

Public Company Accounting Oversight Board
2013 Budget by Program Area
2011 - 2013

Program Area	2011 <u>Actuals</u>	2012 <u>Budget</u>	2013 <u>Budget</u>
Board and Executive Staff	6,203,000	7,142,000	6,565,000
Division of Registration and Inspections			
Inspections	87,243,000	112,084,000	125,857,000
Registration	988,000	1,126,000	1,150,000
Sub-total	88,231,000	113,210,000	127,007,000
Division of Enforcement and Investigations	15,757,000	20,028,000	20,934,000
Office of the Chief Auditor (Standards)	6,131,000	8,277,000	9,365,000
Office of Research and Analysis	8,739,000	8,709,000	8,514,000
Office of General Counsel/Secretary	4,941,000	5,903,000	6,574,000
Office of International Affairs	2,367,000	3,364,000	3,176,000
Center for Excellence	-	100,000	95,000
Office of Outreach and Small Business Liaison	1,208,000	1,384,000	1,343,000
Office of Communications	903,000	-	-
Office of Government Relations	-	436,000	458,000
Office of Public Affairs	-	504,000	619,000
Office of Internal Oversight and Perf. Assurance	1,379,000	1,494,000	1,682,000
Office of Hearing Officer	605,000	662,000	678,000
Office of Administration			
Administration	2,796,000	3,237,000	2,657,000
Information Technology	22,445,000	21,882,000	23,515,000
Human Resources	7,860,000	9,217,000	6,935,000
Compliance and Risk Management	507,000	608,000	274,000
Finance	2,233,000	2,801,000	4,439,000
Budget and Program Analysis	528,000	759,000	715,000
Facilities Management	16,899,000	17,991,000	20,073,000
Sub-total	53,268,000	56,495,000	58,608,000
Total Outlays	189,732,000	227,708,000	245,618,000
Less: Net Interest Receipts			86,000
Total Outlays Less Interest Receipts			245,532,000
Less: Excess to Working Capital Reserve			9,811,000
Net Outlays			235,721,000
Less: Prior Year Registration and Annual Fees			1,713,000
Total Accounting Support Fees			234,008,000
Accounting Support Fee - Issuers			207,542,000
Accounting Support Fee - Broker-Dealers			26,466,000
Total Accounting Support Fees			234,008,000

Public Company Accounting Oversight Board
2013 Budget by Cost Category
2011 - 2013

Cost Category	2011 <u>Actuals</u>	2012 <u>Budget</u>	2013 <u>Budget</u>
Personnel			
Salaries/1	112,475,000	136,375,000	146,803,000
Employee Benefits/2	14,604,000	18,169,000	20,413,000
Payroll taxes/3	5,961,000	7,029,000	7,710,000
Training/4	2,006,000	3,561,000	3,971,000
Recruitment and Relocation/5	4,905,000	5,994,000	3,818,000
Sub-total	139,951,000	171,128,000	182,715,000
Non-personnel			
Administrative Expenses/6	5,844,000	6,325,000	6,668,000
Consulting and Professional Fees/7	7,409,000	10,505,000	11,632,000
Facilities/8	13,063,000	14,363,000	17,417,000
Information Technology/9	8,779,000	7,161,000	8,887,000
Travel and Other Expenses/10	10,705,000	15,973,000	16,827,000
Sub-total	45,800,000	54,327,000	61,431,000
Capital Expenditures			
IT Development and Infrastructure/9	2,126,000	445,000	1,319,000
Facilities build-out/11	1,855,000	875,000	153,000
Sub-total	3,981,000	1,320,000	1,472,000
Total Outlays	189,732,000	226,775,000	245,618,000
Less: Net Interest Receipts/12			86,000
Total Outlays Less Interest Receipts			245,532,000
Less: Excess to Working Capital Reserve/13			9,811,000
Net Outlays			235,721,000
Less: Prior Year Registration and Annual Fees/14			1,713,000
Total Accounting Support Fees			234,008,000
Accounting Support Fee - Issuers/15			207,542,000
Accounting Support Fee - Broker-Dealers/15			26,466,000
Total Accounting Support Fees			234,008,000



NOTES TO 2013 BUDGET

The 2013 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 2013, 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 839 staff by the end of 2013. The majority 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 2013 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 2013 Budget also includes funds for satellite locations in Boston, Massachusetts; Houston, Texas; Los Angeles, California; and South Florida and Tampa, Florida, as well as one new satellite location in Philadelphia, Pennsylvania.
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 2,300 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 2013 related to build-out of office space in the regional offices.
12. **Interest** – Estimated interest income in 2013 is based on average cash balances invested and related repurchase agreements, netted against estimated bank charges incurred.
13. **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 2014.
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 2012 have been allocated to the 2013 Budget to produce the 2013 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, is funded by an annual accounting support fee. The 2013 Budget offsets the anticipated interest earned on cash balances (see note 12, above), as well as excess to the Board's working capital reserve (see note 13, above), against total outlays. This amount, minus the estimated registration and annual fees collected for 2012 (see note 14, above), produces the total 2013 accounting support fee of approximately \$234.0 million. In 2013, approximately \$207.5 million will be allocated among issuers and \$26.5 million will be allocated among broker-dealers.