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SENT 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 No. 46

Dear Office of the Secretary:

We appreciate the opportunity to share our views and provide input on the Public Company Accounting Oversight Board's (PCAOB or the Board) proposed Quality Control (QC) standard, A Firm's System of Quality Control (proposed QC 1000) and other proposed amendments to PCAOB standards, rules and forms as presented and outlined in its PCAOB Release No. 2022-006 (PCAOB Release).

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 support the Board's intentions to revise PCAOB QC standards to strengthen auditing practices and continuously improve audit quality. We believe a firm's system of quality control is foundational to audit quality. As we previously articulated in our March 2020 response to the Board's QC Concept Release, we agree it is appropriate to revise existing PCAOB QC standards, originally adopted as interim standards in 2003, to reflect the experience of the Board and its Staff as well as developments in the profession.

We believe the proposed QC 1000 generally achieves a risk-based approach to QC, but there are several elements that impede the objective of flexible, scalable requirements to allow firms to tailor their approach to fit their unique nature and circumstance as specifically cited in our response to Q9 below and throughout this letter. The most significant concern we have relates to the required automated process for identifying financial interests which is addressed in the first section of this letter. Our remaining comments and recommendations are in the "Other Comments" section of the letter.

Significant Concern: Automated Process for Identifying Direct or Indirect Financial Interests for Firms with more than 100 Issuers

The specified quality response to have an automated process for identifying direct or material indirect financial interests is not appropriate. Particularly, reducing the threshold to include firms issuing audit reports with respect to more than 100 issuers is not a risk-based nor a scalable solution to the quality control risk of a covered person holding an interest in a client. We strongly recommend the PCAOB retain the current threshold established in SEC Regulation S-X Rule 2-01(d)(4), 17 C.F.R. § 210.02-01(d)(4)(ii)

and the parameter in that Rule to have an automated process for investments in securities that might impair independence. We believe this specified quality response will impede competition and detracts from the intent to make QC 1000 risk-based and scalable.

We have significant concerns there would be a decrease in market competition which would disproportionally affect smaller issuers and further increase the concentration of public companies audited by the large international firms. We believe that the change to an automated system for firms that exceed the 100-issuer threshold will limit firms at or near the 100-issuer threshold who choose to compete in the market for auditing public companies.

We question the impact that implementing a 100-issuer threshold has on the capital markets. As noted, the SEC has already established thresholds on automated independence requirements for firms that audit more than 500 issuers in SEC Regulation S-X Rule 2-01(d)(4), 17 C.F.R. § 210.02-01(d)(4)(ii). Based on a high-level review of audits of issuers, we noted that six firms currently meet the 500+ issuer threshold, and together they represent over 60% of issuers and approximately 98.7% of the capital markets.[1] In contrast, this proposal would nearly triple the number of firms required to implement automated investment tracking systems while only picking up less than 15% of issuers, which represent less than 1% of the capital markets.[2]

Further, the 100-issuer threshold detracts from the scalability of the standard and the ability for firms to design responses to address their circumstances and related risks. Moss Adams currently represents one of 14 accounting firms that are inspected on an annual basis.[3] However, the differences in size, scope, nature, and complexity between our firm and the other annually inspected firms is immense. For example, approximately 25 percent of our issuer client count consists of Form 11-K audits which have limited impact on the capital markets, 56 percent represents smaller reporting companies, and 17 percent are accelerated and large accelerated filers. We believe the determination of whether or not to implement an automated process for identifying and tracking direct and material indirect financial interests should be risk-based and not include a prescriptive requirement based on an arbitrary count of greater than 100 issuers.

Implementing and maintaining a viable system of this nature comes at a considerable cost. The cost to a firm to provide services to the 101st issuer far exceeds the associated fees, thus creating an impediment to grow the issuer client base. Even over a longer term, a firm would need to expand its client base well beyond 100 issuers to support the investment. This prescriptive requirement, in addition to the existing incremental requirements under the annually inspected firm program, would serve to further disincentivize firms from going over the 100-issuer threshold, whether due to natural growth of client base or firm acquisitions. If the proposed change were to go forward, considering the prohibitive cost, firms near or slightly above the 100-issuer count would be forced to give serious consideration to reducing or managing the number of issuers audited to below 100.

