

Public Company Accounting Oversight Board
2016 Budget by Division/Office
2014 - 2016

Division/Office	2014 <u>Actuals</u>	2015 <u>Budget</u>	2016 <u>Budget</u>
Board and Executive Staff	6,481,054	7,565,627	7,233,195
Division of Registration and Inspections			
Inspections	119,709,656	124,435,300	125,092,048
Registration	1,111,320	1,202,071	1,249,623
Sub-total	120,820,976	125,637,371	126,341,670
Division of Enforcement and Investigations	17,784,160	19,134,615	20,163,791
Office of the Chief Auditor (Standards)	7,979,253	8,973,452	8,940,382
Office of Research and Analysis	8,389,488	9,489,144	8,950,191
Office of General Counsel	7,199,405	7,877,236	8,075,495
Office of International Affairs	2,980,161	3,167,877	3,150,630
Center for Economic Analysis	754,486	2,278,901	5,678,994
Office of Outreach and Small Business Liaison	1,225,573	1,272,203	1,276,406
Office of Government Relations	463,950	485,582	504,036
Office of Public Affairs	529,600	672,491	687,456
Office of Internal Oversight and Perf. Assurance	1,610,634	1,715,498	1,784,688
Office of Information Technology	22,956,679	25,000,057	26,673,093
Office of Administration	35,093,139	37,611,906	38,257,258
Total Outlays	234,268,558	250,881,960	257,717,287
Less: Net Interest Receipts			73,391
Total Outlays Less Interest Receipts			257,643,896
Less: Excess to Working Capital Reserve			2,765,959
Net Outlays			254,877,937
Less: Prior Year Registration and Annual Fees			1,588,500
Total Accounting Support Fees			253,289,437
Accounting Support Fee - Issuers			220,868,389
Accounting Support Fee - Broker-Dealers			32,421,048
Total Accounting Support Fees			253,289,437

Public Company Accounting Oversight Board
2016 Budget by Cost Category
2014 - 2016

Cost Category	2014 <u>Actuals</u>	2015 <u>Budget</u>	2016 <u>Budget</u>
Personnel			
Salaries/1	146,337,431	153,971,578	160,049,868
Employee Benefits/2	19,515,786	21,620,864	22,511,690
Payroll taxes/3	7,835,927	8,112,445	8,410,805
Training/4	2,975,162	3,588,289	4,143,374
Recruitment and Relocation/5	2,723,197	3,754,706	2,667,308
Sub-total	179,387,502	191,047,882	197,783,045
Non-personnel			
Administrative Expenses/6	5,561,399	6,029,556	6,842,261
Consulting and Professional Fees/7	7,240,278	10,945,417	12,235,680
Facilities/8	16,758,615	18,267,369	18,958,366
Information Technology/9	7,229,596	7,608,836	8,407,979
Travel and Other Expenses/10	14,049,166	14,276,731	11,732,677
Sub-total	50,839,054	57,127,909	58,176,963
Capital Expenditures			
IT Development and Infrastructure/9	1,268,811	1,439,169	615,000
Facilities build-out/11	2,773,192	1,267,000	1,142,279
Sub-total	4,042,003	2,706,169	1,757,279
Total Outlays/12	234,268,558	250,881,960	257,717,287
Less: Net Interest Receipts/13			73,391
Total Outlays Less Interest Receipts			257,643,896
Less: Excess to Working Capital Reserve/14			2,765,959
Net Outlays			254,877,937
Less: Prior Year Registration and Annual Fees/15			1,588,500
Total Accounting Support Fees			253,289,437
Accounting Support Fee - Issuers/16			220,868,389
Accounting Support Fee - Broker-Dealers/16			32,421,048
Total Accounting Support Fees			253,289,437



NOTES TO 2016 BUDGET

The 2016 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 2016, 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 876 staff by the end of 2016. 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 2016 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 such as office supplies, printing, copying, postage, subscription and library, temp help, and outreach events. 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; Irving, Texas; Denver, Colorado; Irvine, California; New York, New York; and San Mateo, California. The 2016 Budget also includes funds for satellite locations in Boston, Massachusetts; Houston, Texas; Los Angeles, California; Philadelphia, Pennsylvania; Fort Lauderdale, 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 2,100 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 2016 related to build-out of office space in certain 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 PCAOB, 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 \$17 million in PCAOB operating funds that were sequestered in 2015 become available in 2016. Effectively, the 2015 funds will be used to offset the 2016 sequester amount of \$16 million. The PCAOB will not obligate or expend \$16 million in sequestered funds in 2016.
13. **Interest** – Estimated interest income in 2016 is based on average cash balances invested.
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 2017.
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 2015 have been allocated to the 2016 Budget to produce the 2016 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 2016 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 2015 (see note 15, above), produces the total 2016 accounting support fee of approximately \$253.3 million. In 2016, approximately \$220.9 million will be billed to issuers and \$32.4 million will be billed to broker-dealers.