



NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION, INC.

750 First Street, NE, Suite 990
Washington, DC 20002
202-737-0900
www.nasaa.org

June 7, 2024

Submitted by email (comments@pcaobus.org)

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

RE: PCAOB Rulemaking Docket Matter No. 055

Dear Sir or Madam:

On behalf of the North American Securities Administrators Association, Inc. (“NASAA”),¹ I am writing in response to Public Company Accounting Oversight Board (“PCAOB” or the “Board”) Release No. 2024-003, *Firm Reporting* (the “Proposal”), issued on April 9, 2024.² The Proposal seeks, *inter alia*, to enhance the periodic reporting of registered firm financial, governance, and network information, as well as to require more timely and expanded special reporting, including cybersecurity reporting. NASAA supports the Proposal as an appropriate set of revisions to the PCAOB’s current periodic and special reporting framework, which has not been updated substantively since its adoption in 2008.³

While the Proposal states that the PCAOB has observed an increase in voluntary audit firm transparency reporting, which it notes may reflect market and investor demand for more information about registered firms, NASAA agrees with the PCAOB’s assessment that the proposed disclosure revisions would be a more effective means to allow investors, audit committees and other stakeholders to evaluate both registered firms and the public company audits they provide.⁴ Through enhancements to its formal disclosure requirements, the PCAOB would be able to standardize the information received, and mitigate the submission of incomplete,

¹ Organized in 1919, NASAA is the oldest international organization devoted to investor protection. NASAA’s membership consists of the securities administrators in the 50 states, the District of Columbia, Canada, México, Puerto Rico, the U.S. Virgin Islands, and Guam. NASAA is the voice of securities agencies responsible for grass-roots investor protection and efficient capital formation.

² The Proposal is available at https://assets.pcaobus.org/pcaob-dev/docs/default-source/rulemaking/docket-055/2024-003-firmreporting.pdf?sfvrsn=e63cff7c_2.

³ *Id.* at 5.

⁴ *See id.* at 4; *see also id.* at 15, 31. Transparency reporting may have an ancillary positive impact on audit quality in that audit firms competing for engagement may be encouraged to heighten their internal operational, governance, and performance practices and standards.

inaccurate, or insufficiently detailed information.⁵ NASAA therefore also agrees that the proposed disclosure revisions would facilitate the PCAOB's regulatory functions, including firm monitoring, the inspection program, enforcement investigations, and the PCAOB's standard-setting process.⁶ In addition to these functional benefits, the public's confidence in the work of registered firms would likewise be strengthened through the proposed disclosure revisions.

NASAA also agrees with the PCAOB's proposal to shorten the timeframe for reporting events material to a firm's organization, operations, liquidity or financial resources, or the provision of audit services from 30 days to 14 days (or more promptly as warranted).⁷ As the Proposal notes, the Board originally recognized that the events subject to special reporting "were 'potentially of some immediate concern to the Board' and that the 'public interest, as well as the ability to consider whether prompt action is warranted by the Board's inspection staff or enforcement staff, would be served by contemporaneous reporting of the event.'"⁸ According to the PCAOB, audit firms are accustomed to reporting within 14 days given Securities and Exchange Commission reporting regulations for certain issuer events that require responses from auditors.⁹ Regarding the "or more promptly as warranted" qualifier to the proposed special reporting time frame, NASAA would encourage the PCAOB to more firmly outline some of the facts and circumstances that would require more prompt reporting.¹⁰ In the midst of a triggering event, and during the time of remediation that may follow, an audit firm may be best positioned to comply with the appropriate time frame for reporting if it has a prior, constructive understanding of which time frame should apply under what circumstances.

The Proposal also includes a requirement for prompt confidential reporting of significant cybersecurity events within five business days, and periodic reporting of a brief description of the audit firm's policies and procedures to identify and manage cybersecurity risks.¹¹ NASAA agrees that this information would inform the PCAOB and other regulators of critical information regarding the potential for disruptions of audit firm operations that could not only impact the provision of audit services, but could also indicate potential compromises of individual or issuer information.¹² While we agree that timely information sharing would benefit risk resiliency across the broader audit services market, we encourage the PCAOB to especially consider comments and feedback from audit market participants with regard to existing applicable regulations from other agencies to ensure the proposed reporting framework is appropriate. NASAA appreciates the

⁵ *Id.* at 9, 36.

⁶ *See id.* at 5.

⁷ *Id.* at 18.

⁸ *Id.* at 34.

⁹ *Id.* at 38.

¹⁰ *See id.*

¹¹ *Id.* at 18, 40.

¹² *See id.* at 18.

attention of the PCAOB on the shifting cybersecurity landscape of audit firms amid an increasing number of cybersecurity incidents.¹³

NASAA appreciates the opportunity to comment on the PCAOB's effort to adjust its reporting framework to be closer in step with PCAOB staff's experience, the reports cited in the Proposal, activities of other regulators, and the observations of audit firm transparency in other jurisdictions and through PCAOB outreach. For these reasons, NASAA encourages the PCAOB to adopt the Proposal consistent with our comments above. Should you have any questions about this letter, please contact either the undersigned or NASAA's General Counsel, Vince Martinez, at (202) 737-0900.

Sincerely,



Joseph Brady
NASAA Executive Director

¹³ *Id.* at 15.