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[1] Market capitalization data sourced from Audit Analytics based off issuers' most recent fiscal year-ends.

[2] Data sourced from Audit Analytics based off the number of SEC registrants, including 11-K filers, reported on by firm for the year ended December 31, 2022.

[3] As of the date of this letter, in accordance with the PCAOB website https://pcaobus.org/Inspections/Pages/InspectedFirms.aspx, fourteen firms provide audit reports for more than 100 issuers and are therefore annually inspected and over 1,700 public accounting firms are registered with the PCAOB.

Finally, we note the economic analysis in the PCAOB Release did not address the cost of this proposed change against the benefits to audit quality, particularly as it would relate to firms our size. We encourage the PCAOB to undertake a cost benefit analysis of the proposed prescribed specified quality responses with the 100-issuer threshold focused on firms that audit 101-500 issuers and to consider other metrics to trigger requirements (for example, market capitalization based).

Firms below the 500-issuer threshold could still be encouraged to implement this quality response based on their risk assessment, but we believe it should not be a specified quality response for those firms with under 500 issuers until such time that technology allows adoption in a non-cost prohibitive and scalable manner.

Other Comments

Scalability of QC 1000

Q9. We intend the proposed standard to be scalable for all firms based on their nature and circumstances. Are there additional factors we should consider so that the proposed standard is scalable for all firms? If so, what are those factors? Should the standard be revised to make it more scalable? If so, how?

The number of specified quality responses and prescriptive definitions makes the standard inherently less scalable, and we are challenged to identify commensurate benefits to audit quality for each of the prescriptive items. We strongly recommend the PCAOB align definitions to ISQM 1 (see response to Q53) and convert specified quality responses to quality objectives to allow firms to develop responses appropriate to their size, scope, nature, and complexity.

Further, we encourage the Board to conduct further outreach to the investor and issuer communities, including the SEC's Small Business Capital Formation Advisory Committee, to gauge the impact and perceived value of the proposed specified quality responses and divergences from ISQM 1. As drafted, we anticipate the proposed standard will cause firms with smaller issuer client bases to exit public company audits altogether. Thus, if the Board does not receive sufficient comments on its proposal from representatives of those that provide these services, we encourage the Board to conduct specific outreach to better understand the impact to a broad range of firms affected by its proposal, and to audit quality.

Important Definition Differences from ISQM 1: QC Findings and QC Deficiencies

Q53. Are the proposed definitions for "engagement deficiency," "QC finding," and "QC deficiency" sufficiently clear and appropriate? If not, what changes should be made and why?

While we greatly appreciate the alignment of the components of the QC system to those of ISQM 1, the structure of firms' QC systems will not align between ISQM 1 and QC 1000 due to differences in definitions of QC findings and QC deficiencies. The structural differences will introduce differences in performing the evaluation of the QC system, concluding on the overall effectiveness, and communication to stakeholders. In particular, the 'except for' reporting regarding the evaluation of the effectiveness of a firm's QC system would be significantly different. The 'except for' provisions are as follows:

- QC 1000: QC is effective except for one or more ***unremediated QC deficiencies*** [emphasis added] that are not major QC deficiencies (paragraph 77.b)

- ISQM 1: Except for matters related to ***identified deficiencies that have a severe but not pervasive effect*** [emphasis added] on the design, implementation and operation of the system of quality management, the system of quality management provides the firm with reasonable assurance that the objectives of the system of quality management are being achieved (paragraph 54.b)

Differing conclusions of a single system of QM based on definitional differences between standard setters will be difficult for both external stakeholders and firm personnel to effectively comprehend. Alternatively, firms adopting the more stringent definitions as proposed by the PCAOB for evaluating their systems of QC would be at a disadvantage when competing against firms that do not have a public company practice.

