TIM SCOTT, SOUTH CAROLINA, CHAIRMAN
ELIZABETH WARREN, MASSACHUSETTS, RANKING MEMBER

MIKE CRAPO, IDAHO
MIKE ROUNDS, SOUTH DAKOTA
THOM TILLIS, NORTH CAROLINA
JOHN KENNEDY, LOUISIANA
BILL HAGERTY, TENNESSEE
CYNTHIA LUMMIS, WYOMING
KATIE BOYD BRITT, ALABAMA
PETE RICKETTS, NEBRASKA
JIM BANKS, INDIANA
KEVIN CRAMER, NORTH DAKOTA
BERNIE MORENO, OHIO
DAVID McCORMICK, PENNSYLVANIA

JACK REED, RHODE ISLAND
MARK R. WARNER, VIRGINIA
CHRIS VAN HOLLEN, MARYLAND
CATHERINE CORTEZ MASTO, NEVADA
TINA SMITH, MINNESOTA
RAPHAEL G. WARNOCK, GEORGIA
ANDY KIM, NEW JERSEY
RUBEN GALLEGO, ARIZONA
LISA BLUNT ROCHESTER, DELAWARE
ANGELA D. ALSOBROOKS, MARYLAND

JANIE FAULKNER, STAFF DIRECTOR
JON DONENBERG, DEMOCRATIC STAFF DIRECTOR

United States Senate
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
WASHINGTON, DC 20510–6075

May 15, 2026

Demetrios Logothetis
Chairman
Public Company Accounting Oversight Board
1666 K Street NW, Suite 300
Washington, DC 20006

Dear Chairman Logothetis,

I write in response to your request for public comment on the Public Company Accounting Oversight Board (PCAOB) strategic priorities, at a moment of serious concern given the Trump Administration's approach to the PCAOB and market integrity more broadly. Congressional Republicans tried to eliminate the PCAOB entirely in President Trump's reconciliation bill and Trump's Securities and Exchange Commission (SEC) is slashing the PCAOB's budget. In January, SEC Chairman Paul Atkins cleared out the PCAOB's board so he could fill it with loyalists and industry representatives. Meanwhile, the Administration has minimized concerns about insider trading, taken unprecedented steps to give corporate wrongdoers a free pass, and caused widespread concern about corruption. I expect the PCAOB's strategic plan to spell out how it intends to fulfill its mission for the American people while facing these deeply concerning headwinds. As the SEC dramatically cuts its enforcement efforts,[1] ignores corporate misconduct, and abdicates its responsibility to meaningfully police the capital markets, the role of public company auditors—and their regulator, the PCAOB—is even more critical to ensuring investor protection and protecting market integrity.

The basic premise underlying the nation's securities law regime is that if companies want to raise money from the investing public, they must provide the public with full, fair, and truthful material information. In this framework, financial statements provide critical insight into the companies' financial health and operations. In turn, the financial statement audit, performed by an independent auditor, provides "reasonable assurance"[2] to investors that those financial statements "present fairly, in all material respects, the financial position of the company…in conformity with the applicable financial reporting framework."[3] The auditor is, therefore, a gatekeeper to the markets, preventing corporations from misleading investors.

---

[1] Reuters, "US SEC enforcement activity drops dramatically as agency 'resets,'" Chris Prentice and Kanishka Singh, April 7, 2026, https://www.reuters.com/legal/government/us-sec-says-it-filed-456-enforcement-actions-during-fiscal-year-2025-2026-04-07/.
[2] PCAOB Accounting Standard 3101.09.
[3] PCAOB Accounting Standard 3101.08(e).

