

**Public Company Accounting Oversight Board
Budget by Program Area
2010 - 2012**

Program Area	2010 <u>Actuals</u>	2011 <u>Budget</u>	2012 <u>Budget</u>
Board and Executive Staff	4,666,000	7,164,000	7,142,000
Division of Registration and Inspections			
Inspections	77,713,000	90,589,000	112,083,000
Registration	903,000	1,114,000	1,126,000
Sub-total	78,616,000	91,703,000	113,209,000
Division of Enforcement and Investigations	13,784,000	17,457,000	20,028,000
Office of the Chief Auditor (Standards)	6,281,000	7,423,000	8,277,000
Office of Research and Analysis	7,290,000	8,974,000	8,709,000
Office of General Counsel/Secretary	4,219,000	5,067,000	5,903,000
Office of International Affairs	1,943,000	3,043,000	3,364,000
Center for Excellence	1,000	609,000	100,000
Office of Outreach and Small Business Liaison	-	1,225,000	1,384,000
Office of Communications	2,187,000	-	-
Office of Government Relations	-	426,000	436,000
Office of Public Affairs	-	565,000	504,000
Office of Internal Oversight and Perf. Assurance	1,300,000	1,504,000	1,494,000
Office of Hearing Officer	453,000	700,000	662,000
Office of Administration			
Administration	2,119,000	2,896,000	3,237,000
Information Technology	20,941,000	24,430,000	21,882,000
Human Resources	3,587,000	7,413,000	9,217,000
Compliance and Risk Management	-	708,000	608,000
Finance	2,161,000	2,482,000	2,801,000
Budget and Program Analysis	710,000	643,000	759,000
Facilities	15,550,000	19,949,000	17,991,000
Sub-total	45,068,000	58,521,000	56,495,000
Total Outlays	165,808,000	204,381,000	227,707,000
Less: Net Interest Receipts			84,000
Total Outlays Less Interest Receipts			227,623,000
Less: Excess to Working Capital Reserve			10,893,000
Net Outlays			216,730,000
Less: Prior Year Registration and Annual Fees			1,747,000
Total Accounting Support Fees			214,983,000
Accounting Support Fee - Issuers			196,774,000
Accounting Support Fee - Broker-Dealers			18,209,000
Total Accounting Support Fees			214,983,000

**Public Company Accounting Oversight Board
Budget by Cost Category
2010 - 2012**

Cost Category	2010 <u>Actuals</u>	2011 <u>Budget</u>	2012 <u>Budget</u>
Personnel			
Salaries/1	99,453,000	118,957,000	136,375,000
Employee Benefits/2	12,660,000	15,377,000	18,169,000
Payroll taxes/3	5,280,000	6,029,000	7,029,000
Training/4	1,625,000	3,196,000	3,561,000
Recruitment and Relocation/5	1,864,000	4,488,000	5,994,000
Sub-total	120,882,000	148,047,000	171,128,000
Non-personnel			
Administrative Expenses/6	5,136,000	5,978,000	6,324,000
Consulting and Professional Fees/7	6,986,000	10,505,000	11,002,000
Facilities/8	12,441,000	14,363,000	14,799,000
Information Technology/9	7,024,000	7,998,000	7,161,000
Travel and Other Expenses/10	9,611,000	11,933,000	15,973,000
Sub-total	41,198,000	50,777,000	55,259,000
Capital Expenditures			
IT Development and Infrastructure/9	1,878,000	2,107,000	445,000
Facilities build-out/11	1,850,000	3,450,000	875,000
Sub-total	3,728,000	5,557,000	1,320,000
Total Outlays	165,808,000	204,381,000	227,707,000
Less: Net Interest Receipts/12			84,000
Total Outlays Less Interest Receipts			227,623,000
Less: Excess to Working Capital Reserve/13			10,893,000
Net Outlays			216,730,000
Less: Prior Year Registration and Annual Fees/14			1,747,000
Total Accounting Support Fees			214,983,000
Accounting Support Fee - Issuers/15			196,774,000
Accounting Support Fee - Broker-Dealers/15			18,209,000
Total Accounting Support Fees			214,983,000



NOTES TO 2012 BUDGET

The 2012 Budget for the Public Company Accounting Oversight Board ("PCAOB" or the "Board") is based on the best information available as of the approval date. Budgeted amounts are subject to change as conditions warrant. The following notes relate to specific line items in the budget.