While the Board may believe it necessary for its QC standard to impose incremental requirements beyond other existing standards because of the unique requirements for firms registered with the PCAOB, we do not view definitions as meeting a unique requirement. We do not believe that there is a benefit to overall audit quality by maintaining different sets of definitions, performing separate evaluations using different definitions, and potentially arriving at two different conclusions on a single system of QC. Therefore, we strongly recommend that the PCAOB align the definitions of QC finding and QC deficiency with ISQM 1.

- QC Finding

  QC Finding is defined in Appendix A paragraph .A9 as "A finding about the design, implementation, or operation of the firm's QC system that may indicate one or more QC deficiencies exist. ***Engagement deficiencies are QC findings****"* [emphasis added]. We suggest the bolded sentence be removed so that the definitions of "QC Finding" in ISQM and QC 1000 align.

  The definition, as currently drafted is overly prescriptive as it removes the firm's ability to apply professional judgment in evaluating engagement deficiencies and their root causes. There will be cases in which engagement deficiencies are the result of human error that deter from the firm's likelihood of achieving the reasonable assurance objective or a quality objective.

- QC Deficiency

  QC Deficiency as defined in Appendix A paragraph .A8 (1) states that a QC finding would rise to the level of a QC deficiency if it results in "a reduced likelihood of the firm achieving the reasonable assurance objective or one or more quality objectives." We suggest the definition be revised to change the threshold from "a reduced likelihood" to "an unacceptably low level of likelihood."

  The definition as currently drafted diverges from the definition of QC deficiency under ISQM which indicates that a response, or combination of responses, that does not reduce "to an acceptably low level" the likelihood of a related quality risk occurring because the response(s) is not properly designed, implemented, or operating effectively would indicate a QC deficiency.[4] The

[4] See PCAOB Comparison of Proposed QC 1000 with ISQM 1 and SQMS 1, Page 84.

threshold of "acceptably low level" is more consistent with the reasonable assurance objective[5] and the overall risk-based approach to quality control.

QC Deficiency is further defined in Appendix A paragraph .A8 (2) to include a criterion that "noncompliance with requirements of this standard, other than those under 'Documentation' would automatically rise to the level of a QC deficiency." We suggest this criterion be removed as it deviates from the definition in ISQM 1 and is overly prescriptive as it removes a firm's judgment in evaluating matters of noncompliance.

The divergence in definitions will result in more QC findings rising to the level of a QC deficiency under QC 1000 than under ISQM 1. This could result in different conclusions about the effectiveness of a firm's system of quality control under QC 1000 and ISQM 1. An example of the effect of different definitions is that under ISQM 1, a matter may only be a QC finding, but under QC 1000 that same matter could rise to the level of a QC deficiency. Having differing conclusions on the same system of quality control could lead to confusion among stakeholders and does not serve the public interest.

- Major QC Deficiency

  While "major QC deficiency" is not contemplated in ISQM 1, we believe that if the definitions of QC finding and QC deficiency are aligned between QC 1000 and ISQM 1, the introduction of a major QC deficiency in Appendix A paragraph .A6 is incremental and would not impact the foundation of the standard. However, we believe major QC deficiencies should be determined based on severity and pervasiveness, which is also consistent with the concepts for evaluating QC deficiencies in ISQM 1. We propose that the major QC deficiency definition be revised to include the notion of "***a severe and pervasive*** [emphasis added] unremediated QC deficiency or combination of unremediated QC deficiencies…."

  The definition of major QC deficiency in Appendix A is followed with prescriptive examples of when such deficiencies would be presumed to exist. We suggest eliminating the prescriptive examples. Consistent with our previous comments, this guidance is overly prescriptive as it removes a firm's judgment in evaluating such matters. Q59 asks whether it is appropriate to include circumstances when a major QC deficiency is presumed to exist, to which we answer no, it is not appropriate, for the reasons noted above. It inappropriately reduces judgment and limits the scalability of the proposed standard.

Definitions of Firm Personnel, Other Participants, and Third-Party Providers

Q3. Are the proposed definitions of "firm personnel," "other participants," and "third-party providers" sufficiently clear and comprehensive, or is additional direction necessary? Please explain what additional direction may be necessary.