Congress passed the Sarbanes-Oxley Act of 2002 (SOX) in response to a series of accounting scandals in the early 2000s, including the shocking bankruptcies of corporate giants Enron and WorldCom, that resulted in enormous damage to the economy.[4] Rampant financial misconduct highlighted the inadequacy of the disclosure regime[5] and called into question the integrity of the audit process. To address these failures, Congress, in SOX, created the PCAOB to "protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports."[6]

Congress established the PCAOB as a non-governmental, non-profit corporation,[7] overseen by the SEC.[8] The newly created PCAOB was empowered to register public accounting firms that prepare audit reports for public companies and broker-dealers;[9] establish auditing, quality control, ethics, independence, and other standards for preparation of audit reports; conduct investigations and disciplinary proceedings, and impose appropriate sanctions on registered public accounting firms, among other related duties.[10] The value of an "unqualified opinion"[11] of the auditor on a company's financial statements—which provides investors with "reasonable assurance"[12] that financial statements are accurate—is derived from this suite of investor protections of PCAOB registration, standard-setting, inspection of audits, and enforcement. Importantly, the PCAOB was specifically designed by Congress as an independent organization, separate from the SEC. The PCAOB, whose sole focus is auditing, has spent the twenty years since the passage of SOX developing specialized inspection, enforcement, and standard-setting programs and expertise.[13] In turn, the SEC, with its wider range of responsibilities across the securities markets, was given oversight responsibility and specific mechanisms through which to exercise its duties.

As the PCAOB develops its strategic priorities for the next five years, it must keep in mind its own mission to "protect investors and further the public interest in the preparation of

---

[4] Harvard Law School Forum on Corporate Governance, "The Important Legacy of the Sarbanes Oxley Act," Michael W. Peregrine and Charles W. Elson, August 30, 2022, https://corpgov.law.harvard.edu/2022/08/30/the-important-legacy-of-the-sarbanes-oxley-act/.

[5] Journal of Accountancy," The Rise and Fall of Enron," C. William Thomas, April 1, 2002, https://www.journalofaccountancy.com/issues/2002/apr/theriseandfallofenron/.

[6] 15 U.S.C. 7211.

[7] 15 U.S.C. 7211(a).

[8] The Commission has broad authority to oversee the Board's activities, including naming Board members (15 U.S.C. 7211(d)), approving Board rules (15 U.S.C. 7211(g)), reviewing Board inspection and sanction determinations (15 U.S.C. 7214(h) and 15 U.S.C. 7215(e) respectively), and approving the Board's annual budget (15 U.S.C. 7219).

[9] 15 USC 7201 and 15 USC 7212. Later, with the Dodd-Frank Wall Street Reform and Consumer Protection Act , Congress granted PCAOB authority to oversee broker-dealers (Dodd-Frank Wall Street Reform And Consumer Protection Act of 201, Public Law 111-203, Sec. 982).

[10] 15 U.S.C. 7211.

[11] PCAOB Audit Standard AS 3101, Opinion on the Financial Statements.

[12] *Id.*

[13] Letter from Public Community Accounting Oversight Board Chair Erica Y. Williams to House Committee on Financial Services Ranking Member Maxine Waters, April 29, 2025, https://taxnews.ey.com/Login/ViewNewsAttachment.aspx?AlertID=178133&AttachmentName=JC%2BqYs3tZKwMWGCtdoBoodD%2FICDshp1t6r75zrgk3nL66GyM9PpeSPDPhz5lqVyac7QePS8W7caLxPxy5kqRh%2FyE3XJBchtUfVT4Iui6R7A%3D&ualertID=null.

informative, accurate, and independent audit reports."[14] I have not been shy about criticizing the agency when it does not live up to its standards. But when other federal regulators, like the SEC, are neglecting their responsibilities, the auditor and its regulator have a heightened importance and responsibility in protecting investors. The PCAOB must engage in standard-setting that addresses current risks, such as protecting auditor independence and ensuring audit quality in light of private equity ownership of accounting firms,[15] audit standards to address increasingly complex data center arrangements, and managing the role of AI in audit.[16] PCAOB must also act to address rampant failures by PCAOB-registered auditors that are providing sham audits for crypto firms.[17]

