March 21, 2019

Mr. Brent Fields
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: **File Number S7-26-18 – *Request for Comment on Earnings Releases and Quarterly Reports***

Dear Mr. Fields,

Mazars USA LLP ("Mazars") welcomes the opportunity to comment on File Number S7-26-18 – *Request for Comment on Earnings Releases and Quarterly Reports* (the "Release"). Mazars appreciates the SEC's efforts to balance investor protection with the burdens quarterly reporting places on issuers. Changing the volume and frequency of the flow of information and could both positively and negatively impact capital markets, the relative consistency, applicability, and comparability of the information, and corporate strategic planning.

As of January 1, 2019, Mazars has over 100 partners and 800 professionals across the United States ("U.S."), and is an independent member firm of the Mazars Group, an organization with 23,000 professionals in 89 countries around the world, and a member of Praxity, a global alliance of independent firms. As a U.S. registered public accounting firm and a member of an international network, Mazars holds a unique perspective that may differ from those of our international counterparts due to variations in the client population and in the regulatory and litigation environments.

Our views on this Release are driven primarily by our position in the U.S. marketplace as a medium-sized public accounting firm servicing mostly small to mid-size business issuers (accelerated and non-accelerated filers) in a variety of industries, Form 11-K filers, registered investment companies, and broker-dealers. As such, our primary focus is to address our concerns and challenges related to audits of companies with similar characteristics to our current client base as well as to similar accounting firms.

We recognize the SEC's extensive efforts related to addressing the topic of quarterly reporting including the considerations of the feedback received from the 2016 SEC Concept Release on Business and Financial Disclosure Required by Regulation S-K, the numerous discussions and considerations of various SEC committees and offices, and the data gathering and analyses from recent efforts and available economic information. We do believe that the content of quarterly reporting deserves reconsideration, but diminishing the frequency of interim reporting to anything less than quarterly would negatively impact the quantity and quality of information available to investors and encouraging earnings guidance diminishes optimal management and investor decision making.

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We present our thoughts on the Release in the following categories:

I. Overview
II. Information Content Resulting from the Quarterly Reporting Process
III. Timing of the Quarterly Reporting Process
IV. Earnings Release as Core Quarterly Disclosure
V. Reporting Frequency
VI. Conclusion

I. Overview

For almost 50 years, the SEC has required quarterly reporting by domestic issuers with auditors being required to review the Form 10-Q for approximately 15 years. The goals of these requirements focus on transparency and investor protection. The Release pointedly highlights many of the issues and concerns regarding current practices with respect to earnings releases, quarterly reporting, and earnings guidance. The inconsistencies in the information included in earnings releases, increased complexity and burden from enhanced disclosure requirements of the Financial Accounting Standards Board ("FASB") coupled with the requirements of SEC Regulation S-K, timing difference between the earnings release and the filing of the Form 10-Q, and the forward looking projections of enhanced guidance contribute to a lack of comparable information available in the marketplace at a given time, thus challenging these goals.

Our understanding, based on numerous published scholarly studies and speaking with other professionals, is that inconsistencies do exist throughout issuers. These variations in handling the increasingly complex reporting environment necessitate change to existing standards to ensure that all issuers consistently release relevant, timely, and consistent information to the public. We support appropriate augmentations through clarifications and modifications to the existing standards that could lead to heightened investor protection, greater consistency in interim reporting, members of the profession meeting standards, realistic investor, audit committee, and company expectations, and increased efficiency in the audit and review processes.

II. Information Content Resulting from the Quarterly Reporting Process

The information contained in the Form 10-Q follows SEC and GAAP guidelines which enable all investors to obtain comparable information prepared and presented under the same standards. Users of the Form 10-Q can find certain information in designated sections of any Form 10-Q they read. The MD&A section contains a discussion of the performance of the company as well as compliance, risks, and future plans of the company. Certain schedules and exhibits are required to be included, if applicable. In accordance with FASB, Accounting Standards Codification Topic 205, *Presentation of Financial Statements*, the notes to the financial statements are considered an integral part of the financial statements. The notes provide additional details behind the numbers, so that a user of the financial statements can obtain insight into the specific facts and circumstances of a company and can compare these details to other companies. The incremental nature of quarterly reporting on Form 10-Q proves important to the company and investors alike, since they will be able to share the progress of the company throughout the year. This information can easily by utilized for a wide variety reasons due to the existing XBRL taxonomy.