We have concerns with the proposed definitions regarding clarity and application.

[5] See note to paragraph .05 of Proposed QC 1000 which states, in part: "Reasonable assurance is obtained when a firm's QC system **reduces to an appropriately low level** [emphasis added] the risk that the objectives set forth in a. and b. are not achieved."

- Firm Personnel

  The definition of Firm Personnel is not sufficiently clear and has potential flaws in application. The definition in Appendix A paragraph .A5 encompasses individuals "assisting with" engagements or the QC system. This is too extensive based on the term "assist," as it captures certain administrative employees who should not be included in this definition. We recommend revising the definition to focus on personnel whose activities "contribute to" an engagement or the firm's QC system.

  In terms of application, the inclusion of non-employee contractors and consultants presents issues in complying with requirements such as in paragraph 44.g requiring performance feedback and paragraph 34.e(3) reporting personal circumstances that could impact independence. We suggest the non-employee contractors and consultants be categorized as Other Participants.

- Other Participants

  The definition of Other Participants is not sufficiently clear. The inclusion of Other Participants as part of a firm's QC system and the extension of the reasonable assurance objective to other participants is an unnecessary deviation from ISQM 1, especially when Other Participants are already covered by their own firm's QC system. We believe that a firm that uses Other Participants should identify quality risks that arise from their participation in engagements or the design, implementation, and operation of the QC system. Firms would then design appropriate responses based on the level of risk, nature of involvement of Other Participants, and other relevant factors.

Communications to Audit Committees

Q70. Are the proposed amendments to AS 1301 that require the auditor to communicate to the audit committee about the firm's most recent annual evaluation of its QC system appropriate? If not, why not?

No, we do not believe the enhanced reporting to audit committees is appropriate. Reporting, in any manner, on QC deficiencies to audit committees could potentially circumvent the protections under Sarbanes-Oxley. While the overall conclusion on the QC system is appropriate to communicate, the threshold of QC deficiencies is well below matters that may be publicly disclosed from results of PCAOB inspections. QC deficiencies identified through a firm's evaluation of its QC system are comparable to matters identified in connection with an inspection. Reporting QC deficiencies to an audit committee breaches the confidentiality and privileged nature and would make such communications subject to discovery in legal proceedings.

Remedial Action on Identified Engagement Deficiencies

Q75. Is it appropriate for remedial action to be required for all identified engagement deficiencies, not just in situations where the auditor's opinion may be unsupported? If not, why not?

The requirement for remedial action for **all** identified engagement deficiencies is overly broad. In addition, having to remediate **any** instance of noncompliance with professional and legal requirements, based on the definition of engagement deficiency, is overly prescriptive. Firms should have judgement as to whether remedial action is necessary based on the nature, circumstances, and severity of the noncompliance, as well as the needs of stakeholders, as contemplated in existing auditing standards.

Specified Roles in the QC System

Q13. Would firms have difficulty filling the specified roles in light of the proposed requirements?

Yes, firms may have difficulty filling the specified roles. The lower threshold to enforcement action introduced in the proposed QC 1000 to go beyond knowingly or recklessly contributing to violations or for the failure to reasonably supervise to now encompass a ***failure to comply with responsibilities*** is a serious disincentive to consider in whether to accept one of the specified roles. The diversity of a firm's client base also plays a significant role. Currently, for firms such as ours for which the issuer practice makes up a small portion of the overall practice, it can be difficult to find partners to fill lead and engagement quality reviewer roles on engagements when those roles are subject to a higher risk of individual enforcement actions. Such enforcement actions can have significant, adverse impacts on careers. For firms for which the issuer practice represents a small portion of the overall practice, there may be equal or better opportunities in the firm with lower risk of these types of enforcement actions. Thus, raising the likelihood of individual enforcement actions could have a detrimental impact in filling the proposed specified roles with those that are best suited for them. Rather than raising the threat of individual enforcement actions, focus should be on governance, leadership and an appropriate tone at the top to reinforce accountability.