Finally, in addition to standard-setting to ensure audit quality, the PCAOB needs to ensure firms are abiding by standards through a robust inspection and enforcement program. For too long, the PCAOB has identified a persistently high rate of auditing deficiencies. As I wrote to you in October 2024, the agency found that nearly half of auditing engagements reviewed in 2023 revealed "deficiencies…that were of such significance that …the firm, at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion(s) on the public company's financial statements."[18] For one auditor, BDO, "nearly every audit that was reviewed contained a significant deficiency or multiple deficiencies."[19] A slight decline in deficiencies in 2024 was promising—but much more work remains to be done. The PCAOB must, in its strategy setting for the next five years, address these ongoing failures that threaten market integrity and investor confidence in the system.

To assure me that the PCAOB remains committed to audit quality and investor protection, please respond to the following question by May 29, 2026:

1. The SEC recently reported a dramatic drop in enforcement activity,[20] which leaves open the possibility that accounting fraud and other misconduct will go unpoliced, putting investors at higher risk. Does the PCAOB intend to adjust its programs, including inspections and enforcement, to reflect the dramatic decline in SEC enforcement activity?

---

[14] 15 U.S.C. 7211(a).
[15] The CPA Journal, "Private Equity Is Here," Alison K. Simons, February 20, 2024, https://www.cpajournal.com/2024/02/20/private-equity-is-here.
[16] The Wall Street Journal, "In This Critical Part of Audits, the Accountant's Role Is Shrinking Fast," Mark Maurer, April 10, 2026, https://www.wsj.com/cfo-journal/in-this-critical-part-of-audits-the-accountants-role-is-shrinking-fast-69c7f2bc.
[17] Financial Times, "FTX collapse puts in auditors in the spotlight," Stephen Foley, November 13, 2022, https://www.ft.com/content/930c6cea-5457-4dfa-9d47-666c0698c335?syn-25a6b1a6=1.
[18] Letter from Senators Elizabeth Warren and Sheldon Whitehouse to Public Company Accounting Oversight Board Chair Erica Williams, October 9, 2024, citing Public Company Accounting Oversight Board, "SPOTLIGHT Staff Update on 2023 Inspection Activities," August 2024, p. 9, https://assets.pcaobus.org/pcaob-dev/docs/default-source/documents/staff-update-2023-inspection-activities-spotlight.pdf.
[19] Public Company Accounting Oversight Board, "PCAOB Posts Report Detailing Significant Improvements Across Largest Firms, Alongside Inspection Results in Record Time," press release, April 23, 2025, https://pcaobus.org/news-events/news-releases/news-release-detail/pcaob-posts-report-detailing-significant-improvements-across-largest-firms--alongside-inspection-results-in-record-time.
[20] Reuters, "US SEC enforcement activity drops dramatically as agency 'resets,'" Chris Prentice and Kanishka Singh, April 7, 2026, https://www.reuters.com/legal/government/us-sec-says-it-filed-456-enforcement-actions-during-fiscal-year-2025-2026-04-07/.

2. Recent reporting details complex accounting arrangements related to massive data centers.[21] How is the PCAOB dealing with the issues presented by these types of arrangements, to ensure audits of accounting in these areas are effective?

3. How is the PCAOB addressing the persistently high deficiency rate in its inspection program?

4. How is the PCAOB addressing auditing firms that have the highest deficiency rates?

5. How is the PCAOB addressing independence and audit quality challenges presented by private equity ownership of accounting firms?

6. How is the PCAOB addressing the use of artificial intelligence and other technology tools in accounting, internal controls, and auditing processes to ensure use is consistent with applicable rules?

7. The PCAOB lacks any direct representation from the investor community. How is the PCAOB ensuring that investor feedback and perspective is reflected in the PCAOB's strategic plans and execution?

8. What steps is the PCAOB taking to preserve meaningful engagement with investors?

9. What steps are you taking to ensure staff independence from the accounting firms subject to their oversight?

10. Would you commit to providing quarterly updates to the Senate Banking Committee regarding material updates in PCAOB operations, across enforcement, inspections, registration, and standard setting?