Conversely, no real guidelines exist for an earnings release. Earnings releases come in all shapes and sizes. A non-accelerated filer may not publish an earnings release or may publish a five-page document, where as a large accelerate filer may publish numerous documents with approximately one hundred pages of information. The extensive use of non-GAAP measures, reconciled to generally accepted accounting principles ("GAAP"), in earnings releases places increasingly complex and customized information out into the marketplace. Furthermore, the absence of the notes to the financial statements in the earnings release prevents the user of the information from obtaining a full understanding of the results of the company as presented. Due the lack of comparability in the data presented in earnings releases, coming up with a taxonomy for earnings release would be extremely costly and limited in value.

The availability of two sets of financial data on the same company can be confusing and skew investor analyses. An undue burden exists on the company to prepare two presentations of financial data and, in many cases, in different ways. If the data included in the earnings release is used by an investor and not compared to the management certified and independent auditor reviewed data in the Form 10-Q, valuable information may not be considered. The necessity to compare the earnings release and the Form 10-Q, could prove onerous and duplicative to an investor and other users of the financial statements.

Earnings guidance places inappropriate pressure on management to meet or beat earnings projections. Business decisions, including accounting related decisions like estimates, should not be driven by anything other the fair and accurate recording of the company's financial performance during a given period. If there is relevant information about the plans and goals of the company, GAAP provides guidance on how to include and report on such information, to ensure that a user of the financial statements obtains all appropriate information to make the best possible decision.

We see an enormous value to the auditor review of the financial statements included in Form 10-Q and ensuring consistency in the information presented in the other sections of filing. As mentioned above, our clients tend to be small to mid-sized issuers who we efficiently and effectively communicate with throughout the year due to their quarterly reporting requirements. Discussions with members of management and the board of directors, including the audit committee, regarding the progress of the implementation of new accounting standards, a complex transaction, or the impact of social, economic, and/or political factors affecting the company and reviewing documentation during the quarters enables the engagement team gain a timely understanding of performance of the company throughout the year and to more efficiently and effectively execute the audit at year-end. This level of review and communication should make the users of the financial statements more comfortable with the information presented on a quarterly basis. In addition, if the auditors did not perform quarterly work, the cost of the audit would increase as the auditing firm would need to employ more people during the busiest times of the year to ensure adherence to PCAOB standards.

III. Timing of the Quarterly Reporting Process

The inconsistency among issuers in the timing of issuing an earnings release and filing the associated Form 10-Q poses challenges in the marketplace. Studies have shown that market participants respond immediately to the information received whether it's from an earnings release or a Form 10-Q. If the company issues the earnings release ahead of the filing of the Form 10-Q, investors will be trading on data that has not been reviewed by the auditors. Depending on the length of time between the release and filing, additional information could come to light that would be disclosed in the Form 10-Q that may have influenced investor decisions. We concur with the comments received related to the Concept Release calling for either the Form 10-Q being filed simultaneously or prior to the issuance of the earnings release. If analysts and investors have more complete information presented in the notes to the financial statements, the information presented in the earnings release, GAAP and non-GAAP measures, would be more meaningful and clarified.

Auditors' responsibilities under current PCAOB standards are limited to information included in SEC filings, not other communications like earnings releases, investor communications, analyst calls, or other information posted on the website. As such, we do not perform the same procedures on an earnings release that are performed on the Form 10-Q. Typically, our procedures, if any, are limited to reading the earnings release for any inconsistencies with the GAAP measures presented in the financial statements included in the filing and our knowledge of the company. Auditor review of the earnings release could cause delays due to the fact that non-GAAP measures could be extremely difficult to review for reasonableness, since no standards exist to ensure the consistency of calculations, formulae, and data. Even though the information would have to be reconciled to the GAAP measures, non-GAAP measures tend to be subjective and involve a significant amount of judgement. If auditors were required to perform procedures on the earnings release, these procedures should be done simultaneously with the review procedures conducted on a Form 10-Q or audit procedures on a Form 10-K. The concurrent review, enables the engagement team to be more efficient and thorough ensuring that all available information is accurately reflected in both documents.

