identify outliers related to particular trends determined to be relevant to stakeholders.

7. How can the PCAOB enhance transparency with its stakeholders?

This consultation process is a valuable step toward increasing transparency with stakeholders. Continuing open engagement with stakeholders through this process as well as standard setting, implementing the formal consultation process and providing enhanced balanced reporting on inspections will continue to demonstrate that the PCAOB's commitment to transparency.

As addressed in our response to question 5, holding open meetings during the development of new standards provides transparency throughout the process, the ability to include stakeholder perspectives in the development of standards and greater clarity on the final state of the standard, allowing for better adoption and higher quality of implementation.

As addressed in our response to question 4, we are exceptionally encouraged by the PCAOB creating a consultative process with OCA and consultative environment where stakeholders are encouraged to bring questions, concerns and observations to the PCAOB for a dialogue. Publishing outcomes of consultations in anonymized form (e.g., staff guidance or FAQ documents) will increase transparency into this process and allow all firms and stakeholders to benefit from shared knowledge and interpretive clarity.

Finally, as addressed in our response to questions 2 and 3, increasing the information included in and timeliness of inspection reporting will provide a more balanced view of a firm's quality and will give stakeholders a better understanding of audit quality trends.

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We would be pleased to respond to any questions the PCAOB or its staff may have about our comments. Please direct any questions to Adam Hallemeyer, Chief Auditor, at 619.641.7318.

Sincerely,

RSM US LLP

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