

September 10, 2018

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

RE: Document Release No. 2018-001, **PCAOB Draft Strategic Plan 2018-2022**

Dear Secretary:

I appreciate the opportunity to comment on the Public Company Accounting Oversight Board's ("PCAOB" or "Board") Draft Strategic Plan 2018-2022 (the "Strategic Plan"). The Strategic Plan uses a refreshing approach to seek input and focus on continuous improvement in Board oversight activities and the state of audit quality. Overall, I support the direction of the Strategic Plan and believe its identification of three key factors relating to improved audit quality, leveraging advances in technology, and increased engagement with stakeholders provides a solid framework for where the PCAOB needs to be in the future.

I would like to humbly offer the suggestions below which may further advance the Board's thinking on these key factors. In the remainder of this letter, suggestions and comments are organized consistent with the Strategic Plan's key factors and five goals.

### ***Key Factors – Stakeholder Engagement and Communications***

As to audit committee communications, there should be a focus on improving these communications between auditors and audit committees, including shifting from the current large volume of such communications to focus more on the quality and relevancy of the information communicated.

### ***Goal One – Drive improvement in the quality of audit services through a combination of prevention, detection, deterrence, and remediation***

I applaud the addition of "remediation" as a goal and encourage a move away from the primary focus of inspections being detection and punishment to one of sharing best practices and truly seeking auditing improvement. In this vein, consider adding as an objective working with firms to help them create screening processes for "bad apples" in their midst—history has proven that the vast majority of the people at major CPA firms are of the highest integrity, yet one bad apple can bring down a firm and do much harm

to our capital markets. Finding ways to identify these bad apples earlier could significantly increase the odds of eliminating the worst audit failures.

I believe the goal comes across as compliance and penalty focused for which there is an opportunity to be more constructive. Objectives two and three seem to say “we will use our findings to set better rules and punish those who break them.” There also could be an objective to the effect of “we will use our findings to educate constituents on best practices and ways to improve audits and their effectiveness.” This could be a component of objective four, or a standalone objective.

In summary, I believe the Board can add additional value through helping people adhere to the rules rather than just getting better at catching people breaking them.

***Goal Two – Anticipate and respond to the changing environment, including emerging technologies, and their related risks and opportunities***

I believe this goal can be enhanced by including, under objective two, a focus on non-GAAP financial measures (“NGFMs”)—both defining an appropriate role for auditors, and also using the data from various PCAOB feedback loops to collaborate with the SEC on providing more guidance on appropriate NGFMs across and within industries.

***Goal Three – Enhance transparency and accessibility through proactive stakeholder engagement***

The PCAOB leadership could and should get out “in the field” and interact with auditors, financial executives and audit committee members to engage in meaningful dialogue on enhancing audit quality for all of the constituencies who participate in the process.

Similarly, objective one could be enhanced by not only providing data “for use by researchers and the broader public” but also providing PCAOB’s own perspectives. Objective two seems primarily focused on the PCAOB receiving input, which could be expanded to the sharing of constructive feedback by the PCAOB.

***Goal Four – Pursue operational excellence through efficient and effective use of our resources, information, and technology***

I believe progress on this goal could be enhanced by including outreach to the audit firms themselves to advise the PCAOB on efficiency and effectiveness. The audit firms have the most direct relationships and experiences with the organization and could be a wealth of great insights that the Board can use, or not, as it sees fit.

Further, within the notion of cultural change, this goal could be enhanced with the addition of an objective towards continuous improvement.

***Goal Five – Develop, empower, and reward our people to achieve our shared goals***

Objective three identifies a “culture of inclusion,” but as worded, the objective does not send a message of commitment to diversity in the same way most public companies espouse. Without expressing a higher level of commitment, the Board may be better off leaving out the word “diversity”, as it does not do much to strengthen the point about inclusion.

I appreciate the opportunity to provide my views and would be pleased to discuss these comments or answer any questions that the PCAOB staff or the Board may have. Please feel free to contact me regarding this submission (410-454-2935), or my colleagues Brian M. Eakes (410-454-2965) and Timothy J. Lorber (410-454-2839), who contributed to this letter.

Sincerely yours,

A handwritten signature in black ink, appearing to read "PH Nachtwey". The signature is fluid and cursive, with a long horizontal stroke at the end.

Peter H. Nachtwey  
Chief Financial Officer