

Public Company Accounting Oversight Board
2015 Budget by Program Area
2013 - 2015

Program Area	2013 <u>Actuals</u>	2014 <u>Budget</u>	2015 <u>Budget</u>
Board and Executive Staff	6,449,502	6,564,230	7,565,627
Division of Registration and Inspections			
Inspections	117,266,689	128,011,955	124,435,300
Registration	1,131,531	1,133,565	1,202,071
Sub-total	118,398,220	129,145,519	125,637,371
Division of Enforcement and Investigations	17,576,924	21,269,415	19,134,615
Office of the Chief Auditor (Standards)	7,340,485	9,843,643	8,973,452
Office of Research and Analysis	7,970,979	8,963,117	9,489,144
Office of General Counsel/Secretary/Hearing Officer	6,561,959	7,759,870	7,877,236
Office of International Affairs	2,700,634	3,414,880	3,167,877
Center for Economic Analysis	-	1,225,744	2,278,901
Office of Outreach and Small Business Liaison	1,120,898	1,352,073	1,272,203
Office of Government Relations	443,331	471,592	485,582
Office of Public Affairs	532,336	587,140	672,491
Office of Internal Oversight and Perf. Assurance	1,561,087	1,651,130	1,715,498
Office of Information Technology	21,605,201	25,832,878	25,000,057
Office of Administration	31,816,570	40,333,255	37,611,906
Total Outlays	224,078,125	258,414,485	250,881,960
Less: Net Interest Receipts			103,078
Total Outlays Less Interest Receipts			250,778,882
Less: Excess to Working Capital Reserve			22,577,048
Net Outlays			228,201,834
Less: Prior Year Registration and Annual Fees			1,648,000
Total Accounting Support Fees			226,553,834
Accounting Support Fee - Issuers			199,095,510
Accounting Support Fee - Broker-Dealers			27,458,325
Total Accounting Support Fees			226,553,834

Public Company Accounting Oversight Board
2015 Budget by Cost Category
2013 - 2015

Cost Category	<u>2013</u>	<u>2014</u>	<u>2015</u>
	<u>Actuals</u>	<u>Budget</u>	<u>Budget</u>
Personnel			
Salaries/1	140,285,147	152,979,796	153,971,578
Employee Benefits/2	18,938,573	20,725,792	21,620,864
Payroll taxes/3	7,475,018	8,104,929	8,112,445
Training/4	3,110,624	4,207,796	3,588,289
Recruitment and Relocation/5	2,873,853	3,500,600	3,754,706
Sub-total	172,683,214	189,518,914	191,047,882
Non-personnel			
Administrative Expenses/6	4,919,550	6,465,465	6,029,556
Consulting and Professional Fees/7	5,130,333	12,521,770	10,945,417
Facilities/8	16,791,848	18,137,284	18,267,369
Information Technology/9	8,777,979	8,822,296	7,608,836
Travel and Other Expenses/10	13,945,478	17,443,506	14,276,731
Sub-total	49,565,188	63,390,321	57,127,909
Capital Expenditures			
IT Development and Infrastructure/9	1,510,046	1,317,000	1,439,169
Facilities build-out/11	319,677	4,188,250	1,267,000
Sub-total	1,829,724	5,505,250	2,706,169
Total Outlays/12	224,078,125	258,414,485	250,881,960
Less: Net Interest Receipts/13			103,078
Total Outlays Less Interest Receipts			250,778,882
Less: Excess to Working Capital Reserve/14			22,577,048
Net Outlays			228,201,834
Less: Prior Year Registration and Annual Fees/15			1,648,000
Total Accounting Support Fees			226,553,834
Accounting Support Fee - Issuers/16			199,095,510
Accounting Support Fee - Broker-Dealers/16			27,458,325
Total Accounting Support Fees			226,553,834



NOTES TO 2015 BUDGET

The 2015 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 2015, 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 851 staff by the end of 2015. Some 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 2015 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 2015 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 2,200 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 2015 related to build-out of office space in certain regional offices.
- 12. Total Outlays** – While the SEC approved the PCAOB's 2014 Budget at \$258.4 million, because the PCAOB was subject to sequestration, the PCAOB was required to develop a revised spending plan limit of \$252.4 million for 2014 in order to achieve the net \$6 million reduction required by sequestration in 2014. Currently, the PCAOB estimates that actual spending in 2014 will be approximately \$232.4 million. 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 gross \$18 million in PCAOB operating funds that were sequestered in 2014 become available in 2015. Effectively, the 2014 funds will be used to offset 2015's \$17 million sequester. Unless sequestration ends during the fiscal year, the PCAOB will not obligate or expend \$17 million in sequestered funds in 2015.
- 13. Interest** – Estimated interest income in 2015 is based on average cash balances invested and related repurchase agreements.
- 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 2016. This reserve amount does not include \$18 million – \$12 million of which was billed in 2013 and \$6 million of which was billed in 2014 – that was billed in 2014 but not spent because the 2014 sequestration order (issued on April 10, 2013) reduced the PCAOB's 2014 spending authority. The PCAOB was required to hold that \$18 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 2014 have been allocated to the 2015 Budget to produce the 2015 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 2015 Budget offsets the anticipated interest earned on cash balances (see note 13, above), as well as excess to the Board’s working capital reserve (see note 14, above), against total outlays. This amount, minus the estimated registration and annual fees collected for 2014 (see note 15, above), produces the total 2015 accounting support fee of approximately \$226.6 million. In 2015, approximately \$199.1 million will be billed to issuers and \$27.5 million will be billed to broker-dealers.