Oversight Function in Firm Governance Structure

Q23. Is the proposed specified quality response to incorporate an oversight function for the audit practice for firms that issue auditor reports with respect to more than 100 issuers appropriate? If not, why not?

The specified quality response related to the firm's governance structure is overly prescriptive. To promote a risk-based, scalable response we recommend the Board convert the specified quality response into a quality objective. Such a conversion would allow firms to design responses in line with the size, scope, nature, and complexity of their practices. An oversight function for the audit practice may be an appropriate response for some firms based on their risk assessment; however, such a requirement may not be necessary or effective for all firms subject to the requirement.

Consistent with our comments in the "Significant Concern" section of our letter, the size, scope, nature, and complexity of the firms that exceed the 100-issuer threshold vary widely and we believe firms should design responses to address their specific circumstances and related risks.

Q22. For the proposed specified quality response related to the firm's governance structure, is the threshold (firms that issued audit reports with respect to more than 100 issuers during the prior calendar year) appropriate? If not, what is an appropriate threshold?

As discussed in our response to Q23, we suggest the Board convert the specified quality response into a quality objective to promote scalability and allow firms to determine how an oversight role would best fit to address quality while also considering existing governance structures.

If the Board retains the specified quality response, in line with our comments regarding the requirement for an automated tracking system in the forepart of this letter, we believe we believe the appropriate threshold related to it should be 500 issuers, consistent with the threshold established in SEC Regulation S-X Rule 2-01(d)(4), 17 C.F.R. § 210.02-01(d)(4)(ii) for an automated system to identify financial interests.

Proposed Effective Date of QC 1000

Q93. Would the effective date as described above provide challenges for auditors? If so, what are those challenges, and how should they be addressed?

The effective date as proposed in QC 1000 creates significant challenges for auditors and should be revised to be effective 18 months after approval by the SEC and no sooner than December 15, 2025. The proposal sets forth an effective date of "December 15 of the year after approval by the SEC." Operating under the assumption that the SEC may approve the standard as early as 2023, the effective date could be December 15, 2024, with the first evaluation occurring in 2025 (as currently proposed, as of November 30, 2025). Our implementation efforts of ISQM 1 required a great deal of evaluation of risks and related responses. While there are similarities between ISQM 1 and proposed QC 1000, there are numerous differences that need to be thoughtfully considered and implemented. To truly achieve the objectives of an enhanced QC standard, firms need to take a top-down approach which takes time, beyond what is being proposed.

Further, if the Board retains specified quality responses applicable to firms that issue audit reports of a specified number of issuers, we recommend the Board provide an additional year to implement the incremental requirements (no earlier than December 15, 2026).

Evaluation Date to Conclude on Effectiveness of the QC System

Q57. Is November 30 an appropriate evaluation date for firms to conclude on the effectiveness of the QC system? Is there another specific date that would be more appropriate and if so, what date? Should firms be permitted to choose their own evaluation date?

The PCAOB should not prescribe the evaluation date for firms to conclude on the effectiveness of their QC systems. Rather, firms should be permitted to select an evaluation date that considers their business cycles and processes and cadence for activities related to QC, such as internal inspection, and compliance with other similar standards. The prescribed evaluation date is an unnecessary difference between QC 1000 and other standards that would cause additional work and create complexities for firms complying with the standard.

- Aligning the evaluation date to best fit a firm's business cycle provides opportunities to maximize the effectiveness and impact of the evaluation. For example, aligning the QC evaluation to personnel performance evaluations and compensation adjustment dates provides timely, valuable input to influence those processes and decisions which further emphasizes audit quality.

- A firm's internal inspection timing, which varies across firms, is a critical element to consider in determining the QC evaluation date. The inspection process will be a significant part of a firm's testing approach; thus, the evaluation of QC overall should take this timing into consideration.

- Most firms will be subject to other QC standards. Having multiple evaluation dates creates additional, unnecessary work without a benefit to audit quality. We, for example, did not choose November 30th as our evaluation date for ISQM 1; thus, this proposal would require two evaluations in a year. For firms with more complex international structures the complexities could be exponential.