1. **Salaries** – In 2012, the PCAOB expects to continue augmenting its staff to assist the Board in achieving its mandates under the Sarbanes-Oxley Act of 2002 (the "Act") and provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act that require the Board to inspect, set auditing standards for, and apply enforcement resources to, the auditors of SEC-registered securities broker-dealers. In this regard, the PCAOB plans to have 810 staff by the end of 2012. The majority of the new employees are expected to be experienced auditors who will conduct the Board's program of inspections to assess the degree of compliance by registered public accounting firms with the Act, the rules of the Board, the rules of the U.S. Securities and Exchange Commission, and auditing and related professional practice standards, in connection with those firms' audits of issuers and broker-dealers. The 2012 Budget for salaries also includes related expenses for merit and other salary adjustments.
2. **Employee benefits** – Estimated expenses for employee benefits include costs associated with health care, retirement, and other employee benefit-related items.
3. **Payroll taxes** – Estimated payroll taxes include Social Security, Medicare and unemployment taxes.
4. **Training** – Training expenses include professional training in accounting and auditing, law and other fields, to fulfill the Board's commitment to maintaining a highly-qualified staff in order to achieve the PCAOB's statutory mandates. Training expenses also include the costs associated with training staff to utilize the Board's IT infrastructure and applications, in addition to more general training regarding the Board's policies and procedures.

5. **Recruiting and relocation** – Estimated recruiting and relocation expenses are budgeted to cover the cost of recruiting highly-qualified, experienced staff in a competitive employment market for auditors and accountants.
6. **Administrative expenses** – Estimated administrative expenses include costs for office supplies, printing, copying, telecommunications, and postage. This category also covers the costs associated with insurance, including premiums for general property and casualty insurance, and directors' and officers' liability insurance.
7. **Consulting and professional fees** – Estimated consulting and professional fees include costs associated with developing certain initiatives related to the Board's programs that call for highly-specialized skills and services required for a limited period of time. These expenses also include costs for services related to investigation and litigation support, such as court reporters, translators, and document and database management, in addition to other legal and advisory services.
8. **Facilities** – Estimated facilities expenses cover the costs of lease and other payments related to the Board's office space. The Board currently has leased office space at its headquarters in Washington, D.C., and its technology center in Ashburn, Virginia, in addition to regional office space to support its inspections staff in Atlanta, Georgia; Chicago, Illinois; Dallas, Texas; Denver, Colorado; Irvine, California; New York, New York; and San Mateo, California. The 2012 Budget also includes funds for satellite locations in Boston, Massachusetts; Charlotte, North Carolina; Detroit, Michigan; Houston, Texas; Minneapolis, Minnesota; South Florida, Florida; and Tampa, Florida that report to New York, Atlanta, Chicago, Dallas, and Atlanta, as well as two new satellite locations that have yet to be determined.
9. **Information Technology** – Estimated IT expenses include costs associated with enhancing and maintaining the Board's IT infrastructure and applications. In addition, this category includes resources to support the Board's IT security activities.
10. **Travel and related expenses** – Estimated travel and related expenses support travel to perform inspections in the offices of registered public accounting firms. Currently, there are over 2,400 public accounting firms registered with the Board, more than 900 of which are located outside of the United States. This category also covers the costs associated with

participation by Board Members and professional staff in speaking and other outreach activities away from the Board's offices.

11. **Facilities build-out** – The PCAOB expects to incur capital expenditures in 2012 related to the completion of the build-out of additional office space in New York.
12. **Interest** – Estimated interest income in 2012 is based on average cash balances invested and related repurchase agreements, netted against estimated bank charges incurred.
13. **Excess to working capital reserve** – The Board estimates that the working capital reserve will provide funds necessary to cover its anticipated expenditures for the first five months in 2013.
14. **Registration and annual fees** – Under Section 102 of the Act, the Board collects registration application fees from applicants and annual fees from registered public accounting firms in amounts sufficient to cover the costs of processing and reviewing their registration applications and required reports. Section 109 of the Act directs that any registration and annual fees collected in one calendar year must be used to reduce the recoverable budget expenses for the next calendar year (i.e., the year after the year in which they are received). Therefore, registration and annual fees collected for 2011 have been allocated to the 2012 Budget to produce the 2012 accounting support fee.
15. **Accounting Support Fee** – Pursuant to Section 109 of the Act and the rules of the PCAOB, the budget of the Board, reduced by any registration and annual fees received for the preceding calendar year, is funded by an annual accounting support fee. The 2012 Budget offsets the anticipated interest earned on cash balances (see note 12, above), as well as excess to the Board's working capital reserve (see note 13, above), against total outlays. This amount, minus the estimated registration and annual fees collected for 2011 (see note 14, above), produces the total 2012 accounting support fee of approximately \$215.0 million. In 2012, approximately \$196.8 million will be billed to issuers and \$18.2 million will be billed to broker-dealers.