GIBSON DUNN

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PCAOB, SEC Add Enforcement Senior Leadership

On June 15, 2026, the PCAOB announced the appointment of George Demos as the Director of the Division of Enforcement and Investigations (DEI). Demos was formerly a litigation partner at DLA Piper LLP and previously served as Senior Counsel in the SEC's Division of Enforcement.

In early July, Osman Nawaz joined the SEC Division of Enforcement as Deputy Director. Nawaz returned to the SEC after serving as a partner at Gibson Dunn, and will serve under David Woodcock, whose appointment as Director of Enforcement was noted in our previous Update.

On August 5, 2026, the SEC announced that former Gibson Dunn counsel Timothy Zimmerman, who had recently served as Deputy General Counsel of RSM US LLP, will lead a new Financial Reporting and Accounting Unit in the Division of Enforcement to "provide the dedicated expertise, focus, and capacity to pursue accounting and financial reporting fraud cases as well as general misconduct in the accounting and auditing areas." Zimmerman joined the SEC as Senior Advisor to Woodcock in May 2026.

PCAOB Staff Launches Firm Consultation Process Regarding Application of PCAOB Standards

On June 25, 2026, the PCAOB announced the creation of a Firm Consultation Process. The Process will be led by the Office of the Chief Auditor and is intended to provide registered public accounting firms with guidance from PCAOB staff. Firms may use the consultation intake form to request a consultation with PCAOB staff concerning the application or interpretation of the PCAOB's auditing, attestation, and quality control standards.

Upon submission of the request, the PCAOB will confirm receipt of the request via email but does not guarantee that the request will receive a substantive response. As a matter of policy, the staff will not respond if:

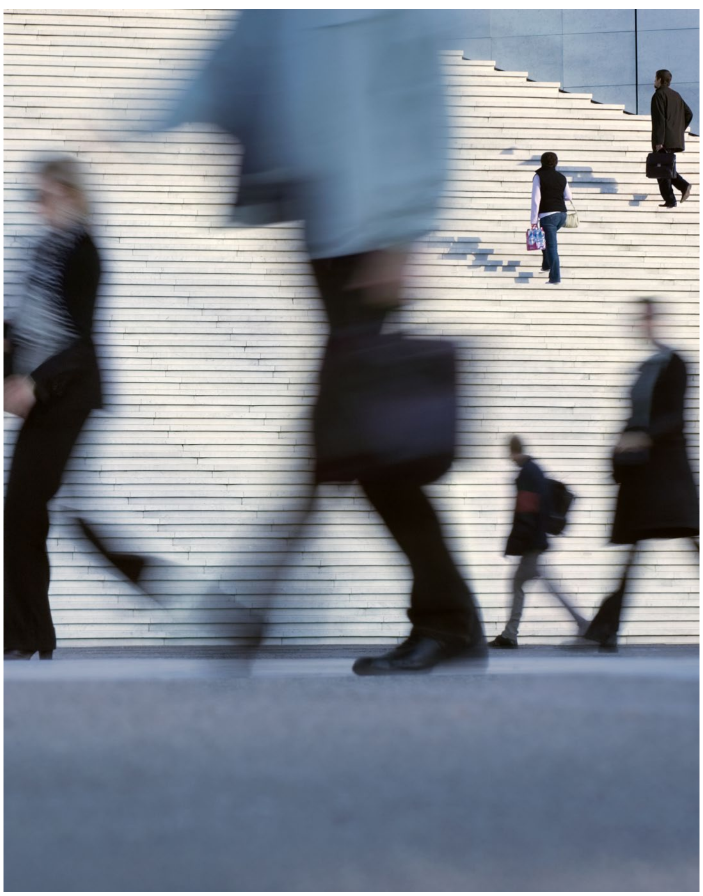
- The request relates to an issue arising in an ongoing PCAOB inspection, enforcement, or remediation matter or to pending or threatened litigation of which staff is or becomes aware.
- The firm seeks assurances that the PCAOB will not undertake enforcement or inspection action, or will accept remediation, under specified circumstances.
- The firm does not provide complete, accurate facts either initially or upon request.
- The request concerns application of a standard or rule to a hypothetical or vague scenario.
- The request seeks interpretive advice on activities or conduct that has already occurred.
- The request raises questions that depend on the overall context and plan of the audit, such that all of the relevant facts cannot be isolated and captured in the request, or that depend on the exercise of auditor judgment (e.g., sufficiency of audit evidence or audit documentation, acceptable evaluation of the severity of control deficiencies, appropriateness of the use of internal audit, consideration of materiality in planning and performing an audit, and the determination of critical audit matters).

