

July 2, 2024

SENT VIA EMAIL: rule-comments@sec.gov

Ms. Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

**Re: SECURITIES AND EXCHANGE COMMISSION [Release No. 34-100277; File No. PCAOB-2024-02]
Public Company Accounting Oversight Board; Notice of Filing of Proposed Rules on A Firm's
System of Quality Control and Related Amendments to PCAOB Standards**

Dear Ms. Countryman:

We appreciate the opportunity to share our views and provide input on the final standard (Final Standard or Adopting Release) adopted by the Public Company Accounting Oversight Board's (PCAOB or the Board) on May 13, 2024 (File No. PCAOB 2024 – 02) and filed with the Securities and Exchange Commission (SEC or Commission) on May 24, 2024, in Release No. 34-100277.

Moss Adams LLP is the largest accounting and consulting firm headquartered in the western United States, with a staff over 4,300, including more than 400 partners. Founded in 1913, the firm serves public and private middle-market business, not-for-profit, and governmental organizations across the nation through specialized industry and service teams.

We appreciate the Board's efforts to improve standards addressing quality management and we embrace the opportunity to continually improve our own practice. However, the Adopting Release includes requirements that significantly diverged from the proposed rules provided for public comment which we believe the PCAOB needs to address through due process, thus we respectfully request the SEC not approve the final standard as drafted until the PCAOB conducts further analysis and/or obtains public input.

External Quality Control Function (EQCF)

The Adopting Release introduced the role of an EQCF which is more prescriptive and expands responsibilities from the oversight function as described in the PCAOB Release from 2022.

PCAOB Release No. 2022-006 ~~marked~~ to Adopting Release

.28 If the firm issued audit reports with respect to more than 100 issuers during the prior calendar year, the firm's governance structure should incorporate an external oversight function for the QC system composed of audit practice that includes at least one or more persons who ~~is are not a~~ partners, shareholders, members, other principals, or employees of the firm and who do ~~does~~ not otherwise have a commercial, familial, or other relationship

with the firm that would interfere with the exercise of independent judgment with regard to matters related to the QC system (an “External QC Function” or “EQCF”). The EQCF should have the experience, competence, authority, and time necessary to enable them to carry out the responsibilities assigned to the EQCF by the firm. The responsibilities of the EQCF should include, at a minimum, evaluating the significant judgments made and the related conclusions reached by the firm when evaluating and reporting on the effectiveness of its QC system.

The nature of the EQCF is a key change from the originally described oversight function and, as such, warrants further public discourse prior to the finalization of this regulation.

From the standpoint of a firm that is subject to annual inspection and marginally exceeds the 100-issuer threshold, the disparity in scale, operational scope, and complexity when compared to other firms under similar scrutiny is substantial.

Thus, we encourage the Board conduct a more in-depth economic analysis of the EQCF role, along with qualitative analysis of the proposed impact to audit quality and the interplay with the PCAOB’s annual inspection of firms’ systems of quality. Without such a cost/benefit analysis, we are concerned that this EQCF role, and the cumulative effect of requirements in other proposals and standards, heightens costs and barriers to serve issuers. Firms that are close to or just above the 100-issuer mark may feel compelled to consider reducing their issuer count below this threshold. Such an exit undermines competition in the marketplace by increasing concentration in the marketplace to the largest firms without commiserate benefit on audit quality.

Fixed Evaluation Date and Aggressive Implementation Schedule

The Adopting Release includes an evaluation date as of September 30; whereas, the PCAOB Release No. 2022-006 had an evaluation date of November 30. We raised significant concerns in our February 1, 2023, response to PCAOB Release No. 2022-006 as to the significant logistical issues of a fixed evaluation date, particularly when considering the alignment with the firm’s operational timelines. While we maintain such concerns, we have additional concerns with fixed evaluation date given the new ECQF role.

The PCAOB’s aggressive implementation schedule for QC 1000 creates a reasonable possibility that firms will be unable to properly implement. December 15, 2025, is the beginning of the first evaluation period. An approximate 18-month window to identify, vet, contract, and onboard an EQCF is very aggressive while also working to comply with all the other requirements of QC 1000 and other PCAOB standards that will be effective around the same time period.

We respectfully request that the SEC require the PCAOB to extend the implementation deadline, as the SEC and FASB have done in the past with significant new Sarbanes-Oxley rules and accounting principles that require additional time for implementation. Such an extension could allow firms the necessary time to align their systems with the new requirements, ensuring a smooth transition and the effective operation of quality control systems that protect investors and maintain the integrity of the capital markets. The PCAOB and SEC’s consideration of these concerns will be instrumental in shaping the future of audit quality standards and their practical implementation within the industry.

We appreciate the opportunity to comment on the Final Standard. As the Commission gathers feedback from other interested parties, we would be pleased to discuss our comments or answer any questions that the Commission or Board may have regarding the views expressed in this letter. If you require further information regarding our response, please contact Laura Hyland, Senior Manager in our Professional Practice Group, at 206-748-4911 or by email at Laura.Hyland@mossadams.com or Michael Spencer, Partner in our Professional Practice Group, at 408-916-0589 or by e-mail at Michael.Spencer@mossadams.com.

Sincerely,

Moss Adams LLP