

Public Company Accounting Oversight Board
2018 Budget by Cost Category
2016 - 2018

Cost Category	2016 <u>Actuals</u>	2017 <u>Budget</u>	2018 <u>Budget</u>
Personnel			
Salaries /1	157,461,836	166,201,944	161,796,658
Employee Benefits /2	21,943,932	24,129,093	25,262,896
Payroll taxes /3	8,346,853	9,258,658	8,963,793
Training /4	3,453,867	4,025,516	2,423,137
Recruitment and Relocation /5	1,698,393	2,011,398	1,690,300
Sub-total	192,904,881	205,626,609	200,136,784
Non-personnel			
Administrative Expenses /6	5,767,217	6,845,786	5,854,911
Consulting and Professional Fees /7	8,994,913	8,856,665	9,228,691
Facilities /8	18,762,103	19,253,407	18,658,819
Information Technology /9	8,645,024	9,295,426	10,278,694
Travel and Other Expenses /10	12,733,866	15,377,315	13,556,645
Sub-total	54,903,125	59,628,598	57,577,761
Capital Expenditures			
IT Development and Infrastructure /9	667,585	1,847,960	794,000
Facilities build-out /11	1,124,477	1,428,581	1,400,000
Sub-total	1,792,062	3,276,541	2,194,000
Total Outlays /12	249,600,067	268,531,748	259,908,545
Change to Working Capital Reserve, Net of Other Income and Reconciliations /13			(23,086,693)
Less: Prior Year Registration and Annual Fees /14			1,499,000
Total Accounting Support Fees /15			235,322,853
Accounting Support Fee - Issuers			205,436,850
Accounting Support Fee - Broker-Dealers			29,886,003

Public Company Accounting Oversight Board
2018 Budget by Division/Office
2016 - 2018

Division/Office	2016 <u>Actuals</u>	2017 <u>Budget</u>	2018 <u>Budget</u>
Board and Executive Staff	7,253,919	6,978,519	6,708,896
Division of Registration and Inspections			
Inspections	125,405,688	132,540,001	125,733,272
Registration	1,204,976	1,273,588	1,310,384
Sub-total	126,610,664	133,813,588	127,043,656
Division of Enforcement and Investigations	19,618,151	20,966,751	19,599,747
Office of the Chief Auditor (Standards)	7,792,940	8,911,016	8,569,118
Office of Economic and Risk Analysis	12,552,620	14,854,925	14,078,885
Office of General Counsel	7,783,188	8,366,136	8,587,040
Office of International Affairs	2,684,995	3,125,018	3,188,313
Office of Outreach and Small Business Liaison	1,194,383	1,080,486	848,172
Office of Government Relations	502,780	521,768	546,055
Office of Public Affairs	686,405	753,756	754,421
Office of Internal Oversight and Perf. Assurance	1,688,005	1,797,483	1,441,430
Office of Information Technology	25,318,475	27,460,764	30,188,378
Office of Administration	35,913,543	39,901,537	38,354,433
Total Outlays /12	249,600,067	268,531,748	259,908,545
Change to Working Capital Reserve, Net of Other Income and Reconciliations /13			(23,086,693)
Less: Prior Year Registration and Annual Fees /14			1,499,000
Total Accounting Support Fees /15			235,322,853
Accounting Support Fee - Issuers			205,436,850
Accounting Support Fee - Broker-Dealers			29,886,003



NOTES TO 2018 BUDGET

The 2018 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 2018 Budget includes funding for 842 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 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 2018 Budget also includes funds for satellite locations in Boston, Massachusetts; Houston, Texas; Los Angeles, California; 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 1,900 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 2018 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 \$17 million in PCAOB operating funds that were sequestered in 2017 become available in 2018. For 2018, the sequestration percentage is 6.6%, which results in a sequestration amount of

\$17,153,964. Accordingly, the PCAOB will be developing a Revised Spending Plan for 2018 to reduce spending by \$153,964.

- 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 2019 is less than the working capital reserve estimated for 2018 in the 2017 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 2017 have been credited to the 2018 Budget as part of calculating the 2018 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 2018 accounting support fee of approximately \$235.3 million. In 2018, approximately \$205.4 million will be billed to issuers and \$29.9 million will be billed to broker-dealers.