



September 5, 2018

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

RE: PCAOB: Strategic Plan (2018-2022)

Dear PCAOB:

I am submitting the following comments for the PCAOB's consideration in response to a request for comments on the draft report: *PCAOB: Strategic Plan (2018–2022)*. These comments represent my perspective as an institutional investor for a large public pension plan representing more than 500,000 current and retired members and managing over \$49 billion in assets.

As an institutional investor, we appreciate the vital role auditors and the PCAOB play in creating well-functioning capital markets. We support the PCAOB's approach toward developing a sound strategic plan and applaud their willingness to allow stakeholders to comment on the plan prior to finalization. Overall, we support the direction the PCAOB has taken with the new strategic plan. We are encouraged by the report's overarching tone of improving audit quality in order to protect and support investors. We believe the integral role of the audit industry, to protect the integrity of the capital markets, should flow throughout the culture and strategy of the PCAOB; this strategic plan is an affirmation of that role.

We agree with the strategic plan's conclusion that audit quality has improved since the inception of the PCAOB. Further gains in audit quality will require a thoughtful strategy, a strong execution plan, and a method to track progress. We believe the PCAOB's ability to track their own progress is closely linked to two of the strategic plans stated values, *Effectiveness* and *Accountability*, and one of the plans stated goals; "Determine, develop, and communicate indicators of audit quality." In order for audit quality to continue to improve, we would recommend the PCAOB prioritize the development and collection of Audit Quality Indicators (AQIs). As Peter Drucker famously said, "If you can't measure, you can't improve it."

We would also like to highlight your goal to “understand and consider investors’ audit expectations” as another topic that should be a high priority at the PCAOB. The strategic plan correctly states, “as investors request, and issuers provide, financial information in different forms, the expectations of an audit are evolving.” The increasing use of non-GAAP financial measures by issuers and investors is the clearest indicator of a rapidly changing financial reporting framework. The growing importance of measures that fall outside the framework of regulators, such as the PCAOB, and standard setters, such as FASB, is troubling to many members of the investment community. We would encourage the PCAOB to work with the SEC and FASB to find a solution to the growing risk of unchecked financial reporting.

We support the PCAOB’s goal to increase the utilization of technology within their own operations and to help facilitate the use of technology by auditors. Technology has great potential to improve the audit industry. However, the PCAOB should proceed carefully since, while technology can produce incredible efficiency and outcomes, it also has the potential to do harm. The PCAOB needs to ensure that the use of technology by auditors is not just reducing costs, but is also helping to improve audit quality.

The PCAOB continues to be a valuable advocate for investors, and this strategic plan will only increase the PCAOB’s positive impact on the capital markets. We appreciate the opportunity to comment on the PCAOB’s Strategic Plan and welcome additional opportunities to provide input, as appropriate, as this process continues.

Sincerely,



Amy C. McGarrity
Chief Investment Officer