

**Public Company Accounting Oversight Board
Budget by Program Area
2007 - 2009**

Program Area	<u>2007 Actuals</u>	<u>2008 Budget</u>	<u>2009 Budget</u>
Board and Executive Staff	7,272,000	7,519,000	7,730,000
Division of Registration and Inspections			
Registration	571,000	712,000	829,000
Inspections	54,944,000	64,573,000	68,753,000
Sub-total	55,515,000	65,285,000	69,582,000
Division of Enforcement and Investigations	7,548,000	10,604,000	12,187,000
Office of the Chief Auditor (Standards)	3,735,000	5,622,000	6,838,000
Office of Research and Analysis	6,132,000	5,651,000	6,756,000
National Fraud Center	-	-	352,000
Office of General Counsel	2,943,000	3,697,000	5,032,000
Office of International Affairs	1,179,000	1,772,000	2,222,000
Office of External Relations	1,543,000	1,937,000	1,793,000
Office of Hearing Officer	-	623,000	572,000
Office of Administration			
Administration	1,869,000	1,316,000	1,979,000
Information Technology	17,955,000	19,053,000	19,778,000
Human Resources	3,597,000	3,797,000	3,093,000
Finance	2,321,000	2,812,000	2,883,000
Budget, Prog. Analysis, and Strat. Planning	597,000	691,000	763,000
Facilities	12,239,000	13,004,000	14,762,000
Sub-total	38,578,000	40,673,000	43,258,000
Office of Internal Oversight and Perf. Assurance	1,159,000	1,224,000	1,286,000
Total Outlays	125,604,000	144,607,000	157,608,000
Less: Net Interest Receipts			217,000
Total Outlays Less Interest Receipts			157,391,000
Less: Excess to Working Capital Reserve			5,594,000
Net Outlays			151,797,000
Less: Prior Year Registration Fees			40,000
Accounting Support Fee			151,757,000

Public Company Accounting Oversight Board
Budget by Cost Category
2007 - 2009

Cost Category	2007 <u>Actuals</u>	2008 <u>Budget</u>	2009 <u>Budget</u>
Personnel			
Salaries/1	76,569,000	84,397,000	92,163,000
Employee Benefits/2	8,540,000	10,234,000	11,957,000
Payroll taxes/3	3,892,000	4,031,000	4,603,000
Training/4	968,000	1,740,000	1,855,000
Recruitment and Relocation/5	1,676,000	2,957,000	2,750,000
Sub-total	91,645,000	103,359,000	113,328,000
Non-personnel			
Administrative Expenses/6	4,746,000	5,256,000	5,021,000
Consulting and Professional Fees/7	3,435,000	4,969,000	5,809,000
Facilities/8	9,858,000	10,498,000	12,521,000
Information Technology/9	6,432,000	7,474,000	7,993,000
Travel and Other Expenses/10	7,186,000	10,696,000	10,782,000
Sub-total	31,657,000	38,893,000	42,126,000
Capital Expenditures			
IT Development and Infrastructure/9	1,425,000	2,007,000	1,397,000
Facilities build-out/11	876,000	348,000	757,000
Sub-total	2,301,000	2,355,000	2,154,000
Total Outlays	125,603,000	144,607,000	157,608,000
Less: Net Interest Receipts/12			217,000
Total Outlays Less Interest Receipts			157,391,000
Less: Excess to Working Capital Reserve/13			5,594,000
Net Outlays			151,797,000
Less: Prior Year Registration Fees/14			40,000
Accounting Support Fee/15			151,757,000



NOTES TO 2009 BUDGET

The 2009 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 2009, 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 531 staff by the end of 2009. 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 2009 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 870 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 2009 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 2009 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 2009 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 2009.

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 2008 have been allocated to the 2009 budget to produce the 2009 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 2009 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 2008 (see note 14, above), produces the 2009 accounting support fee of \$151.8 million.