If the staff choose to respond, guidance will be delivered via conference call. The PCAOB does not currently plan to make consultation requests and responses public, but its website cautions that submissions and supporting materials are likely not subject to the confidentiality protections of Section 105(b)(5)(A) of the Sarbanes-Oxley Act. The staff's responses to consultation requests are not rules, standards, or statements of the Board and are not necessarily binding on the Office of the Chief Auditor. The staff may publish guidance for questions that are frequently asked.

SEC and PCAOB Seek Public Comment on Strategic Plans and Agendas

On June 2, 2026, the SEC published for public comment a Draft Strategic Plan covering fiscal years 2026 through 2030, framed around returning the agency to its core three-part statutory mission: protecting investors; maintaining fair, orderly, and efficient markets; and facilitating capital formation. In the Commission's press release, Chairman Paul Atkins stated that during his tenure "the Commission will not stray from this core three-part mission."

The Draft Strategic Plan is organized around three goals: (1) renewing the SEC's regulatory policy focus by modernizing and simplifying disclosure requirements, expanding access to private markets, enabling new capital-raising pathways, and establishing a coherent, principles-based regulatory footing for digital assets and distributed ledger technologies; (2) shifting regulatory practices toward greater engagement with businesses and industry groups, recentering enforcement on policing violations of established law, and conducting periodic retrospective reviews of existing rules as well as an assessment of the agency's administrative law framework; and (3) optimizing operational efficiency through organizational reforms, a review of legacy technology systems such as EDGAR, and responsible deployment of artificial intelligence and blockchain technologies. Comments on the Draft Strategic Plan were due July 2, 2026.



Three weeks after the SEC's release, the PCAOB on June 23, 2026 opened a public comment period on potential future areas of focus for its standard-setting and research agendas—the first time the Board has sought public input on its agendas and its overall standard-setting process. The request builds on the standard-setting questions included in the Board's March 2026 Strategic Priorities Request for Comment, covered in last quarter's Update, and seeks more targeted input now that the Board has developed a fuller set of agenda and process considerations. Notably, the Board is also soliciting feedback on whether to revisit its general approach to standard setting and on the potential impact of the SEC's recent semiannual reporting proposal on PCAOB standards. Comments will be accepted through August 7, 2026, after which the Board will consider updates to its standard-setting and research agendas.

On July 20, 2026, the PCAOB then issued another request for public comment on its Draft 2026-2030 Strategic Plan Goals and Objectives, as the next phase in its strategic planning. The document discusses how the PCAOB intends to fulfill its strategic goals, which include to modernize standard setting and implementation, modernize the inspections and registration programs, and focus enforcement on conduct harmful to investors.

Taken together, these developments reflect a coordinated posture at both regulators under current leadership: recalibrating regulatory priorities through front-end stakeholder engagement rather than enforcement-driven policymaking. For accounting firms, the PCAOB's request in particular presents a rare opportunity to weigh in before the Board settles its standard-setting agenda—including on open items such as the postponed QC 1000 quality control standard and the downstream effects of any move to semiannual issuer reporting.

PCAOB Proposes Targeted Amendments to QC 1000

On June 9, 2026, the PCAOB issued a [supplemental request for comment] proposing amendments to QC 1000, A Firm's System of Quality Control, and to the related quality control reporting rule and PCAOB forms. QC 1000, which the Board adopted in May 2024 and the SEC approved in September 2024, is slated to take effect on December 15, 2026, following a one-year postponement of its original effective date. Drawing on comment letters and the Board's implementation support efforts—which suggested that certain provisions were unclear in their application, might impose higher costs than initially anticipated relative to their benefits, or might be unnecessarily prescriptive—the Board proposed amendments intended to reduce compliance costs and bring QC 1000 into closer alignment with other quality management standards, such as ISQM 1 and SQMS 1. The Board proposed targeted changes rather than wholesale alignment with ISQM 1, stating that it continues to believe that QC 1000 should be appropriately tailored to address the United States' legal and regulatory environment and the SEC's investor protection mandate. Comments were due by July 9, 2026.

