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December 20, 2024

U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, D.C. 20549

**Re: SECURITIES AND EXCHANGE COMMISSION [Release No. 34-101724; File No. PCAOB-2024-06] Public Company Accounting Oversight Board; Notice of Filing of Proposed Rules on Firm and Engagement Metrics and Related Amendments to PCAOB Standards; PCAOB Rulemaking Docket Matter No. 041.**

Dear Office of the Secretary:

RSM US LLP appreciates the opportunity to provide input on the final standard adopted by the Public Company Accounting Oversight Board (PCAOB or the Board) on Firm and Engagement Metrics<sup>1</sup> (Final Standard) and filed with the Securities and Exchange Commission (SEC or the Commission). RSM is a registered public accounting firm serving middle-market issuers, brokers and dealers.

While we support transparency and communication between the PCAOB, auditors, audit committees and investors, several concerns raised during the exposure draft comment letter period by RSM and other commenters have not been fully considered by the PCAOB, and there are questions that remain. We have summarized our most significant concerns with the Final Standard in four broad categories: duration of deliberation, beneficiaries of the standard, metrics and cost of implementation.

For the reasons outlined below, we do not support the approval of this Final Standard by the SEC.

### **Duration of deliberation**

As stated in our June 7, 2024, comment letter<sup>2</sup> to the PCAOB on the Firm and Engagement Metrics proposal<sup>3</sup> (Proposed Standard), we are concerned about the time provided for responses to the Board's proposal. The concept release underlying the proposal was published in July 2015 with little public deliberation over the years leading to this proposal's issuance in April 2024. A 60-day comment period is foundationally disproportionate to the effort required to have fully evaluated and responded to the lengthy and detailed proposal with thoughtful and constructive responses. Now, just over 200 days from the proposal's issuance, the proposal is on track for adoption – despite concerns from us and other commenters, such as the Center for Audit Quality (CAQ)<sup>4</sup>, about the Board's rush to adopt the Final Standard. As Board Member Christina Ho stated, "Essentially, although the Firm and Engagement Metrics proposal has over 40% more comment letters than the average of 32, it took half as much time as the other standards adopted by this Board.... Haste naturally harms work product quality, which will not escape any keen eyes."<sup>5</sup> and that the Final Standard needs additional deliberation prior to approval by the SEC.

<sup>1</sup> [PCAOB Release No. 2024-012, Firm and Engagement Metrics, November 21, 2024](#)

<sup>2</sup> [RSM comment letter to the PCAOB on Firm and Engagement Metrics, June 7, 2024](#)

<sup>3</sup> [PCAOB Release No. 2024-002, Firm and Engagement Metrics, April 9, 2024](#)

<sup>4</sup> [CAQ supplemental comment letter to the PCAOB, November 11, 2024](#)

<sup>5</sup> [PCAOB Board Member Christina Ho statement, November 21, 2024](#)

In agreement with concerns raised by the CAQ<sup>6</sup>, we also encourage the SEC to further assess the extent to which the PCAOB has the statutory authority to issue certain aspects of the standard.

### **Beneficiaries of the standard**

We would ask the SEC to consider whether the Final Standard clearly addresses and explains the intended beneficiaries and benefits of the Final Standard. The Final Standard includes references to investors and audit committees as users of the firm and engagement metrics. However, a CAQ survey<sup>7</sup> of investors and audit committee members conducted in the Spring of 2024 revealed differing viewpoints than the PCAOB acknowledged in the release of its Final Standard. For example, in the survey of audit committees:

- 95% said the information available to them to fulfill their external auditor oversight responsibilities meets “most” or “all” of their needs.
- 73% of audit committee members indicated there would be potential challenges or limitations in interpreting the proposed metrics in the Firm and Engagement Metrics proposal, particularly in relation to measuring audit quality.
- 63% said that the proposed enhanced reporting requirements would not be useful to the audit committee in exercising its oversight role.
- 82% had concerns about data specific to their audit being available publicly

On the investor side,

- 92% indicated the information available to assess the quality of the audit of a publicly traded company meets “all” or “most” of their needs.
- 74% agreed that performance metrics need context and mandated public disclosure of engagement level metrics could have unintended consequences.

