

December 23, 2015

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

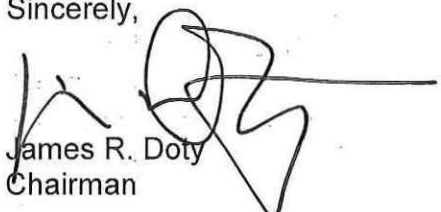
Dear Chair White:

I am pleased to transmit to you a summary of the Public Company Accounting Oversight Board's most recent performance review, titled Review of Travel at the Public Company Accounting Oversight Board. The Board's Office of Internal Oversight and Performance Assurance (IOPA) conducted this performance review. The Board formed IOPA to provide the Board, the SEC, 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 determine whether PCAOB travel expenditures are consistent with existing policy and good business practices. I am pleased that IOPA did not detect any expenses that gave it concern about the misuse of corporate cards or Board resources.

IOPA also made certain recommendations. At the time of IOPA's review, the Office of Administration (OA) was already engaged in an initiative to review and update the PCAOB's travel policy. The Chief Administrative Officer agreed to consider IOPA's recommendations as it completes this initiative. OA's objectives include engaging the Board and Board offices to seek input on process and policy improvements; increasing staff knowledge about travel policy; and maintaining clear and robust documentation about travel policies and procedures.

The Board intends to publish the attached summary on the PCAOB's Web site on or about January 4, 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 Travel at the Public Company Accounting Oversight Board (IOPA-2015-004), December 23, 2015

cc: The Honorable Luis A. Aguilar
The Honorable Kara M. Stein
The Honorable Michael S. Piwowar

PERFORMANCE REVIEW

REVIEW OF TRAVEL AT THE PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD (IOPA-2015-004)

INTERNAL OVERSIGHT AND PERFORMANCE ASSURANCE
DECEMBER 23, 2015

BACKGROUND AND OBJECTIVE

In 2014, the Public Company Accounting Oversight Board (PCAOB) spent about \$15.9 million on travel and related costs¹ in support of its mission. At about seven percent of total outlays for the year, travel is a significant budgetary consideration for the Board. Travel policy and procedures also have a far-reaching impact, as nearly 550 of the PCAOB's approximately 800 employees incurred costs for overnight travel.

PCAOB travel is to be conducted in accordance with the Board's *Travel and Business Expense Reimbursement Policy* and its *Meals Policy*, both administered by the Office of Administration (OA). The travel policy provides guidance and procedures for making travel arrangements, conducting business travel, and for the reimbursement of travel costs. It also establishes dollar allowances for meals and lodging. The meals policy offers additional guidance and distinguishes among employer-reimbursed or -provided meals related to travel, business and office meetings, and PCAOB-sponsored events.²

Both policies stress the importance of preserving the public's trust in the integrity of the Board's operations. Travel and business expenses are to be incurred solely to advance the Board's mission. Likewise, the Board's *Strategic Plan* articulates a core value of

¹ The PCAOB reported \$14.5 million in travel costs on its 2014 financial statements. The higher figure used in this report includes training costs and a number of other categories of expenses, that along with travel, are captured in the PCAOB's expense reporting system.

² Hereafter in this report, use of the word "policy" should be understood to include both the *Travel and Business Expense Reimbursement Policy* and the *Meals Policy*.

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carrying out the PCAOB's mission in a manner that demonstrates careful stewardship over resources. Internal Oversight and Performance Assurance (IOPA) conducted this review to determine whether PCAOB travel expenditures are consistent with existing policy and good business practices.³

RESULTS IN BRIEF

Since our last review of travel, on which we reported in 2008,⁴ OA has made a number of policy and procedural improvements consistent with findings and recommendations we made at that time. Moreover, based on our current examination of travel and expense data for 2014 and a more detailed examination of selected expense reports, IOPA concluded that expenses claimed by employees and reimbursed by the PCAOB were generally consistent with PCAOB policy. In addition, we did not detect anything that gave us concern about the misuse of corporate cards or Board resources. The PCAOB's travel policy provisions and limitations are reasonable, in our judgment, as compared to practices we identified for corporate and not-for-profit entities.

IOPA did find, however, that OA's efforts to ensure compliance with certain policy provisions was inconsistent. Specifically, we noted instances in which employees claimed, and were reimbursed for:

- High-cost airfares made fewer than 14 days in advance without documented explanation of any exigencies;
- Lodging expenses that exceeded policy limits without documented explanations for the variances;
- Business meals that were not documented in accordance with policy; and,
- Purchases that were made, without explanation, with cash or personal credit cards rather than with the corporate card.

³ 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.

⁴ *Review of the Public Company Accounting Oversight Board's Travel* (IOPA-2008-002); November 21, 2008.

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We recognize that situations such as short-notice trips or the unavailability of lodging within the usual allowances may require exceptions to policy limits. When such situations arise, the policy requires that the reasons for the exceptions be noted and approved in advance. In the cases we cite, however, required documentation was not evident.

This may have occurred, in part, because OA did not make full use of available technology. For example, the travel reservation and expense reporting system allows customization that would require travelers to explain and obtain advance approval for policy exceptions. The current customization, however, allows travelers to exceed hotel limits by as much as \$150 before requiring advance approval. Reservations that exceed the limit by less than these amounts can proceed whether or not the action is fully explained. Moreover, in these instances, approving officials may be unaware of lower-cost options. Although the policy states that bookings should generally be made within the PCAOB's reservation system, travelers sometimes make reservations or itinerary changes outside of the system. When such situations occur, maintaining a complete record of the transaction, including required advance approvals, becomes more difficult.

Consistent policy application – including requiring a written record for reasonable departures from policy – further encourages, in our judgment, compliance. To be sure, a reasonable policy approach supports the important contributions made by PCAOB business travelers, recognizes the hardships they sometimes face, and minimizes inconvenience. At the same time, OA should be able to readily demonstrate that the travel policy is applied consistent with the Board's commitment to resource stewardship.

IOPA also noted a few other opportunities to clarify and consolidate aspects of the travel policy. In this regard, guidance on travel currently includes at least three separate documents, including the two policies and a list of frequently asked questions (FAQs). Determining the most relevant, authoritative, and up-to-date guidance can therefore be challenging.

At the time of our review, OA was engaged in an internal policy review and had begun to address some of the issues we raise in this report. OA's objectives included engaging the Board and Board offices to seek input on process and policy improvements; increasing staff knowledge about travel policy; and maintaining clear and robust documentation about travel policies and procedures. We made recommendations that the Chief Administrative Officer (CAO) agreed to consider in the context of this initiative. IOPA intends to conduct appropriate follow-up procedures once the policy has been updated.