

PCAOB

Public Company Accounting Oversight Board

2007 BUDGET

Public Company Accounting Oversight Board
Budget by Program Area
2005 - 2007

Program Area	2005 <u>Actuals*</u>	2006 <u>Budget</u>	2007 <u>Budget</u>
Board and Executive Staff	6,161,000	6,127,000	6,892,000
Division of Registration and Inspections			
Headquarters	3,820,000	7,388,000	8,159,000
Regional Offices	44,760,000	50,945,000	47,508,000
Sub-total	48,580,000	58,333,000	55,667,000
Division of Enforcement and Investigations	5,045,000	7,090,000	9,155,000
Office of the Chief Auditor (Standards)	4,039,000	4,400,000	4,760,000
Office of Research and Analysis	5,328,000	4,683,000	6,786,000
Office of General Counsel	3,219,000	3,514,000	3,806,000
Office of International Affairs	794,000	1,082,000	1,376,000
Office of Government Relations	1,152,000	955,000	1,039,000
Office of Public Affairs	936,000	982,000	593,000
Office of Hearing Officer	-	-	670,000
Office of Administration			
Administration	734,000	1,698,000	1,279,000
Information Technology	22,166,000	23,051,000	23,292,000
Human Resources	3,638,000	3,596,000	3,922,000
Finance	2,873,000	2,744,000	2,734,000
Budget, Prog. Analysis, and Strat. Planning	-	-	642,000
Facilities	2,279,000	11,535,000	12,651,000
Sub-total	31,690,000	42,624,000	44,520,000
Office of Internal Oversight and Perf. Assurance	1,104,000	1,154,000	1,165,000
Total Outlays	108,048,000	130,944,000	136,429,000
Less: Net Interest Receipts			3,987,000
Total Outlays Less Interest Receipts			132,442,000
Less: Excess to Working Capital Reserve			10,036,000
Net Outlays			122,406,000
Less: Prior Year Registration Fees			44,000
Accounting Support Fee			122,362,000

* The 2005 Actuals column is presented in conformity with US GAAP and therefore differs from the 2006 and 2007 budget columns which are presented on a cash basis.

**Public Company Accounting Oversight Board
Budget by Cost Category
2005 - 2007**

Cost Category	2005 <u>Actuals*</u>	2006 <u>Budget</u>	2007 <u>Budget</u>
Personnel			
Salaries/1	57,172,000	78,622,000	79,514,000
Employee Benefits/2	5,757,000	8,214,000	9,359,000
Payroll taxes/3	2,804,000	4,098,000	3,799,000
Training/4	544,000	1,850,000	1,838,000
Recruitment and Relocation/5	3,478,000	4,231,000	2,910,000
Sub-total	69,755,000	97,015,000	97,420,000
Non-personnel			
Administrative Expenses/6	3,381,000	4,155,000	5,169,000
Consulting and Professional Fees/7	1,711,000	3,107,000	5,018,000
Facilities/8	6,620,000	6,945,000	9,632,000
Information Technology/9	21,562,000	9,900,000	9,744,000
Travel and related expenses/10	5,019,000	6,379,000	6,532,000
Sub-total	38,293,000	30,486,000	36,095,000
Capital Expenditures			
IT Development and Infrastructure/9	-	1,592,000	1,817,000
Facilities build-out/11	-	1,851,000	1,097,000
Sub-total	-	3,443,000	2,914,000
Total Outlays	108,048,000	130,944,000	136,429,000
Less: Net Interest Receipts/12			3,987,000
Total Outlays Less Interest Receipts			132,442,000
Less: Excess to Working Capital Reserve/13			10,036,000
Net Outlays			122,406,000
Less: Prior Year Registration Fees/14			44,000
Accounting Support Fee/15			122,362,000

* The 2005 Actuals column is presented in conformity with US GAAP and therefore differs from the 2006 and 2007 budget columns which are presented on a cash basis.



NOTES TO 2007 BUDGET

The 2007 budget for the Public Company Accounting Oversight Board ("PCAOB" or the "Board") is based on the best information available as of the date of this budget. Budgeted amounts are subject to change as conditions warrant. The following notes relate to specific line items in the budget.

