

Public Company Accounting Oversight Board
2020 Budget by Cost Category
2018 - 2020
\$ in thousands

Cost Category	2018 <u>Actuals</u>	2019 <u>Budget</u>	2020 <u>Budget</u>
Personnel			
Salaries /1	154,764	164,027	169,519
Employee Benefits /2	23,570	24,926	26,817
Payroll taxes /3	8,352	9,170	10,058
Training /4	1,932	2,849	2,969
Recruitment and Relocation /5	1,074	3,167	2,178
Sub-total	189,693	204,139	211,541
Non-personnel			
Administrative Expenses /6	6,366	6,595	8,458
Consulting and Professional Fees /7	9,599	14,510	15,455
Facilities /8	18,499	19,167	20,217
Information Technology /9	10,666	13,092	13,774
Travel and Other Expenses /10	12,514	14,872	14,697
Sub-total	57,644	68,236	72,601
Capital Expenditures			
IT Development and Infrastructure /9	1,491	1,290	—
Facilities build-out /11	658	76	571
Sub-total	2,149	1,366	571
Total Outlays /12	249,485	273,741	284,712
Change to Working Capital Reserve, Net of Other Income and Reconciliations /13			(13,132)
Less: Prior Year Registration and Annual Fees /14			(1,418)
Total Accounting Support Fees /15			270,163
Accounting Support Fee - Issuers			239,688
Accounting Support Fee - Broker-Dealers			30,474

Note: Details may not add to totals due to rounding.

Public Company Accounting Oversight Board
2020 Budget by Division/Office
2018 - 2020
\$ in thousands

Division/Office	2018 <u>Actuals</u>	2019 <u>Budget</u>	2020 <u>Budget</u>
Board and Executive Staff	6,847	11,041	11,793
Division of Registration and Inspections			
Inspections	121,508	125,269	128,680
Registration	1,517	1,344	1,383
Sub-total	123,025	126,613	130,063
Division of Enforcement and Investigations	18,766	20,098	19,564
Office of the Chief Auditor (Standards)	7,315	8,959	8,561
Office of Economic and Risk Analysis	12,998	14,291	14,467
Office of the General Counsel	8,793	8,285	7,821
Office of International Affairs	2,724	3,063	3,215
Office of External Affairs	2,062	3,107	2,940
Office of Internal Oversight and Perf. Assurance	542	1,319	1,191
Office of Information Technology	30,408	36,610	42,096
Office of Administration	36,005	40,355	43,001
Total Outlays /12	249,485	273,741	284,712
Change to Working Capital Reserve, Net of Other Income and Reconciliations /13			(13,132)
Less: Prior Year Registration and Annual Fees /14			(1,418)
Total Accounting Support Fees /15			270,163
Accounting Support Fee - Issuers			239,688
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NOTES TO 2020 BUDGET

The 2020 Budget for the Public Company Accounting Oversight Board (“PCAOB” or the “Board”) is based on the best information available as of the approval date. The following notes relate to specific line items in the budget.

1. **Salaries** – The 2020 Budget includes funding for 850 employees to assist the Board in achieving its mandates under the Sarbanes-Oxley Act of 2002, as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Act”).
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 highly-qualified staff 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.
5. **Recruitment and relocation** – Estimated recruitment and relocation expenses are budgeted to cover the cost of recruiting highly-qualified, experienced staff in a competitive employment market for auditors, accountants, and IT staff.
6. **Administrative expenses** – Estimated administrative expenses include costs such as office supplies, printing, copying, postage, subscription and library, temporary help, and outreach events. This category also covers the costs associated with business

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, translators, document and database management, and legal and other 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 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 Foster City, California. The 2020 Budget also includes funds for satellite locations in Boston, Massachusetts; Houston, Texas; Los Angeles, California; Fort Lauderdale, Florida; and Tampa, Florida.
9. **Information Technology Expense and Infrastructure** – Estimated IT expenses include costs associated with enhancing and maintaining the Board's IT applications and infrastructure, including 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. This category also covers the costs associated with participation by Board members and 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 2020 related to its office space.
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 \$17.0 million in PCAOB operating funds that were sequestered in 2019 become available in 2020. For 2020, the sequestration percentage is 5.9%, which results in a sequestration amount of \$16.8 million. Since the sequestration amount for 2020 is less than the amount for 2019, the 2020 ASF is reduced by the difference of \$0.2 million.

13. **Change to working capital reserve, net of other income and reconciliation of certain estimates to actuals** – The PCAOB estimates that the working capital reserve that will provide funds necessary to cover its anticipated expenditures for the first five months of 2021 is more than the working capital reserve estimated for 2020 in the 2019 Budget. Interest and other income, reconciliations between previously estimated spending and income versus and actuals, and the decrease in the sequester amount for 2020 compared to 2019 also affect the calculation of accounting support fee.

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 2019 have been credited to the 2020 Budget as part of calculating the 2020 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 (see note 14) and adjusted for changes to the Board’s working capital reserve, net of other income and reconciliation between estimates and actuals (see note 13) – is funded by the accounting support fee. This calculation produces the total 2020 accounting support fee of approximately \$270.2 million. In 2020, approximately \$239.7 million will be billed to issuers and \$30.5 million will be billed to broker-dealers.