

February 26, 2014

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

Dear Chair White:

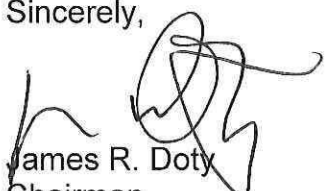
I am pleased to transmit to you a summary of the Public Company Accounting Oversight Board's most recent performance review, which is on business processes in the Office of the General Counsel (OGC). The Board's Office of Internal Oversight and Performance Assurance (IOPA) conducted this performance 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 of 2002 in an effective manner.

IOPA undertook this review to determine whether OGC has optimized its business process for providing services across the organization. I am pleased that IOPA found OGC has developed business processes for key mission areas that are well understood and have become more efficient over time. IOPA also reported that division and office leaders routinely seek, and place a high degree of confidence in, the advice and counsel of OGC.

IOPA made recommendations related to document management and other tools to enable OGC to optimize its internal infrastructure. The General Counsel agreed with the recommendations and is now working on them with the Offices of Information Technology and Administration.

The attached summary of IOPA's report is scheduled to be posted on the PCAOB's Web site on or about March 6, 2014. 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

The Honorable Mary Jo White  
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Enclosure: The Public Company Accounting Oversight Board's Business Processes in the Office of General Counsel (IOPA-2014-001), February 25, 2014

cc: The Honorable Luis A. Aguilar  
The Honorable Daniel M. Gallagher  
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 Business Processes in The Office of General Counsel (IOPA-2014-001)**

**INTERNAL OVERSIGHT AND PERFORMANCE ASSURANCE  
February 25, 2014**

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#### **BACKGROUND AND OBJECTIVE**

The Sarbanes-Oxley Act established the Public Company Accounting Oversight Board (PCAOB) to oversee the audits of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports. The Act defined the Board's core missions as registering public accounting firms that prepare audit reports, establishing or adopting standards relating to the preparation of audit reports, conducting inspections of registered public accounting firms, and conducting investigations and disciplinary proceedings as required.

To empower the Board to carry out its missions, the Act provides that the Board will set its budget and manage its operations; maintain offices in any State; obtain property through lease or purchase; enter into contracts; and "...do any and all other acts and things necessary, appropriate, or incidental to the conduct of its operations and the exercise of its obligations, rights, and powers..." Consistent with these statutory expectations, the Board developed rules and bylaws for its operation and administration, the exercise of its authority, and the performance of its responsibilities. The bylaws establish a number of PCAOB officers, including a General Counsel, whose role the Board has defined to include providing legal advice and counsel concerning registration, inspections, enforcement and investigation, standard setting, and organizational matters.

The Office of General Counsel (OGC), with 20 full-time employees as of November 21, 2013 and an annual budget of \$6.6 million, is involved in the business processes of all core functions of the Board. Work products generated from within the organization are generally reviewed by OGC staff before being presented to the Board for consideration. Additionally, the PCAOB's Secretary, also an officer of the organization, resides within OGC and is responsible for administering execution and maintaining records of formal Board action as well as advising the Board and staff on questions of practice and procedure.

## **PERFORMANCE REVIEW**

Given the importance of OGC's role, the Office of Internal Oversight and Performance Assurance (IOPA) conducted this review<sup>1/</sup> to determine whether OGC has optimized its business processes for providing services across the organization.

### **RESULTS IN BRIEF**

OGC's professionalism and competence are highly regarded among PCAOB's operating divisions and offices. OGC staff members have developed business processes for key mission areas – including the review of inspection reports, contracts, and enforcement proceedings – that are well understood and which have become more efficient over time. Moreover, OGC has invested in developing effective working relationships with its organizational constituents. Division and office leaders we interviewed routinely sought, and placed a high degree of confidence in, advice and counsel offered by OGC staff members.

We also noted, however, a number of opportunities that would allow OGC to further improve its business processes and enhance its level of customer service. Based on our observations and discussions with OGC staff members, Division leaders, and Board members, we concluded that OGC:

- Lacks a formal document management system for some of its important work product, such as legal advice memoranda. Retrieval of such documents is largely dependent on individual staff members as there is no searchable database for those documents.
- Does not formally track its workload. Several Board members and some Division staff were concerned that they lacked visibility into what projects OGC was working on and how the projects were prioritized.
- May be understaffed to effectively manage its workload in certain key areas, including review of draft standards, assisting in adjudications, and reviewing inspection reports. Much of the work in these areas is ultimately funneled through only a few key OGC staff members, suggesting the potential for overload.

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<sup>1/</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.

## **PERFORMANCE REVIEW**

The General Counsel was aware of these issues, but noted that OGC's priority had been successful execution of its high-priority, substantive work. The General Counsel also noted that given the nature and pace of OGC's work, including that a significant portion of OGC's workload is driven by unexpected, urgent requests, a workload tracking system may not provide the up-to-the-minute visibility over project status that customers might expect. The General Counsel did express willingness, however, to implement such a system, and agreed with the need for a document management system. Regarding staffing levels, the General Counsel said that OGC was working on hiring additional staff but noted the need to be very selective in their hiring because of the unique nature of PCAOB's work and the large investment in training new hires.

In our judgment, further attention to workload tracking, document management, and staffing issues could, over time, allow OGC to increase the speed with which it responds to ongoing work and new projects. Furthermore, making improvements in these areas may help foster transparency to the Board and other offices and divisions on project status and prioritization. We made recommendations to the General Counsel regarding each of these issues. The General Counsel provided a written response to IOPA's draft of this report and supported each of the recommendations.