The principal proposed amendments would relax or eliminate several of QC 1000's more prescriptive requirements. Most significantly, the Board proposed rescinding the "design-only" requirement, under which every registered firm must design (though not implement or operate) a QC 1000-compliant system. The Board observed that the requirement may impose costs on firms without commensurate benefits and noted commenter reports that some firms have withdrawn from PCAOB registration as a result. The proposal would also permit firms to assign specified quality control roles to qualified individuals who are not firm personnel and to divide the responsibilities of a role among multiple individuals. Further, it would rescind the requirement that firms issuing audit reports for more than 100 issuers incorporate an External QC Function (EQCF) into their governance structures—a requirement the Board concluded has proven more difficult and costly to implement than originally anticipated, though it solicited comment on alternatives, such as retaining the requirement only for firms auditing more than 500 issuers. Other proposed amendments would narrow the requirement to explain written firm and engagement metrics so that it would apply only to metrics made publicly available; limit the obligation to evaluate whether similar engagement deficiencies exist on other engagements to deficiencies that resulted or could result in a failure to obtain sufficient appropriate evidence or an inappropriate overall conclusion on the subject matter of an engagement; and revise the definition of "QC deficiency" to clarify that a failure of a quality response would be regarded as evidencing a QC deficiency only if other quality responses do not achieve the relevant objectives.

The proposal would also revise QC 1000's evaluation and reporting framework. Firms would be permitted to select their own annual evaluation date, rather than evaluating the effectiveness of their QC systems as of a fixed September 30 date, with the first evaluation required only after the firm has been subject to the requirement to design, implement, and operate a QC system for at least five consecutive months. The Board further proposed aligning the three available evaluation conclusions more closely with those of ISQM 1 and eliminating the concept of a "major QC deficiency," while retaining a structured evaluation process with specified severity and pervasiveness factors. Firms would remain required to report all unremediated QC deficiencies to the PCAOB on Form QC. Finally, the Board's proposal would simplify QC documentation requirements—permitting documentation to be retained in its original systems "in a manner that permits timely retrieval" rather than "assembled for retention"—and would shorten the documentation retention period from seven years to five.

PCAOB Restricts Naming of Audit Clients and Drops "Gag Rule" in Settled Enforcement Actions

On July 10, 2026, the PCAOB revised its Staff Statement on Recommending the Naming of Issuers and Broker-Dealers in Settled Disciplinary Orders. Under the PCAOB's new approach, the Division of Enforcement and Investigations will generally recommend that a settled order identify the issuer or broker-dealer that was the subject of the audit in question only if the matter involves "alleged deficiencies in the performance of an audit," and then only if one of the following circumstances are met:

- "The issuer or broker-dealer previously has publicly disclosed or admitted to concerns regarding the financial statements or internal control over financial reporting that are relevant to the matter;
- "A separate regulator has taken—or plans to take—public action against the issuer or broker-dealer or its directors or officers related to the core facts relevant to the matter; or
- "The issuer or broker-dealer, or any of its directors or officers, has been found in a public proceeding to have engaged in misconduct relevant to the matter."

On July 21 and 23, 2026, the PCAOB issued disciplinary orders applying the above approach and not identifying the issuers in question. This represented a change from the two disciplinary orders issued on January 13, 2026, which did name the issuer.

Separately, the PCAOB issued a Staff Statement on July 31, 2026, that DEI staff would align its approach with that of the SEC Division of Enforcement and "no longer routinely condition a recommendation that the Board accept a settlement offer on the respondent's agreement not to publicly deny any findings in a settled disciplinary order." The Statement added that DEI will no longer seek to enforce existing no-deny requirements, though it did reserve the right to insist on admissions in certain future cases, as it has done sporadically in the past.

