



September 15, 2022

VIA EMAIL

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

Re: PCAOB Strategic Plan 2022-2026

Dear Madam Secretary:

On behalf of the Colorado Public Employees' Retirement Association (Colorado PERA or PERA), thank you for the opportunity to file this public comment regarding the Public Company Accounting Oversight Board's (Board or PCAOB) draft Strategic Plan for 2022 through 2026 (proposed plan or draft). PERA is broadly supportive of the strategic direction in the proposed plan and would like to commend the Board and the PCAOB staff (staff) for creating a long-term strategic plan to help improve our capital markets and an inclusive process to consider viewpoints from all stakeholders. And while we believe building a healthy auditing process requires input and effort from all stakeholders, we are encouraged the PCAOB listed "Investor Protection" as the first of their three priorities. We will take this comment opportunity to highlight areas of the plan that are particularly important to investors or where we have concerns.

Our comments reflect the fiduciary duty we hold to the members and beneficiaries of Colorado PERA. Colorado PERA is the state's largest public pension plan, managing approximately \$66 billion in assets under the obligation to enhance the retirement security of nearly 650,000 current and former public employees and their beneficiaries. In fulfilling our fiduciary duty, we prioritize maximizing risk-adjusted returns to the portfolio in pursuit of the long-term financial sustainability of the fund.

Upon reading the proposed plan, it was quite evident that the PCAOB is refocusing on its inspection process, a recommendation often suggested by PERA and many other investors. Bad actors in the auditing industry, or any industry, need to know there will be consequences for their malfeasance. We were encouraged by the comprehensiveness of the plan and are particularly supportive of the improved visibility of the inspection process, more effective consequences for bad actors, enhancement of the quality of inspections, and the technology-led risk-based inspection approach. The proposed Spotlight best practices report was another excellent idea, providing your inspection staff the opportunity to go beyond their critical enforcement role and become a value-add resource to the audit industry. The Spotlight report could also be an opportunity to recognize the many good actors in the audit industry.

We also appreciated the strategic plan's renewed focus on engagement. For years, we have lamented the expectations gap between the level of scrutiny most investors believe is being conducted by their auditors and what is actually occurring. We firmly believe this expectations gap is due to a lack of auditing curriculum within the two primary educational resources for investors, postsecondary institutions, and the CFA Institute. The PCAOB should partner with these organizations to help future investors better understand the audit process. The additional resources of an Investor Advocate and Associate Director of Stakeholder Relations are an essential first step in helping to reduce the expectations gap of current investors. However, these new resources and other investor engagement efforts must go beyond their policy peers at investment firms and find creative ways to engage with investors making the actual "buy & sell" decisions. We feel an excellent opportunity exists for the PCAOB to help connect investors with audit committees, creating a direct communication connection that seldom occurs but certainly should. The PCAOB should consider hosting an audit engagement conference, bringing together investors, auditors, audit committees, and audit regulators, which we believe will increase engagement across all stakeholders.

As an intersection point between inspection and engagement, we see great potential in the PCAOB's anonymous tip line. From our experience in other areas of regulation and enforcement, tip lines can be an effective tool. However, we suspect few investors know of this tool, which has the potential to give your inspection staff the additional resource of the eyes and ears of thousands of investors who spend countless hours examining financial statements. During your investor engagement efforts, the PCAOB should make a point of highlighting the tip line.

Throughout the Strategic Plan, technology is a constant theme as both an opportunity and risk for the PCAOB and the audit industry; we could not agree more. As investors, we have seen many examples of how technology can create incredible efficiencies and sometimes mayhem. We share the concerns of many stakeholders that some bad actors will utilize technology to cut corners, weakening audit quality to save money. As investors ultimately pay the audit bill, we support reducing the costs of audits, but not at the expense of audit quality. With the support and oversight of the PCAOB, technology should be able to reduce costs and improve quality. We understand that keeping up with technology trends is an immense undertaking, but this should remain a top priority over the next five years.

The PCAOB's ambitious standard-setting agenda is part of the Strategic Plan that concerns us. While we applaud your enterprising efforts, we caution against trying to accomplish too much without solidifying foundations. PERA has partnered with the PCAOB for over a decade, and our biggest frustration has been the numerous standard-setting projects that take years to be implemented or languish over time. Audit Quality Indicators is a project we have discussed for years with little progress and, in our opinion, one of the most important potential auditing improvements. We recommend the PCAOB focus on the standard-setting projects that are both meaningful and broadly supported by stakeholders.

In closing, we again thank the PCAOB for its long-term planning efforts, inclusiveness, and thoughtfulness. On behalf of the public employees we serve, we appreciate the Commission's

consideration of our perspective as an institutional investor prioritizing our fiduciary responsibilities.

Sincerely,

Amy C. McGarrity
Chief Investment Officer / Chief Operating Officer
Colorado Public Employees' Retirement Association