Further, given the varied timing of PCAOB inspections, an evaluation date specified by the Board may create disparities among firms depending on the timing of their inspections. Those firms that have PCAOB inspections in or around the specified evaluation date are at a great disadvantage as the tight timing greatly impedes their ability to consider the results of the inspections in their assessments, perform root cause analysis and implement and test remedial actions by the evaluation date.

Reporting Date on the Evaluation of the QC System

Q63. Is the proposed date for reporting on the evaluation of the QC system (January 15) appropriate? Is there another specific date that would be more appropriate and if so, what date? Is 45 days after the evaluation date an appropriate reporting date?

No, the proposed reporting date of January 15th is not appropriate. Allowing only 45 days between the evaluation date and reporting date leaves firms insufficient time to complete their evaluations. The time and resources necessary to perform a thoughtful and detailed evaluation of the QC system and reporting elements to both the PCAOB and audit committees goes beyond 45 days (which is just over 30 working days). If the Board maintains its January 15th reporting date, the number of working days drops further due to holidays and some firms, including ours, conduct firm closures during that time. To promote high quality and thoughtful evaluations and related reporting, firms will need a longer period between the evaluation date and reporting date. We encourage the PCAOB to allow a period of at least 90 days between the evaluation date and reporting date.

Documentation Retention Requirements

71. Are the proposed documentation requirements appropriate? If not, what changes should be made?

The proposed documentation requirements should be limited in scope and provide for time after the reporting date to assemble documentation.

- *Scope: Documentation Supporting the Firm's Evaluation of its QC System*

  We suggest documentation retention focus on evidence the firm used to support a firm's evaluation of its QC system and the related testing. As drafted, paragraph 81 of proposed QC 1000 requires that "the firm must prepare and retain documentation of the design, implementation, and ***operation*** [emphasis added] of the QC system and of the annual evaluation of the QC system." Requiring direct evidence of the operation of the system creates unnecessary risk to firms without commensurate benefit to audit quality. In addition, maintaining documentation to evidence the operation of the QC system is overly broad. Such a requirement introduces heightened exposure to data breaches as well as costs to retain significantly more data than currently maintained.

  Proposed QC 1000 implements a seven-year retention period (from the QC documentation completion date) for this documentation. We oppose the seven-year period and suggest it be based on the most recent inspection (for example, one year from the most recent inspection period). We strongly oppose the retention period as it pertains to the documentation of the operation of the QC system based on our comments above.

- *Documentation Completion Date: 45 Days after Report Date*

  Proposed QC 1000 sets forth a documentation completion date concurrent with the reporting date which is overly burdensome for firms. We strongly recommend the documentation completion date of 45 days after the reporting date. This is consistent with AS 1215 *Audit Documentation* pertaining to documentation completion for audit engagements. Firms should have all necessary procedures to support the QC evaluation as of the reporting date; however, time is necessary to assemble documentation for retention. Given resource constraints facing most firms, having a documentation completion date concurrent with the reporting date places undue pressure on firms to comply with administrative tasks related to document completion. Firms should have time to focus on the variety of procedures related to reporting such as evaluation of findings and root cause analysis without the undue burden of assembling documentation.

Definition of Quality Risks

Q17. In the proposed definition of "quality risks" should the threshold of "reasonable possibility of occurring" also apply to all risks, including risks of intentional misconduct by firm personnel and other participants? If so, why?

We strongly believe the threshold of "reasonable possibility of occurring" should apply to all risks, including risks of intentional misconduct by firm personnel and other participants. We suggest the Board revise the definition of "quality risks" to apply this threshold to all risks.

As currently drafted, the threshold is too low. The definition requires firms to consider any risks of intentional misconduct that have a reasonable possibility of adversely affecting the firm's achievement of one or more quality objectives, including risks that do not have a reasonable possibility of occurring. The time and resources that firms would need to design and implement quality responses to risks that have a remote likelihood of ever occurring is substantial and we are challenged to identify a commensurate benefit to audit quality. The expansive nature of procedures needed to respond to such risks dilutes the firm's resources and responses instead of focusing on those with a reasonable possibility of occurring.