IV. Earnings Release as Core Quarterly Disclosures

As discussed previously, some of the information included in an earnings release follows GAAP, but a great deal of the information is considered non-GAAP measures. In the absence of conformity in non-GAAP measures, it may be difficult to challenge management on the appropriateness and reasonableness of such information. Non-GAAP measures cannot, under any circumstances, substitute for GAAP measures. We do not support the Supplemental Approach, since it does not follow GAAP nor would in foster consistency from one company to another. Separating the financial statements from the notes would risk users of the financial statements relying on incomplete information, if they do not look in the notes.

With that said, the Form 10-Q includes some repetitive information in the MD&A section and the notes to the financial statements. This duplicative presentation increases monetary costs and allocations of resources at the company and the auditing firm. We favor standards that would eliminate any duplication of efforts while ensuring consistency in the reporting of information to the public in one document which would include the financial statements and an MD&A that included typical earnings release, non-financial statement information. The timing of such publications should stay the same as current standards dictate. Companies and auditors should not have an issue with the timing, given that the reporting should be lessened.

V. Reporting Frequency

As noted above, the regulations related to quarterly reporting have been around for almost 50 years, but as the Release indicates, companies have been voluntarily reporting on a quarterly basis for much longer than that. The voluntary reporting is consistent with the recent experience in Europe when companies continued to issue quarterly reports despite the regulations changing to semi-annual reporting. We believe quarterly reporting is appropriate for all publicly traded companies regardless of size. The small to mid-size issuers benefit from the quarterly timeframe, since the level of communication between the companies and the auditors will be at a pace that ensures a higher quality of financial reporting.

As noted previously, one of the goals of quarterly reporting is transparency. Market participants, including investors, investment advisers, broker-dealers, and other users of the reports, require information to make educated trading decisions. Consistency in the timing of reporting will help maintain and orderly marketplace. Allowing companies to select their preferred frequency of reporting will increase inconsistency and decrease comparability significantly. If the companies are allowed to change the frequency, they may do so when financial results are not in line with expectations. This inconsistency goes against the goals of transparency and investor protection. In addition, accounting and auditing standards would need to be tailored to allow for this flexibility. While the theories would stay the same, nuances would have to be honed to clarify that all information is as consistent as possible and all necessary procedures completed. For example, standards would need to be put in place that would ensure that current information is included in a registration statement. Information older than current standards dictate, 134 days for non-accelerated filers and 129 days for accelerated and large accelerated filers, would lead users of the information contained in the registrations statement to make a decision based on potentially stale and, thus, materially misleading information.

We suggest revisiting the requirements related to the content of the information included in the Form 10-Q. The elimination of duplicative data in the MD&A and the financial statements and focusing the disclosures on the incremental changes from one quarter to the next could allow for enhanced reporting while potentially decreasing the overall cost of reporting. If all of the information is contained in one filing, eliminating multiple Form 8-K's, market participants can efficiently gather the information they need instead of having to sift through many Form 8-K's to combine information lessening the risk of missing important information. Semi-annual reporting could even end of costing more, since companies would need to file an increased number of 8-K's. In addition, the auditor's review of a semi-annual filing could cost more than the quarterly Form 10-Q's. Economies to scale are realized when the reviews are performed more frequently.

VI. Conclusion

We applaud the SEC in its efforts in continuously improving its earnings releases and quarterly reporting standards. We remain committed to participating in future discussions with the SEC about how to best implement appropriate recommendations generated by the request for comment that would further enhance transparency and protect investors. Lastly, we fully support the mission of educating investors and other users of financial statements about deciphering the financial information contained in all quarterly reporting media.

We would be pleased to discuss our comments with you at your convenience. Please direct any questions to Wendy B. Stevens, Practice Leader, Quality & Risk Management, at (212) 375-6699 (wendy.stevens@mazarsusa.com) and or Bonnie Mann Falk, Quality & Risk Management, at (516) 620-8554 (bonnie.mannfalk@mazarsusa.com).

Very truly yours,

Mazars USA LLP