

Public Company Accounting Oversight Board
Budget by Program Area
2006 - 2008

Program Area	2006 Actuals	2007 Budget	2008 Budget
Board and Executive Staff	6,016,000	6,892,000	7,519,000
Division of Registration and Inspections			
Registration	554,000	561,000	712,000
Inspections Headquarters	4,877,000	7,599,000	8,274,000
Regional Offices	44,280,000	47,508,000	56,299,000
Sub-total	49,711,000	55,668,000	65,285,000
Division of Enforcement and Investigations	6,025,000	9,155,000	10,604,000
Office of the Chief Auditor (Standards)	3,602,000	4,760,000	5,622,000
Office of Research and Analysis	5,045,000	6,786,000	5,651,000
Office of General Counsel	3,242,000	3,806,000	3,697,000
Office of International Affairs	829,000	1,376,000	1,772,000
Office of External Relations	1,759,000	1,632,000	1,937,000
Office of Hearing Officer	-	670,000	623,000
Office of Administration			
Administration	1,609,000	1,279,000	1,316,000
Information Technology	23,341,000	23,292,000	19,053,000
Human Resources	3,749,000	3,922,000	3,797,000
Finance	2,281,000	2,734,000	2,812,000
Budget, Prog. Analysis, and Strat. Planning	324,000	642,000	691,000
Facilities	10,234,000	12,651,000	13,004,000
Sub-total	41,538,000	44,520,000	40,673,000
Office of Internal Oversight and Perf. Assurance	1,123,000	1,165,000	1,224,000
Total Outlays	118,890,000	136,430,000	144,607,000
Less: Net Interest Receipts			4,213,000
Total Outlays Less Interest Receipts			140,394,000
Less: Excess to Working Capital Reserve			5,843,000
Net Outlays			134,551,000
Less: Prior Year Registration Fees			40,000
Accounting Support Fee			134,511,000

**Public Company Accounting Oversight Board
Budget by Cost Category
2006 - 2008**

Cost Category	2006 <u>Actuals</u>	2007 <u>Budget</u>	2008 <u>Budget</u>
Personnel			
Salaries/1	70,413,000	79,514,000	84,397,000
Employee Benefits/2	7,097,000	9,359,000	10,234,000
Payroll taxes/3	3,610,000	3,799,000	4,031,000
Training/4	955,000	1,838,000	1,739,000
Recruitment and Relocation/5	2,812,000	2,910,000	2,957,000
Sub-total	84,887,000	97,420,000	103,358,000
Non-personnel			
Administrative Expenses/6	3,627,000	5,169,000	5,255,000
Consulting and Professional Fees/7	2,969,000	5,018,000	4,969,000
Facilities/8	6,390,000	9,632,000	10,498,000
Information Technology/9	9,854,000	9,744,000	7,475,000
Travel and related expenses/10	5,778,000	6,532,000	10,697,000
Sub-total	28,618,000	36,095,000	38,894,000
Capital Expenditures			
IT Development and Infrastructure/9	3,219,000	1,817,000	2,007,000
Facilities build-out/11	2,166,000	1,097,000	348,000
Sub-total	5,385,000	2,914,000	2,355,000
Total Outlays	118,890,000	136,429,000	144,607,000
Less: Net Interest Receipts/12			4,213,000
Total Outlays Less Interest Receipts			140,394,000
Less: Excess to Working Capital Reserve/13			5,843,000
Net Outlays			134,551,000
Less: Prior Year Registration Fees/14			40,000
Accounting Support Fee/15			134,511,000



NOTES TO 2008 BUDGET

The 2008 budget for the Public Company Accounting Oversight Board ("PCAOB" or the "Board") is based on the best information available as of the approval date. Budgeted amounts are subject to change as conditions warrant. The following notes relate to specific line items in the budget.

1. **Salaries** – In 2008, the PCAOB 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 PCAOB plans to have 507 staff by the end of 2008. 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 U.S. Securities and Exchange Commission, and auditing and related professional practice standards, including Auditing Standard No. 5, in connection with those firms' audits of the financial statements of public companies. The 2008 budget for salaries also includes related expenses for merit and other salary adjustments.
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 PCAOB'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 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 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.
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 1,800 public accounting firms registered with the Board, more than 830 of which are located outside of the United States. This category also covers the costs associated with participation by Board members and professional staff in speaking and other outreach activities away from the Board's offices.
11. **Facilities build-out** – The PCAOB expects to incur capital expenditures in 2008 related to the completion of the build-out of additional office space at its headquarters facility in Washington, DC, which began in 2007.

12. **Interest** – Estimated interest income in 2008 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 2008 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 2008.

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 2007 have been 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 2008 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 2007 (see note 14, above), produces the 2008 accounting support fee of \$134.5 million.