In-Process Engagement Monitoring

Q47. Is it appropriate to require monitoring of in-process engagements by firms that issue audit reports with respect to more than 100 issuers during a calendar year? If not, is there a more appropriate threshold?

Consistent with our responses to Q22 and Q23, while the firm currently has in place in-process monitoring, we suggest the Board convert the specified quality response into a quality objective to promote scalability. We support a proactive approach to help prevent or detect engagement deficiencies. However, ongoing monitoring may take many forms among firms based on the nature and circumstance of each firm and the engagements it performs. Thus, such a conversion to a quality objective would allow firms to design responses to address the size, scope, nature, and complexity of their practices.

If the Board retains the specified quality response, in line with our comments regarding the requirement for an automated tracking system in the forepart of this letter, we believe the appropriate threshold related to the monitoring of in-process engagements should be 500 issuers, consistent with the threshold established in SEC Regulation S-X Rule 2-01(d)(4), 17 C.F.R. § 210.02-01(d)(4)(ii) for an automated system to identify financial interests.

Communicating Changes to the List of Restricted Entities

Q29. Is the proposed specified quality response related to communication of changes to the list of restricted entities at least monthly (and more frequently, if appropriate) to firm personnel and others performing work on behalf of the firm who are subject to independence requirements appropriate? Could communication to a more limited group accomplish the goal of alerting all individuals whose actions and relationships are relevant to independence? If so, to whom should changes be communicated?

Consistent with other responses, we suggest the Board convert the specified quality response into a quality objective to promote scalability. Specific to this requirement, audit quality risks result from additions to the list of restricted entities, not from deletions to the list, thus any requirement should focus on additions. For firms that provide their practitioners access to a restricted entity list which updates real-time as changes are made, the requirement to communicate a static version of this same list on a periodic basis is duplicative and could result in practitioners using an outdated version of the restricted entity list and may be unnecessary. We believe firms should design responses specific to their risks.

Obtaining Certifications from Firm Personnel Upon Any Change in Personal Circumstance

Q27. Are the proposed specified quality responses for ethics and independence requirements appropriate? If not, what changes to the specified quality responses are necessary for this component?

The specified quality response in paragraph 34.e(3) requiring certifications from firm personnel on independence matters upon any change in personal circumstances relevant to independence is overly broad and should be managed through proper education and awareness of relevant independence requirements. This requirement is contingent on firm personnel reporting matters that they may not be otherwise obligated to report. The examples of personal circumstances that could result in an independence matter are varied. Further, interpreting what circumstances qualify to report, for example marital status whether a legal union or common law, would be difficult to proscribe and onerous to capture. Firms should focus on annual certifications and personnel to identify issues that arise between certifications.

Automated Process for Identifying Financial Interests (Transition Period)

In addition to the comments provided in the “Significant Concern” section of our letter, we have specific feedback regarding the timing of implementation of the proposed requirement.

Q28. Is the proposed specified quality response to have an automated process for identifying direct or material indirect financial interests appropriate? If not, why not? Is the proposed threshold (firms that issued audit reports with respect to more than 100 issuers during the prior calendar year) appropriate? If not, why not?

As proposed, the requirement takes effect the year after a firm crosses the 100-issuer threshold. We believe that, in many situations, the amount of time given to comply with this requirement is insufficient. For example, if two firms merged and one or both of those firms had previously not been subject to the requirement, it is unlikely that a system of this nature could be implemented and tested for effectiveness or extended to cover the new personnel in the time frame provided. Thus, we suggest providing a longer transition period for those firms that trigger this requirement to implement a system and/or integrate firm systems and processes for the incremental requirements.

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We appreciate the opportunity to comment on the proposed QC 1000 as presented in the PCAOB Release. As the Board gathers feedback from other interested parties, we would be pleased to discuss our comments or answer any questions that the 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