

Public Company Accounting Oversight Board
2017 Budget by Cost Category
2015 - 2017

Cost Category	2015 <u>Actuals</u>	2016 <u>Budget</u>	2017 <u>Budget</u>
Personnel			
Salaries /1	152,890,154	160,049,868	166,201,944
Employee Benefits /2	21,236,348	22,511,690	24,129,093
Payroll taxes /3	8,204,546	8,410,805	9,258,658
Training /4	3,644,540	4,143,374	4,025,516
Recruitment and Relocation /5	2,710,765	2,667,308	2,011,398
Sub-total	188,686,353	197,783,045	205,626,609
Non-personnel			
Administrative Expenses /6	5,386,241	6,842,261	6,845,786
Consulting and Professional Fees /7	10,370,825	12,235,680	8,856,665
Facilities /8	17,915,728	18,958,366	19,253,407
Information Technology /9	7,888,883	8,407,979	9,295,426
Travel and Other Expenses /10	15,164,805	11,732,677	15,377,315
Sub-total	56,726,482	58,176,963	59,628,598
Capital Expenditures			
IT Development and Infrastructure /9	941,253	615,000	1,847,960
Facilities build-out /11	(463,657)	1,142,279	1,428,581
Sub-total	477,597	1,757,279	3,276,541
Total Outlays /12	245,890,431	257,717,287	268,531,748
Change to Working Capital Reserve, Net of Other Income and Reconciliations /13			973,578
Less: Prior Year Registration and Annual Fees /14			1,540,500
Total Accounting Support Fees /15			267,964,826
Accounting Support Fee - Issuers			232,620,265
Accounting Support Fee - Broker-Dealers			35,344,561

Public Company Accounting Oversight Board
2017 Budget by Division/Office
2015 - 2017

Division/Office	2015 <u>Actuals</u>	2016 <u>Budget</u>	2017 <u>Budget</u>
Board and Executive Staff	7,638,614	7,233,195	6,978,519
Division of Registration and Inspections			
Inspections	124,992,459	125,092,048	132,540,001
Registration	1,205,853	1,249,623	1,273,588
Sub-total	126,198,312	126,341,670	133,813,588
Division of Enforcement and Investigations	18,859,446	20,163,791	20,966,751
Office of the Chief Auditor (Standards)	8,131,946	8,940,382	8,911,016
Office of Research and Analysis	8,059,487	8,950,191	8,751,603
Office of General Counsel	7,234,640	8,075,495	8,366,136
Office of International Affairs	2,965,296	3,150,630	3,125,018
Center for Economic Analysis	3,912,716	5,678,994	6,103,322
Office of Outreach and Small Business Liaison	1,109,954	1,276,406	1,080,486
Office of Government Relations	483,898	504,036	521,768
Office of Public Affairs	621,202	687,456	753,756
Office of Internal Oversight and Perf. Assurance	1,661,478	1,784,688	1,797,483
Office of Information Technology	24,939,490	26,673,093	27,460,764
Office of Administration	34,073,952	38,257,258	39,901,537
Total Outlays /12	245,890,431	257,717,287	268,531,748
Change to Working Capital Reserve, Net of Other Income and Reconciliations /13			973,578
Less: Prior Year Registration and Annual Fees /14			1,540,500
Total Accounting Support Fees /15			267,964,826
Accounting Support Fee - Issuers			232,620,265
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NOTES TO 2017 BUDGET

The 2017 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 2017 Budget includes funding for the same number of employees (876) as assumed in the 2016 Budget 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 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.
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 and accountants.
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 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 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 2017 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 2,000 public accounting firms registered with the Board, approximately 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 2017 related to build-out of office space in certain 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 \$16 million in PCAOB operating funds that were sequestered in 2016 become available in 2017. For 2017, the sequestration amount is \$17 million. Accordingly, the PCAOB will be developing a Revised Spending Plan for 2017 to reduce spending by \$1 million.

13. **Change to working capital reserve, net of other income and reconciliation of certain estimates to actuals** – The Board estimates that the working capital reserve that will provide funds necessary to cover its anticipated expenditures for the first five months of 2018 is greater than the working capital reserve estimated for 2017 in the 2016 Budget. Interest and other income, as well as reconciliations between previously estimated spending and income amounts and actual amounts, 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 2016 have been credited to the 2017 Budget as part of calculating the 2017 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 2017 accounting support fee of approximately \$268.0 million. In 2017, approximately \$232.6 million will be billed to issuers and \$35.3 million will be billed to broker-dealers.