11. The SEC approved a budget cutting the PCAOB's funding 9.4 percent below 2025 levels and slashing the related accounting support fee that funds the PCAOB's operations by more than 18 percent.[22] The 2026 budget requests nearly $24 million less in salaries and assumes approximately 120 fewer staff members compared to the 2025 budget.[23] How has the budget reduction impacted the ability to recruit qualified personnel and maintain operations to fulfill the PCAOB's mission?

---

[21] The Wall Street Journal, "Big Tech's Deals for AI Data-Center Power Present Accounting Questions," Mark Maurer, March 4, 2026, https://www.wsj.com/cfo-journal/big-techs-deals-for-ai-data-center-power-present-accounting-questions-28bbb4e0.

[22] U.S. Securities and Exchange Commission, "SEC Approves 2026 PCAOB Budget and Accounting Support Fee," press release, January 22, 2026, https://www.sec.gov/newsroom/press-releases/2026-11-sec-approves-2026-pcaob-budget-accounting-support-fee.

[23] Public Company Accounting Oversight Board,, Fiscal Year 2026 Budget, https://assets.pcaobus.org/pcaob-dev/docs/default-source/about/administration/documents/fiscal_year_budgets/1a-2026-public-budget.pdf; Public Company Accounting Oversight Board, Fiscal Year 2025 Budget, https://assets.pcaobus.org/pcaob-dev/docs/default-source/about/administration/documents/fiscal_year_budgets/1a-2025-budget---public-budget.pdf.

12. The PCAOB's mandate under the Sarbanes-Oxley Act of 2002 is expressly tied to audits of SEC-registered issuers. Does the Board interpret that mandate as conferring any authority — direct or indirect — over the audit practices that registered firms apply to private credit funds? Please provide a legal analysis supporting your response.

13. Private credit portfolios consist predominantly of illiquid, mark-to-model assets whose fair values are determined largely by fund managers. What auditing standards currently govern how PCAOB-registered firms audit those fair value estimates when the engagement is a private fund, and does the Board believe those standards are adequate?

14. Performance and management fees in private credit are frequently tied to net asset value, creating financial incentives for managers to present valuations favorably. Does the Board monitor for auditor independence risks arising from this dynamic in registered firms' private practices? If so, please detail how.

15. Does the Board believe that existing auditing standards — developed primarily with public company financial reporting in mind — are fit for purpose when applied to the valuation methodologies, disclosure norms, and governance structures common in direct lending, mezzanine, and distressed credit strategies?

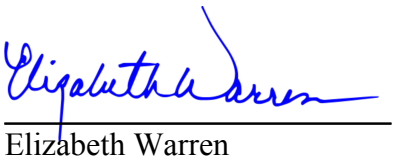
16. In the event that an audit failure in a private credit fund contributed to broader financial disruption — through linkages to publicly traded vehicles, regulated depositories, or insurance portfolios — what role can the PCAOB play? Does the Board currently have protocols for that scenario, and if not, why not?

17. Has the Board formally analyzed whether its statutory mandate should be extended to cover audits of large private credit funds — for example, those exceeding a defined AUM threshold or with material exposure from retail investors or pension beneficiaries? If such an analysis has been conducted, please provide it. If not, please explain why the Board has not undertaken it.

18. Based on the PCAOB’s oversight/inspections activity over firms in which you have identified concerns regarding a firm’s system of quality control, does this raise concerns regarding the firms’ ability to provide high quality proof of reserve engagements? What steps will PCAOB take to reduce the capacity these engagements have to mislead investors and the public?

19. To what extent can these less-than-stringent audits or proof-of-reserve reports raise questions about the ethics of auditing firms that conduct them?

Sincerely,



Elizabeth Warren
Ranking Member
Committee on Banking,
Housing, and Urban Affairs