1. **Salaries** – In 2007, the Board expects to continue augmenting its staff to assist the Board in achieving its mandates under the Sarbanes-Oxley Act of 2002 (the "Act"). In this regard, the Board expects to have 519 staff by the end of 2007. The majority of the new employees are expected to be experienced auditors who will conduct the Board's program of inspections to assess the degree of compliance by registered public accounting firms with the Act, the rules of the Board, the rules of the Commission, and auditing and related professional practice standards, in connection with those firms' audits of the financial statements of public companies. The 2007 budget for salaries also includes related expenses for merit and other salary adjustments and awards.
2. **Employee benefits** – Estimated expenses for employee benefits include costs associated with health care, retirement, and other employee benefit-related items.
3. **Payroll taxes** – Estimated payroll taxes include Social Security, Medicare and unemployment taxes.
4. **Training** – Training expenses include professional training in accounting and auditing, law and other fields, to fulfill the Board's commitment to maintaining a highly-qualified staff in order to achieve the Board's statutory mandates. Training expenses also include the costs associated with training staff to utilize the Board's IT infrastructure and applications, in addition to more general training regarding the Board's policies and procedures.
5. **Recruiting and relocation** – Estimated recruiting and relocation expenses are budgeted to cover the cost of recruiting a highly-qualified, experienced staff in a competitive employment market for auditors and accountants.

6. **Administrative expenses** – Estimated administrative expenses include costs for office supplies, printing, copying, telecommunications, and postage. This cost category also covers the costs associated with insurance, including premiums for general property and casualty insurance, and directors' and officers' liability insurance.
7. **Consulting and professional fees** – Estimated consulting and professional fees include costs associated with developing certain initiatives related to the Board's programs that call for highly-specialized skills and services required for a limited period of time. These expenses also include costs for services related to investigation and litigation support, such as court reporters, translators, and document and database management, in addition to other legal and advisory services.
8. **Facilities** – Estimated facilities expenses cover the costs of lease and other payments related to the Board's office space. The Board currently has leased office space at its headquarters in Washington, D.C., and its technology center in Dulles, Virginia, in addition to office space to support its inspections staff in New York, New York; Atlanta, Georgia; Dallas, Texas; Orange County and San Francisco, California; Denver, Colorado; and Chicago, Illinois.
9. **Information Technology** – Estimated IT expenses include costs associated with enhancing and maintaining the Board's IT infrastructure and applications. In addition, this category includes resources to support the Board's IT security activities. During 2007, the Board's newly established Information Technology Advisory Group will assist the Board in governing and guiding the allocation and utilization of IT resources.
10. **Travel and related expenses** – Estimated travel and related expenses support travel to perform inspections in the offices of registered public accounting firms. Currently, there are over 1,700 registered public accounting firms located in the United States, many of which have multiple offices, and 740 non-U.S. offices in 82 countries. In addition, the Board expects to incur travel and related expenses associated with the participation of Board members and professional staff in speaking and other outreach activities away from the Board's offices.
11. **Facilities build-out** – The Board expects to incur capital expenditures in 2007 to acquire and build-out additional office space at its headquarters facility in Washington, DC.

12. **Interest** – Estimated interest income in 2007 is based on average cash balances invested in Treasury instruments and related repurchase agreements, netted against estimated bank charges incurred.

13. **Excess to working capital reserve** – The Board expects to utilize an excess to its working capital reserve to reduce the 2007 accounting support fee. The Board estimates that the remaining working capital reserve will provide funds necessary to cover its anticipated expenditures for the first five months in 2007.

14. **Registration fees** – Under Section 102 of the Act, public accounting firms applying for registration with the Board must pay registration fees in an amount sufficient to cover the costs of processing and reviewing their registration applications. Section 109 of the Act directs that any registration fees collected in one calendar year must be used to reduce the recoverable budget expenses for the next calendar year (i.e., the year after the year in which they are received). Therefore, registration fees collected for 2006 have been allocated to the 2007 budget to produce the 2007 accounting support fee. Similarly, registration fees collected for 2007 will be allocated to the 2008 budget to produce the 2008 accounting support fee.

15. **Accounting Support Fee** – Pursuant to Section 109 of the Act and the rules of the PCAOB, the budget of the Board, reduced by any registration or annual fees received for the preceding calendar year, is funded by an annual accounting support fee. The 2007 budget offsets the anticipated interest earned on cash balances (see note 12, above), as well as excess to the Board's working capital reserve (see note 13, above), against total outlays. This amount, minus the estimated registration fees collected for 2006 (see note 14, above), produces the 2007 accounting support fee of \$122.4 million.