The survey findings demonstrated there is not an “expectation of” or “need for” mandated performance metrics at the firm or engagement level, as audit committees and investors already have the information they need to assess the quality of the audit firm and the audit.<sup>8</sup> As we wrote in our initial response to the Firm and Engagement Metrics proposal, we are uncertain of the usefulness of the proposed metrics for investors. We are concerned that these metrics, as proposed, could lead to misinterpretation and be confusing to the evaluation of company results as compared to audit firm specific activities.<sup>9</sup> The Final Standard does not resolve the questions provided by RSM and other commentors on the Proposed Standard.

### **Metrics**

We are concerned that the Final Standard introduces several biases in the evaluation of the metrics that could cause inappropriate evaluation of auditors or the audit. For example, the Final Standard states that “This new information will allow users to draw inferences about audits and audit firms that are not possible today.”<sup>10</sup> It further provides the example, “...a heavy workload for a particular engagement team relative to the firm average or compared to peer firms may raise questions about the quality of the work

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<sup>6</sup> [CAQ comment letter to the PCAOB on Firm and Engagement Metrics, June 7, 2024](#)

<sup>7</sup> [CAQ Audit Committee Survey, May 29-June 14, 2024 - Appendix](#)

<sup>8</sup> [CAQ supplemental comment letter to the PCAOB, August 1, 2024](#)

<sup>9</sup> [RSM comment letter to the PCAOB on Firm and Engagement Metrics, June 7, 2024](#)

<sup>10</sup> [Final Standard](#), page 5

performed.”<sup>11</sup> There are several examples of blanket statements that imply the metrics, taken without further context, could imply significant impacts on audit quality. We are concerned these biases will lead to inappropriate conclusions by investors or audit committees, especially given the character limitations enacted for explanations of the reported metrics.

The PCAOB also mentions frequently in the Final Standard that many firms appear to already be capturing these metrics and states, “we believe that all firms should be able to capture the data required by the metrics without undue burden.” However, the PCAOB’s metric calculations are very specific, as evidenced in Appendix 1 Part IV. The required data in the calculations vary across the metrics which could lead to firms not capturing, interpreting and reporting the correct information. Firms have not had sufficient time to analyze the different datasets required and determine whether the assertion in the final release that requisite systems and reporting changes can be made without undue burden is accurate.

Certain metrics, like Experience of Audit Personnel and Manager and Partner Involvement, require compilation of information that is not controlled by firms. As we stated in our comment letter on the Proposed Standard, the accuracy of compiling personnel professional profiles will be challenging, especially validating the accuracy of time worked at other firms in accordance with the requirements of the Final Standard. Likewise, accumulating and validating the accuracy of hours spent by component auditors and outside professionals who provide audit services to our firm will be costly, particularly given the lack of a materiality or de minimis threshold included in the Final Standard<sup>12</sup>. Firms will need to gather additional data and adopt new controls related to information outside of the firm’s system of internal control to comply with the Final Standard.

Lastly, we noted the addition of the metric on Training Hours for Audit Personnel in the Final Standard. Although consideration of training hours was included in the Proposed Standard in question format,<sup>13</sup> stakeholders were not provided the opportunity to comment on the metric of Training Hours for Audit Personnel included in the Final Standard or provide feedback on the added economic burdens it imposes.

### **Cost of implementation**

As stated in our comment letter on the Proposed Standard, it will be onerous and costly for firms to implement systems and internal controls to gather and verify data for the required metrics in the Final Standard. We are concerned the costs of implementation do not provide the intended value. The economic analysis in the Final Standard does not provide persuasive evidence that the perceived benefits of the standard outweigh the expected costs.

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<sup>11</sup> [Final Standard](#), page 5

<sup>12</sup> [Final Standard](#), pages 135-136. “We are not adopting a materiality or de minimis threshold in connection with the obligation to amend forms to connect information that was incorrect at the time the report was filed or provide information that was omitted from the report and was required to be provided at the time the report was filed. Historically, the Board has not established, and has not found necessary, materiality or de minimis thresholds in connection with form amendments.”

<sup>13</sup> Questions 80 through 82 of the [Proposed Standard](#)

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**Conclusion**

Given the concerns above, we respectfully request that the Commission not adopt the Final Standard as currently proposed.

We would be pleased to respond to any questions the SEC or its staff may have about our comments. Please direct any questions to Sara Lord, Chief Auditor, at 612.376.9572.

Sincerely,

*RSM US LLP*

RSM US LLP