

**UNITED STATES OF AMERICA  
BEFORE THE  
SECURITIES AND EXCHANGE COMMISSION**

**Securities Act of 1933  
Release No. 10266 / December 14, 2016**

**Securities Exchange Act of 1934  
Release No. 79544 / December 14, 2016**

**ORDER APPROVING PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD  
BUDGET AND ANNUAL ACCOUNTING SUPPORT FEE FOR CALENDAR YEAR  
2017**

The Sarbanes-Oxley Act of 2002, as amended (the “Sarbanes-Oxley Act”),<sup>1</sup> established the Public Company Accounting Oversight Board (“PCAOB”) to oversee the audits of companies that are subject to the securities laws, and related matters, in order to protect the interests of investors and further the public interest in the preparation of informative, accurate and independent audit reports. Section 982 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”)<sup>2</sup> amended the Sarbanes-Oxley Act to provide the PCAOB with explicit authority to oversee auditors of broker-dealers registered with the Commission. The PCAOB is to accomplish these goals through registration of public accounting firms and standard setting, inspection, and disciplinary programs. The PCAOB is subject to the comprehensive oversight of the Securities and Exchange Commission (the “Commission”).

Section 109 of the Sarbanes-Oxley Act provides that the PCAOB shall establish a reasonable annual accounting support fee, as may be necessary or appropriate to establish and maintain the PCAOB. Under Section 109(f) of the Sarbanes-Oxley Act, the aggregate annual accounting support fee shall not exceed the PCAOB’s aggregate “recoverable budget expenses.”

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<sup>1</sup> 15 U.S.C. 7201 *et seq.*

<sup>2</sup> Pub. L. No. 111-203, 124 Stat. 1376 (2010).

which may include operating, capital and accrued items. The PCAOB's annual budget and accounting support fee are subject to approval by the Commission. In addition, the PCAOB must allocate the annual accounting support fee among issuers and among brokers and dealers.

Section 109(b) of the Sarbanes-Oxley Act directs the PCAOB to establish a budget for each fiscal year in accordance with the PCAOB's internal procedures, subject to approval by the Commission. Rule 190 of Regulation P governs the Commission's review and approval of PCAOB budgets and annual accounting support fees.<sup>3</sup> This budget rule provides, among other things, a timetable for the preparation and submission of the PCAOB budget and for Commission actions related to each budget, a description of the information that should be included in each budget submission, limits on the PCAOB's ability to incur expenses and obligations except as provided in the approved budget, procedures relating to supplemental budget requests, requirements for the PCAOB to furnish on a quarterly basis certain budget-related information, and a list of definitions that apply to the rule and to general discussions of PCAOB budget matters.

In accordance with the budget rule, in March 2016 the PCAOB provided the Commission with a narrative description of its program issues and outlook for the 2017 budget year. In response, the Commission provided the PCAOB with economic assumptions and budgetary guidance for the 2017 budget year. The PCAOB subsequently delivered a preliminary budget and budget justification to the Commission. Staff from the Commission's Office of the Chief Accountant and Office of Financial Management dedicated a substantial amount of time to the review and analysis of the PCAOB's programs, projects and budget estimates; reviewed the PCAOB's estimates of 2016 actual spending; and attended several meetings with management

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<sup>3</sup> 17 CFR 202.190.

and staff of the PCAOB to further develop their understanding of the PCAOB's budget and operations. During the course of this review, Commission staff relied upon representations and supporting documentation from the PCAOB. Based on this review, the Commission issued a "pass back" letter to the PCAOB. On November 17, 2016, the PCAOB approved its 2017 budget during an open meeting, and subsequently submitted that budget to the Commission for approval.

After considering the above, the Commission did not identify any proposed disbursements in the 2017 budget adopted by the PCAOB that are not properly recoverable through the annual accounting support fee, and the Commission believes that the aggregate proposed 2017 annual accounting support fee does not exceed the PCAOB's aggregate recoverable budget expenses for 2017. The Commission also acknowledges the PCAOB's updated strategic plan and encourages the PCAOB to continue keeping the Commission and its staff apprised of significant new developments. The Commission looks forward to providing views to the PCAOB as future updates are made to the plan. In addition, the PCAOB should submit its 2016 annual report to the Commission by April 1, 2017.

We understand that the Board continues to take steps to implement improvements to the performance and management of the PCAOB's standard-setting process. The Commission directs the PCAOB to continue to provide timely updates throughout the year on the progress of this initiative as well as on any significant recommended or anticipated changes to processes or funding.

The Commission emphasizes the importance of the PCAOB's identifying efficiencies, process improvements, and cost savings wherever possible. Accordingly, the Commission directs the Board to conduct a study assessing its operational efficiency and budgetary needs and

submit a supplemental report to the Commission of the Board's assessment in connection with the start of the 2018 budget cycle. The report should identify any areas where specific savings may be achieved while continuing to enable the PCAOB to fully perform its mission. The PCAOB should submit the report to the Commission along with its 2018 budgetary outlook letter.

As part of its review of the 2017 budget, the Commission notes that the Board's management of the Center for Economic Analysis ("Center") should continue to advance the PCAOB's mission. The Commission directs the PCAOB during 2017 to continue providing quarterly updates to the Commission on the Center's activities and progress towards its stated goals.

The Commission directs the Board during 2017 to continue to provide in its quarterly reports to the Commission detailed information about the state of the PCAOB's information technology ("IT") program, including planned, estimated, and actual costs for IT projects, and the level of involvement of consultants. These reports also should continue to include: (a) a discussion of the Board's assessment of the IT program; and (b) the quarterly IT report that is prepared by PCAOB staff and submitted to the Board.

The Commission also directs the Board during 2017 to continue to include in its quarterly reports to the Commission information about the PCAOB's inspections program. Such information is to include: (a) statistics relative to the numbers and types of firms budgeted and expected to be inspected in 2017, including by location and by year the inspections are required to be conducted in accordance with the Sarbanes-Oxley Act and PCAOB rules; (b) information about the timing of the issuance of inspections reports for domestic and non-U.S. inspections;

and (c) updates on the PCAOB's efforts to establish cooperative arrangements with respective non-U.S. authorities for inspections required in those countries.

The Commission understands that the Office of Management and Budget ("OMB") has determined the 2017 budget of the PCAOB to be sequestrable under the Budget Control Act of 2011.<sup>4</sup> For 2016, the PCAOB sequestered \$16 million. That amount will become available in 2017. For 2017, the sequestration amount will be \$17 million. Accordingly, the PCAOB should submit a revised spending plan for 2017 reflecting a \$1 million reduction to budgeted expenditures as a result of the increase in sequestration amount from 2016 to 2017.

The Commission has determined that the PCAOB's 2017 budget and annual accounting support fee are consistent with Section 109 of the Sarbanes-Oxley Act. Accordingly,

IT IS ORDERED, pursuant to Section 109 of the Sarbanes-Oxley Act, that the PCAOB budget and annual accounting support fee for calendar year 2017 are approved.

By the Commission.

Brent J. Fields  
Secretary

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<sup>4</sup> See "OMB Report to the Congress on the Joint Committee Reductions for Fiscal Year 2017", Appendix page 15 of 16 at: [https://www.whitehouse.gov/sites/default/files/omb/assets/legislative\\_reports/sequestration/jc\\_sequestration\\_report\\_2017\\_house.pdf](https://www.whitehouse.gov/sites/default/files/omb/assets/legislative_reports/sequestration/jc_sequestration_report_2017_house.pdf).