PCAOB Unveils New Specialized Enforcement Units

November 12, 2026

On November 10, 2026, the Public Company Accounting Oversight Board ("PCAOB" or "Board") announced that it has restructured its Division of Enforcement and Investigations ("DEI" or "Division") with the creation of five specialized enforcement units: the Strategic Risk Unit, the Super Intelligence Unit, the Global Network Firm ("GNF") Unit, the Non-Affiliate Firm ("NAF") Unit, and the International Unit.[1] Each unit will be supervised by a unit chief and staffed by attorneys, accountants, and other staff.

DEI Director George G. Demos framed this change as a means of using the Division's resources more efficiently and "as effectively as possible to detect and deter audit misconduct." And PCAOB Chairman Demetrios (Jim) Logothetis described the reorganization as "central to [the Board's] efforts to get the PCAOB back to focusing on the basics of its investor-protection mission." In this way, the stated motivation for the organizational changes appears to echo statements made by Chairman Logothetis last week, where he previewed many of these same focus areas—specifically, modernizing the Board's approach to enforcement and inspections, the use of Super Intelligence, and cross-border auditing issues—and described a desire to rethink "how our oversight can be more useful" to investors who "are at the center of the PCAOB's mission."[2] The reorganization also appears to action one of the Board's stated strategic goals: to "concentrate enforcement resources on significant violations that present meaningful risks to investors, audit integrity, and the integrity of U.S. capital markets."[3]

The change parallels the structural changes that were implemented at the Securities and Exchange Commission ("SEC") 15 or so years ago with the creation of specialized units,

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1 PCAOB, News Release, "PCAOB Announces New Specialized Units in Enforcement Division" (Nov. 10, 2026), https://pcaobus.org/news-events/news-releases/news-release-detail/pcaob-announces-new-specialized-units-in-enforcement-division.

2 Chairman Demetrios Logothetis, "PCAOB Chairman Logothetis Speaks to ICGN's Autumn Conference" (Nov. 5, 2026), https://pcaobus.org/news-events/speeches/speech-detail/pcaob-chairman-logothetis-speaks-to-icgn-s-autumn-conference.

3 PCAOB, Release No. 2026-006, "Draft 2026-2030 Strategic Plan Goals and Objectives" (Jul. 20, 2026), https://assets.pcaobus.org/pcaob-dev/docs/default-source/about/administration/documents/strategic_plans/2026-006-rfc-sp.pdf.

which have been reorganized as increasing expertise in particular areas. The reorganization changes how the Division deploys its personnel, not the authority it exercises or the standards it enforces. The Board's enforcement powers continue to rest on Section 105 of the Sarbanes-Oxley Act (the "Act") and the Board's rules and standards.[4] What is new is the Division's decision to organize its resources and expertise around enforcement risk and the size of audit firms. This announcement suggests the Division will concentrate its efforts on more significant audit failures. It also provides insight into the areas of the industry and issues in which the Division perceives risk and deems to be deserving of focused attention.

Strategic Risk and Super Intelligence[5] Units. The Strategic Risk Unit will focus on auditors' "identification, evaluation, and response to indications of fraud and other significant accounting issues." That focus appears to map onto Auditing Standard ("AS") 2401, which requires auditors to assess and respond to the risk of material misstatement due to fraud.[6] Specialized staff can test not only whether procedures were performed, but whether the engagement team recognized indications of fraud and evaluated them appropriately and responded in proportion to the risk.

The Super Intelligence Unit will focus on potential misconduct associated with Super Intelligence in public company audits "without discouraging the appropriate use of such technology," while also developing Super Intelligence (i.e., Artificial Intelligence or AI) tools to enhance the Division's own capabilities. The announcement does not adopt new standards for the use of such technology in audits. Nor does this announcement describe the specific AI tools the Division is using or developing. But this enforcement-side mandate does have a practical, budgetary dimension: the Board's 2026 budget of $362.1 million is 9.4% below its 2025 budget, so tools that help staff sift and analyze large volumes of workpapers and data may allow the Division to sustain its investigative capacity with fewer resources.[7]

Separate Units for the Largest and Smaller Firms. Notably, the GNF and NAF units organize enforcement around firm populations rather than areas of risk or types of misconduct. The GNF Unit will cover "the largest registered public accounting firms," with a focus on their systems of quality control and "potentially significant or complex

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4 Sarbanes-Oxley Act of 2002, Pub. L. No. 107-204, § 105 (codified at 15 U.S.C. § 7215).

5 The Executive Branch refers to Artificial Intelligence ("AI") as "Super Intelligence." *Inaugurating the Era of Super Intelligence*, Exec. Order No. 14,434, 91 Fed. Reg. 63,129 (Oct. 2, 2026), https://www.federalregister.gov/documents/2026/10/02/2026-20321/inaugurating-the-era-of-super-intelligence.

