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Via email: comments@pcaobus.org

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

Re: PCAOB Rulemaking Docket Matter No. 46

Dear Office of the Secretary:

We appreciate the opportunity to comment on the Board's proposed quality control standard in PCAOB Release No. 2022-006. We commend the Board and its staff on taking up this very important project. The proposed enhancements to the Quality Control Standards will, we believe, be beneficial in improving audit quality.

Baker Tilly US, LLP, is currently an annually inspected public accounting firm auditing only slightly over 100 issuers, approximately 30 of which are employee benefit plan audits filing on Form 11-K. Our issuer audit practice consists primarily of smaller reporting companies in various industries, including financial institutions. We also perform audits of broker-dealers. Although we are a top 10 ranked firm, our organization is substantially different from Global Network Firms.

We are supportive of the Board's intentions with respect to this proposed standard and are pleased that the form and organization of the proposal aligns with the quality management standards of the International Auditing and Assurance Standards Board and the American Institute of Certified Public Accountants. However, we are concerned that the proposed standard is not as scalable as the Board has intended. We believe this will be a significant implementation effort for smaller firms and will lead to initial and continuing costs that will not outweigh the expected benefits in audit quality.

In lieu of answering the specific questions within the proposal, we are providing specific comments most relevant to our firm.

Incremental requirements for firms that audit more than 100 issuers

The proposal includes the following additional requirements as follows:

- .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 oversight function for the audit practice that includes at least one person who is not a partner, shareholder, member, other principal, or employee of the firm and 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.

- .34a. Identifying firm and personal relationships and arrangements with restricted entities, including a process for identifying direct or material indirect financial interests that might impair the firm's independence of firm personnel that are managerial employees or partners, shareholders, members, or other principals.

  (1) If the firm issued audit reports with respect to more than 100 issuers during the prior calendar year, such process should be automated.

- .63 In addition to monitoring completed engagements,

  a. If the firm issued audit reports with respect to more than 100 issuers during the prior calendar year, the firm should monitor in-process engagements.

We suggest that using a threshold of issuing audit reports with respect to more than 100 issuers is far too low for the types of firms that will be scoped into these requirements. Currently the Global Network Firms audit in excess of 75% of issuers with an excess of $75 million in market capitalization, while Non-Affiliate Firms primarily audit the issuers with a market cap of less than $75 million. In other words, the risk undertaken by the smaller firms is much less than the largest six firms. Because of this and the costs associated with the smaller firms, we suggest that the threshold for the incremental requirements be raised to include only the top six firms.

Evaluation date

We believe the proposed evaluation date of November 30 with a report filing date of January 15 will cause significant hardship for smaller firms. The volume of information required, and the systems needed to gather and process the information, may conflict with many firms' normal business cycle. We suggest that the standard not specify a particular date but rather allow firms choose the most appropriate reporting period for their practice.

In the particular case of Baker Tilly, the proposed date would be particularly challenging as it coincides with our current PCAOB inspection cycle. In order to accommodate the reporting, we will likely need to add significant resources to manage the inspection process and the annual evaluation and reporting. Once again, the cost vs. benefit analysis does not appear to be supported.

Effective date

The proposal suggests that the effective date would be one year after the approval by the SEC. We believe there is potential for this being as early as December 15, 2024. We suggest that this will cause serious disruption for the smaller firms. We suggest that the effective date be the later of 12 months after the SEC approval or December 15, 2025, to enable firms to align their implementation efforts with the AICPA's quality management standards and ensure an orderly transition.

We thank you for the opportunity to present our views on the proposed standard and appreciate your consideration. We would be pleased to discuss it further with you if deemed necessary.

Sincerely,

Baker Tilly US, LLP

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