



## SECURITIES AND EXCHANGE COMMISSION

### **Securities Act of 1933**

**Release No. 33-10735 / December 18, 2019**

### **Securities Exchange Act of 1934**

**Release No. 34-87785/ December 18, 2019**

### **Order Approving Public Company Accounting Oversight Board Budget and Annual Accounting Support Fee for Calendar Year 2020**

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 Securities and Exchange Commission (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 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

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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).

accounting support fee shall not exceed the PCAOB's aggregate "recoverable budget expenses," 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 2019 the PCAOB provided the Commission with a narrative description of its program issues and outlook for the 2020 budget year. In response, the Commission provided the PCAOB with economic assumptions and general budgetary guidance for the 2020 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

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

the review and analysis of the PCAOB's programs, projects, and budget estimates and attended several meetings with staff of the PCAOB to further develop the 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 "passback" letter to the PCAOB on October 31, 2019. On November 19, 2019, the PCAOB adopted its 2020 budget and accounting support fee 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 2020 budget adopted by the PCAOB that are not properly recoverable through the annual accounting support fee, and the Commission believes that the aggregate proposed 2020 annual accounting support fee does not exceed the PCAOB's aggregate recoverable budget expenses for 2020.

The Commission directs the PCAOB during 2020 to schedule monthly meetings, as needed, with the Commission's staff about the transformation initiatives that are expected to have a significant impact on the 2021 PCAOB budget, including significant differences between actual and budgeted amounts, and anticipated cost savings. Separately, the Commission directs the PCAOB to continue its written quarterly updates on recent activities, including transformation initiatives, for the PCAOB's Office of Economic and Risk Analysis, Office of Information Technology, and Division of Registration and Inspections. The PCAOB Board will make itself available to meet with the Commissioners on these and other topics. The PCAOB should also submit its 2019 annual report to the Commission by March 30, 2020.

The Commission understands that the Office of Management and Budget ("OMB") has determined that the 2020 budget of the PCAOB is subject to sequestration under the Budget

Control Act of 2011.<sup>4</sup> For 2019, the PCAOB sequestered \$17.0 million. That amount will become available in 2020. For 2020, the sequestration amount will be 5.9% or \$16.8 million. Consequently, we expect the PCAOB will have approximately \$0.2 million in excess funds available from the 2019 sequestration for spending in 2020. Accordingly, the PCAOB has reduced its accounting support fee for 2020 by approximately \$0.2 million.

The Commission has determined that the PCAOB's 2020 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 2020 are approved.

By the Commission.

Vanessa A. Countryman,  
Secretary.

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<sup>4</sup> See "OMB Report to the Congress on the Joint Committee Reductions for Fiscal Year 2020," March 18, 2019, Appendix, pg. 16 of 17 *available at* [https://www.whitehouse.gov/wp-content/uploads/2019/03/2020\\_JC\\_Sequestration\\_Report\\_3-18-19.pdf](https://www.whitehouse.gov/wp-content/uploads/2019/03/2020_JC_Sequestration_Report_3-18-19.pdf).

[FR Doc. 2019-27697 Filed: 12/23/2019 8:45 am; Publication Date: 12/26/2019]