Recent PCAOB Board Member Christina Ho Publishes Article Criticizing PCAOB and Calling for Structural Reforms

In the Summer 2026 issue of the Cato Institute's Regulation magazine, former PCAOB board member Christina Ho published an article, "Reforming the PCAOB," in which she argues that the PCAOB suffers from longstanding structural defects that undermine its mission to protect investors. Ho—who served on the Board for over four years—frames her critique as a firsthand account of governance failures, budgetary excess, ineffective standard-setting, and enforcement overreach, and proposes legislative and administrative reforms.

Ho's structural critique centers on the PCAOB's status as a private nonprofit corporation with the ability to fund itself through fees assessed on more than 8,400 public companies—a funding mechanism she argues frees the Board from the constraints placed on government agencies and industry self-regulatory organizations. She observes that the PCAOB's budget grew by 40 percent between 2022 and 2025 and argues that the SEC's budget approval authority has not provided effective oversight. Ho also criticizes the Board's "CEO duality," under which the chair also serves as the entity's president and chief executive officer and is alone empowered under the bylaws to call Board meetings. Ho characterizes the Board's standard-setting as "disconnected from reality," arguing that it has failed to provide substantive guidance on auditors' use of artificial intelligence and other emerging technologies while instead focusing on compliance-oriented "check-the-box" requirements. She similarly criticizes the Board's inspection program as focusing on procedural documentation requirements rather than whether audits effectively detect material problems, noting that PCAOB-identified deficiency rates have risen even as financial restatement rates have declined significantly over the past decade. Finally, she argues that the Board misdirects enforcement resources toward minor infractions.

The article proposes two reform paths. The most comprehensive would be legislation transferring the PCAOB's duties and powers to the SEC, with the Board serving in an advisory capacity during a transition period. Alternatively, Ho identifies administrative reforms that the SEC and the reconstituted PCAOB could implement absent legislation: amending the PCAOB's bylaws to separate the roles of chair and CEO; designating a qualified group of accountants, through a public-private partnership, to formulate technology-driven auditing standards for Board consideration; refocusing inspections on the effectiveness of firms' quality control systems rather than on reviews of individual engagements; and consolidating the PCAOB's enforcement program into the SEC to redirect resources from minor infractions to serious violations. Ho argues that such reforms are urgently needed because, in her view, the status quo stifles innovation, discourages talent from entering the audit profession, creates barriers to quality, and imposes costs on public companies and investors without improving audit quality.

Supreme Court Holds SEC May Obtain Disgorgement Without Proving Investor Pecuniary Harm in Sripetch v. SEC

On June 4, 2026, the United States Supreme Court unanimously held in *Sripetch v. SEC* that the SEC may obtain an order directing a defendant to disgorge ill-gotten gains to investors without proving that investors suffered pecuniary harm.

The case arose from a civil enforcement action brought by the SEC against Ongkaruck Sripetch for violations of securities law. The SEC also alleged that Sripetch obtained millions of dollars in proceeds from certain illegal schemes. Sripetch entered a consent judgment on liability with the SEC, which then sought over $4.1 million in disgorgement of ill-gotten gains from Sripetch. Sripetch argued that the SEC's request violated *Liu v. SEC* because the SEC lacked evidence that his schemes caused investors to suffer any financial losses. The district court awarded the disgorgement and the Ninth Circuit affirmed.

The Supreme Court's ruling confirms the SEC's ability to seek disgorgement tied to a defendant's net profits even where identifying individual investors or quantifying their losses would be difficult. The ruling limits defendants' ability to resist disgorgement by arguing that the SEC must prove the same type of economic loss required in private securities-fraud suits, and keeps the focus on whether the defendant received unjust enrichment as a result of the securities-law violation and whether the disgorgement award is properly limited to that enrichment.

For more information, please refer to Gibson Dunn's client alert.

Senator Warren Urges PCAOB to Strengthen Standard-Setting, Inspections, and Enforcement

On May 15, 2026, Senator Elizabeth Warren (D-MA), Ranking Member of the Senate Committee on Banking, Housing, and Urban Affairs, sent a letter ("Letter") to PCAOB Chairman Demetrios Logothetis. The Letter—sent in response to the PCAOB's request for public comment on its strategic priorities—stated that the PCAOB must engage in "standard-setting that addresses current risks" and ensure these standards are met "through a robust inspection and enforcement program." Senator Warren expressed that "when other federal regulators, like the SEC, are neglecting their responsibilities" the roles of auditors and the PCAOB are particularly important to ensure investors are protected.

