

Public Company Accounting Oversight Board
2014 Budget by Program Area
2012 - 2014

Program Area	2012 <u>Actuals</u>	2013 <u>Budget</u>	2014 <u>Budget</u>
Board and Executive Staff	6,573,127	6,564,807	6,564,230
Division of Registration and Inspections			
Inspections	107,950,421	125,857,058	128,011,955
Registration	1,057,730	1,149,595	1,133,565
Sub-total	109,008,151	127,006,653	129,145,519
Division of Enforcement and Investigations	16,586,838	20,933,991	21,269,415
Office of the Chief Auditor (Standards)	7,268,482	9,365,263	9,843,643
Office of Research and Analysis	8,172,826	8,514,292	8,963,117
Office of General Counsel/Secretary	5,606,018	6,573,782	6,897,865
Office of International Affairs	2,741,333	3,175,684	3,414,880
Center for Excellence	-	95,000	-
Center for Economic Analysis	-	-	1,225,744
Office of Outreach and Small Business Liaison	1,207,057	1,342,952	1,352,073
Office of Government Relations	422,236	457,567	471,592
Office of Public Affairs	478,511	619,315	587,140
Office of Internal Oversight and Perf. Assurance	1,462,100	1,682,269	1,651,130
Office of Hearing Officer	587,597	677,595	862,004
Office of Information Technology	20,223,781	23,515,120	25,832,878
Office of Administration			
Administration	3,280,489	2,656,796	2,429,664
Human Resources	6,467,924	6,934,521	6,814,681
Compliance and Risk Management	506,363	274,112	785,733
Finance	2,799,534	4,439,004	4,551,927
Budget and Program Analysis	503,909	715,312	722,694
Facilities Management	17,719,728	20,072,721	25,028,556
Sub-total	31,277,947	35,092,465	40,333,255
Total Outlays	211,616,006	245,616,754	258,414,485
Less: Net Interest Receipts			86,734
Total Outlays Less Interest Receipts			258,327,751
Less: Excess to Working Capital Reserve			4,630,750
Net Outlays			253,697,001
Less: Prior Year Registration and Annual Fees			1,668,500
Total Accounting Support Fees			252,028,501
Accounting Support Fee - Issuers			225,439,494
Accounting Support Fee - Broker-Dealers			26,589,007
Total Accounting Support Fees			252,028,501

Public Company Accounting Oversight Board
2014 Budget by Cost Category
2012 - 2014

Cost Category	2012 <u>Actuals</u>	2013 <u>Budget</u>	2014 <u>Budget</u>
Personnel			
Salaries/1	129,193,621	146,802,705	152,979,796
Employee Benefits/2	16,917,759	20,413,028	20,725,792
Payroll taxes/3	6,843,439	7,709,531	8,104,929
Training/4	2,685,208	3,971,404	4,207,796
Recruitment and Relocation/5	4,298,224	3,817,500	3,500,600
Sub-total	159,938,251	182,714,168	189,518,914
Non-personnel			
Administrative Expenses/6	5,738,321	6,667,802	6,465,465
Consulting and Professional Fees/7	7,474,583	11,631,735	12,521,770
Facilities/8	14,624,500	17,416,959	18,137,284
Information Technology/9	7,708,714	8,887,480	8,822,296
Travel and Other Expenses/10	14,662,117	16,826,610	17,443,506
Sub-total	50,208,235	61,430,586	63,390,321
Capital Expenditures			
IT Development and Infrastructure/9	454,314	1,319,000	1,317,000
Facilities build-out/11	1,015,206	153,000	4,188,250
Sub-total	1,469,520	1,472,000	5,505,250
Total Outlays/12	211,616,006	245,616,754	258,414,485
Less: Net Interest Receipts/13			86,734
Total Outlays Less Interest Receipts			258,327,751
Less: Excess to Working Capital Reserve/14			4,630,750
Net Outlays			253,697,001
Less: Prior Year Registration and Annual Fees/15			1,668,500
Total Accounting Support Fees			252,028,501
Accounting Support Fee - Issuers/16			225,439,494
Accounting Support Fee - Broker-Dealers/16			26,589,007
Total Accounting Support Fees			252,028,501



NOTES TO 2014 BUDGET

The 2014 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 2014, 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 864 staff by the end of 2014. 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 2014 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 information technology (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; Charlotte, North Carolina; Chicago, Illinois; Dallas, Texas; Denver, Colorado; Irvine, California; New York, New York; and San Mateo, California. The 2014 Budget also includes funds for satellite locations in Boston, Massachusetts; Houston, Texas; Los Angeles, California; Philadelphia, Pennsylvania; and South Florida and Tampa, Florida.
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 2,300 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 2014 related to build-out of office space in Washington, D.C. and the regional offices.
12. **Total Outlays** – As discussed with the SEC staff, and based on guidance from the Office of Management and Budget, the PCAOB understands that sequestration, as applied to the Board, means that sequestered funds are not available for obligation during the fiscal year in which the sequestration occurs, but are available in subsequent years. The result is that the \$12 million in PCAOB operating funds that were sequestered in 2013 become available in 2014. Effectively, the 2013 funds will be used to partially offset 2014's \$18 million sequester, such that the 2014 revised spending plan would reflect a \$6 million reduction to \$252.4 million. Unless sequestration ends during the fiscal year, the PCAOB will not obligate or expend \$18 million in sequestered funds in 2014.
13. **Interest** – Estimated interest income in 2014 is based on average cash balances invested and related repurchase agreements, netted against estimated bank charges incurred.
14. **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 2015. This reserve amount does not include \$12 million that was billed in 2013 but not spent because the 2013 sequestration order (issued on March 1, 2013) reduced the PCAOB's 2013 spending authority from the SEC-approved level of \$245.6 million to \$233.6 million. The PCAOB is required to hold that \$12 million amount aside to demonstrate its compliance with sequestration.
15. **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 2013 have been allocated to the 2014 Budget to produce the 2014 accounting support fee.

16. 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 2014 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 2013 (see note 14, above), produces the total 2014 accounting support fee of approximately \$252.0 million. In 2014, approximately \$225.4 million will be billed to issuers and \$26.6 million will be billed to broker-dealers.