

# PCAOB

Public Company Accounting Oversight Board

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October 21, 2016

The Honorable Mary Jo White  
Chair  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

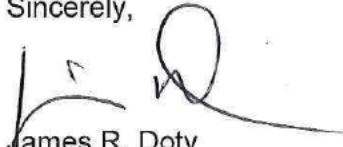
Dear Chair White:

I am pleased to transmit to you a summary of the Public Company Accounting Oversight Board's (PCAOB) most recent performance review, titled Review of the Public Company Accounting Oversight Board's Office of Administrative Initiatives for 2015-2018. The Board's Office of Internal Oversight and Performance Assurance (IOPA) conducted this performance review. The Board formed IOPA to provide the Board, the Securities and Exchange Commission, and others assurance that the PCAOB is achieving the objectives of Title I of the Sarbanes-Oxley Act in an effective manner. IOPA conducts its reviews in conformance with Government Auditing Standards issued by the Comptroller General of the United States.

IOPA undertook this review to evaluate and provide the current status of the Office of Administration's (OA) initiatives, as well as a reference point for management to assess future progress. IOPA found that OA has made good progress on many of its key initiatives and that the initiatives provide an excellent framework for management to keep watch on OA's wide-ranging projects and responsibilities. IOPA identified a few areas covered by the initiatives that merit continued management focus.

The Board intends to publish the attached summary on the PCAOB's Web site on or about October 28, 2016. You and your staff should feel free to contact me or the Director of IOPA, Peter Schleck (202-207-9085), if you have any questions or would like any additional information about the review.

Sincerely,



James R. Doty  
Chairman

Enclosure: Review of the Public Company Accounting Oversight Board's  
Office of Administration Initiatives for 2015-2018 (IOPA-2016-002)

cc: The Honorable Kara M. Stein  
The Honorable Michael S. Piwowar

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## **PERFORMANCE REVIEW**

### **REVIEW OF THE PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD'S OFFICE OF ADMINISTRATION INITIATIVES FOR 2015-2018 (IOPA-2016-002)**

**INTERNAL OVERSIGHT AND PERFORMANCE ASSURANCE  
OCTOBER 13, 2016**

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#### **BACKGROUND AND OBJECTIVE**

The Office of Administration (OA) is responsible for managing the Public Company Accounting Oversight Board's (PCAOB) human resources; financial management and reporting (including travel and procurement); facilities management; and, internal communications functions. OA's mission is to provide day-to-day support for all PCAOB divisions and assist the Chairman and the Board in operating the organization in a manner that efficiently and effectively fulfills its public mission and that is mindful of the need to exercise careful stewardship over the PCAOB's resources.

The current Chief Administrative Officer (CAO) took office in January 2014 and, shortly thereafter, undertook development of a series of initiatives aimed at helping OA better meet the PCAOB's administrative needs. The initiatives are linked with and flow from the PCAOB's *Strategic Plan for 2015-2018* and are focused on:

- Building staff expertise;
- Improving business processes;
- Improving reporting and analysis; and
- Developing a teaming culture.

The CAO started the initiatives during a period of significant staff turnover and other challenges, including the implementation of a new human resource management

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system;<sup>1</sup> a major shift in strategy for the recruitment of professional staff; substantial planned renovations to PCAOB facilities in Washington, DC and other locations; and, persistent problems with processes for the prompt payment of invoices. Internal Oversight and Performance Assurance (IOPA) has discussed OA's challenges in its past three risk assessments and in a number of our recent reports.

IOPA conducted this review to evaluate and provide the current status of OA's initiatives, as well as a reference point for management to assess future progress.<sup>2</sup>

### RESULTS IN BRIEF

OA has made good progress on many of its key initiatives. Staffing issues that have raised OA's risk profile in recent years appear to be stabilizing. Customers of OA's procurement and recruiting functions report significant improvements. OA and Office of Information Technology (OIT)<sup>3</sup> staff report that working relationships between the two offices are productive, an extremely important dynamic given OA's extensive technology requirements for its legacy, new, and planned systems.

The initiatives provide an excellent framework for OA management and staff to keep watch on OA's wide-ranging projects and responsibilities and to quickly identify potential challenge areas. A few areas covered by the initiatives remain risk concerns that should continue to receive OA's close attention and regular monitoring. In particular:

- Accounts payable processes are a long-standing problem area that OA is now addressing with a heightened priority.
- Funding system technology is more than a decade old and requires resource-intensive attention every year. Plans to upgrade or replace the system are in the initial stages.

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<sup>1</sup> See IOPA's *Review of the PCAOB's Payroll and Paid Time Off (PTO)* (IOPA-2016-001, September 2016).

<sup>2</sup> This is a public summary of the report. The full report, prepared in accordance with Government Auditing Standards, has been issued to the Board. The full report includes a detailed discussion of the review objective, scope, and methodology.

<sup>3</sup> Prior to January 1, 2014, OIT was part of OA.

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- Travel processes have been improved and made more cost-effective. OA plans to issue a complete travel policy update by the end of 2016.
- Renovations to the PCAOB's Washington, DC offices are scheduled to begin soon.
- Security considerations at all PCAOB offices are currently under review.
- Payroll and PTO administration has experienced difficulties discussed in greater detail in IOPA-2016-001.

The full, non-public version of this report provided additional detail on the status of OA's initiatives. The report did not include recommendations. However, IOPA provided a draft to the CAO and asked for her comments. The CAO's response provided additional detail and context regarding a number of the initiatives, including:

- Regional office space utilization;
- Telework;
- Budget;
- System upgrades;
- Security;
- Diversity and inclusion;
- Learning and development;
- Talent management; and
- Washington, DC renovations.

The CAO's comments were responsive to our report.