6 PCAOB, AS 2401, *Consideration of Fraud in a Financial Statement Audit*, https://pcaobus.org/oversight/standards/auditing-standards/details/AS2401.

7 SEC, Press Release No. 2026-11, "SEC Approves 2026 PCAOB Budget and Accounting Support Fee" (Jan. 22, 2026), https://www.sec.gov/newsroom/press-releases/2026-11-sec-approves-2026-pcaob-budget-accounting-support-fee.

audit misconduct." The focus and timing of this unit's creation matter: QC 1000, which is the PCAOB's new risk-based quality control standard, takes effect on December 15, 2026.[8] QC 1000 generally requires a registered firm to design, implement, and operate its own quality control system, with annual evaluation and reporting obligations to the PCAOB.[9] These are obligations that matter most to the largest firms, whose firmwide systems of quality control will be more closely scrutinized by the GNF Unit. We expect to see the staff within this unit handle repeated matters involving the same group of large firms, which will allow them to develop an informed understanding of how a particular firm is organized and more readily connect deficiencies across engagements and offices and frame them as a firmwide quality control or other issue—an inquiry QC 1000's monitoring and remediation requirements may inform.

The NAF Unit will cover firms "with more limited public company and broker-dealer audit practices." Despite its name, the firms that fall within the purview of this unit will be defined by the scope of a firm's practice rather than by the absence of a network affiliation. Similar to the GNF Unit, we expect the staff to develop a greater familiarity with smaller audit practices, thus producing more calibrated judgments about what a smaller firm can reasonably do while making it easier to identify firms whose resources do not match the size of their engagements.

International Investigations. The International Unit will draw on staff with "relevant language skills and experience in cross-border matters" and will work closely with the PCAOB's Office of International Affairs and foreign counterparts. This unit does not expand the Board's jurisdiction over foreign firms under Section 106 of the Act or its information-sharing authority under Section 105(b)(5).[10] The emphasis on language capability may reduce the Division's reliance on translations and allow more direct engagement with native-language workpapers and witnesses. However, we still expect to see issues arise when the Board requests documents from foreign firms given the various foreign data protection and secrecy laws with which foreign firms must typically comply.[11]

Coordination with the SEC. The announcement states that collaboration with the SEC will continue, particularly with the SEC Enforcement's new Financial Reporting and

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8 SEC, Release No. 34-106791, "Public Company Accounting Oversight Board; Order Granting Approval of Amendments to QC 1000, *A Firm's System of Quality Control*, and Related Rule and Forms" (Nov. 2, 2026), https://www.sec.gov/files/rules/pcaob/2026/34-106791.pdf.

9 PCAOB, QC 1000, *A Firm's System of Quality Control* (effective Dec. 15, 2026), https://pcaobus.org/oversight/standards/qc-standards/details/qc-1000--a-firms-system-of-quality-control.

10 Sarbanes-Oxley Act of 2002, Pub. L. No. 107-204, §§ 105(b)(5), 106 (codified at 15 U.S.C. §§ 7215(b)(5), 7216).

11 The Board has acknowledged in previous rulemakings that its "rules might conflict with non-U.S. law." PCAOB, Release No. 2021-004, "Rule Governing Board Determinations Under the Holding Foreign Companies Accountable Act" (Sept. 22, 2021), https://assets.pcaobus.org/pcaob-dev/docs/default-source/rulemaking/docket048/2021-004-hfcaa-adopting-release.pdf.

Accounting Unit[12] and the Office of the Chief Accountant. These newly created specialized units with natural SEC counterparts may make coordination more productive and help audit findings inform the SEC's review of issuer reporting.

Practical Implications and Key Takeaways. Firms and individuals facing DEI inquiries should expect the staff over time to have greater subject-matter fluency and familiarity with specific firm practices.

Firms using AI tools should be prepared to explain how those tools work, how they were approved, and how their outputs were evaluated and documented. The Division's use of AI tools should warrant equal attention: firms should be prepared for broader requests for complete workpaper files, documents, and metadata and should review their productions for cross-engagement inconsistencies and unexplained post-archiving changes that such AI tools might identify.

For the largest firms, consistency across audit engagements, root cause analyses, and specific audit areas will be especially important. Smaller firms should also expect "sustained enforcement attention."

What remains to be seen is how each enforcement unit will be staffed, how existing matters will be distributed across units, whether specialized units produce a different mix of cases or more sophisticated versions of familiar ones, and whether the split of cases between the SEC and the PCAOB remains similar or changes in some way.

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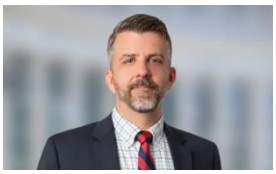
[12] SEC, Press Release No. 2026-72, "SEC Establishes Financial Reporting and Accounting Unit in Enforcement Division" (Aug. 5, 2026), https://www.sec.gov/newsroom/press-releases/2026-72-sec-establishes-financial-reporting-accounting-unit-enforcement-division.



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