The Letter identified as specific areas for focus auditor independence and audit quality "in light of private equity ownership of accounting firms, audit standards to address increasingly complex data center arrangements, and managing the role of AI in audit." The Letter also called on the PCAOB to address alleged "sham audits for crypto firms."

Senator Warren also requested responses from the PCAOB to nineteen questions and asked the PCAOB to provide quarterly updates to the Senate Banking Committee on "enforcement, inspections, registration, and standard setting."

The Letter set a response deadline of May 29, 2026. On May 19, 2026, Bloomberg Tax reported that the PCAOB "was reviewing Warren's letter and would respond to her directly."

Other Recent SEC and PCAOB Developments

SEC

- Commissioner Hester M. Peirce will leave the U.S. Securities and Exchange Commission in November 2026 to accept an appointment at Regent University. Commissioner Peirce has served on the Commission since 2018. In remarks titled "Peirce Out" delivered at the U.S. Chamber of Commerce Capital Markets Summit on June 9, 2026, Commissioner Peirce reflected on the Commission's recent efforts to regulate within the boundaries drawn by Congress and the Constitution, and urged the Commission to continue exercising "reasonable restraint" in interpreting its statutes and rules.
- On May 19, the SEC proposed to simplify issuer filing status by collapsing the existing filer categories into "large accelerated" and "non-accelerated" filers and raising the large accelerated filer public float threshold from $700 million to $2 billion—changes the SEC estimates would leave less than 20% of current public companies subject to the full reporting requirements applicable to large accelerated filers, with the remainder eligible for more streamlined disclosure requirements, including relief from auditor assessments of internal control over financial reporting and exemption from say-on-pay and related compensation votes. Gibson Dunn's client alert discussing the proposed rule is here.
- On May 29, the SEC proposed to formally withdraw its 2024 climate disclosure rules in their entirety—a step with limited practical impact given the existing stay of those rules, but one that confirms a significant shift in SEC priorities and that the SEC estimates would yield annualized cost savings of approximately $4.9 billion. See our client alert discussing the proposed rule here.

PCAOB

- On June 28, the PCAOB posted an opening for a new Chief Hearing Officer. Prior Chief Hearing Officer Marc Dorfman departed in 2025.
- On June 11, 2026, the PCAOB released its annual report on its interim inspection program related to audits of broker-dealers.
- On May 28, the PCAOB announced the formation of an Inspections Modernization Council, a resource group composed of outside parties with a stake in the PCAOB's inspection activities. The Council is intended to serve as a source of knowledge, experience, perspectives, and recommendations regarding the PCAOB's inspection oversight activities—including potential modifications to the inspection program—and will provide the PCAOB with members' perspectives on current and developing technologies, as they may be applied to or used in connection with the PCAOB's inspection oversight activities.
- On June 4, 2026, PCAOB Chairman Logothetis delivered remarks at the USC SEC Financial Reporting Conference, asking whether the PCAOB is fit for purpose for the next 25 years and grounding the Board's modernization agenda in the Advance, Clarify, and Transform framework articulated by SEC Chairman Paul Atkins. Most prominently, Chairman Logothetis stated that the PCAOB will move away from its current model—in which inspectors review a non-statistical sample of a registered firm's audits—toward a model in which the primary focus of inspections is the firm's quality control system, with engagement-level file reviews serving to corroborate how that system operates in practice. Chairman Logothetis added that QC 1000 will serve as the foundation of the modernized inspection model.

Practice Group Contacts

James J. Farrell
New York
+1 212.351.5326
jfarrell@gibsondunn.com

Michael Scanlon
Washington, D.C.
+1 202.887.3668
mscanlon@gibsondunn.com

David Ware
Washington, D.C.
+1 202.887.3652
dware@gibsondunn.com

In addition to the Accounting Firm Advisory and Defense Practice Group members listed above, this Update was prepared by Monica Limeng Woolley, Hayden McGovern, Nicholas Whetstone, Ty Shockley, Garrick R. Donnelly, and Jimmy Scoville.

For further information about any of the topics discussed herein, please contact one of the Accounting Firm Advisory and Defense Practice Group Chairs or the Gibson Dunn attorney with whom you regularly work.