

**UNITED STATES OF AMERICA
BEFORE THE
SECURITIES AND EXCHANGE COMMISSION**

**Securities Act of 1933
Release No. 33-9294 / January 11, 2012**

**Securities Exchange Act of 1934
Release No. 34-66141 / January 11, 2012**

**ORDER APPROVING PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD
BUDGET AND ANNUAL ACCOUNTING SUPPORT FEE FOR CALENDAR YEAR
2012**

The Sarbanes-Oxley Act of 2002, as amended (the “Sarbanes-Oxley Act”),¹ established the Public Company Accounting Oversight Board (“PCAOB”) to oversee the audits of companies that are subject to the securities laws, and related matters, in order to protect the interests of investors and further the public interest in the preparation of informative, accurate and independent audit reports. The PCAOB is to accomplish these goals through registration of public accounting firms and standard setting, inspection, and disciplinary programs. The PCAOB is subject to the comprehensive oversight of the Securities and Exchange Commission (the “Commission”).

Section 109 of the Sarbanes-Oxley Act provides that the PCAOB shall establish a reasonable annual accounting support fee, as may be necessary or appropriate to establish and maintain the PCAOB. Under Section 109(f) of the Sarbanes-Oxley Act, the aggregate annual accounting support fee shall not exceed the PCAOB’s aggregate “recoverable budget expenses,” which may include operating, capital and accrued items. The PCAOB’s annual budget and accounting support fee is subject to approval by the Commission.

¹ 15 U.S.C. 7201 et seq.

Section 982 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”)² amended the Sarbanes-Oxley Act to provide the PCAOB with explicit authority to oversee auditors of broker-dealers registered with the Commission. In addition, the PCAOB must allocate the annual accounting support fee among issuers and among brokers and dealers.

Section 109(b) of the Sarbanes-Oxley Act directs the PCAOB to establish a budget for each fiscal year in accordance with the PCAOB’s internal procedures, subject to approval by the Commission. Rule 190 of Regulation P facilitates the Commission’s review and approval of PCAOB budgets and annual accounting support fees.³ This budget rule provides, among other things, a timetable for the preparation and submission of the PCAOB budget and for Commission actions related to each budget, a description of the information that should be included in each budget submission, limits on the PCAOB’s ability to incur expenses and obligations except as provided in the approved budget, procedures relating to supplemental budget requests, requirements for the PCAOB to furnish on a quarterly basis certain budget-related information, and a list of definitions that apply to the rule and to general discussions of PCAOB budget matters.

In accordance with the budget rule, in March 2011 the PCAOB provided the Commission with a narrative description of its program issues and outlook for the 2012 budget year. In response, the Commission provided the PCAOB with economic assumptions and budgetary guidance for the 2012 budget year. The PCAOB subsequently delivered a preliminary budget and budget justification to the Commission. Staff from the Commission’s Offices of the Chief

² Pub. L. No. 111-203, 124 Stat. 1376 (2010).

³ 17 CFR 202.190.

Accountant and Financial Management dedicated a substantial amount of time to the review and analysis of the PCAOB's programs, projects and budget estimates; reviewed the PCAOB's estimates of 2011 actual spending; and attended several meetings with management and staff of the PCAOB to further develop an understanding of the PCAOB's budget and operations. During the course of this review, Commission staff relied upon representations and supporting documentation from the PCAOB. Based on this review, the Commission issued a "pass back" letter to the PCAOB.

On November 30, 2011, the PCAOB approved its 2012 budget during an open meeting and submitted that budget to the Commission for approval. Upon review of the submitted budget and budget justification, Commission staff raised questions regarding the calculation and presentation of the accounting support fee in the budget justification. On December 23, 2011, the PCAOB supplemented the original budget justification with additional materials, including a revised calculation and presentation of the accounting support fee. Due to the time needed to resolve this matter, consideration of the budget and accounting support fee was delayed beyond the normal expected date of December 23rd.⁴

After considering the above, the Commission did not identify any proposed disbursements in the 2012 budget adopted by the PCAOB that are not properly recoverable through the annual accounting support fee, and the Commission believes that the aggregate proposed 2012 annual accounting support fee does not exceed the PCAOB's aggregate recoverable budget expenses for 2012. The Commission also acknowledges the PCAOB's

⁴ See 17 CFR 202.190(c). The budget rule also provides that in the event the Commission has not approved a budget prior to the beginning of the fiscal year, the PCAOB may spend funds from its reserve and continue to incur obligations as if the budget most recently approved by the Commission were continuing in effect. See 17 CFR 202.190(e)(3).

updated strategic plan and looks forward to providing views to the PCAOB as future updates are made to the plan.

In light of the recent report on information technology (“IT”) governance and staffing by the PCAOB’s Office of Internal Oversight and Performance Assurance,⁵ the Commission understands that the PCAOB has recently taken, and plans to continue to take, significant steps designed to improve its IT program. These steps include IT staffing changes, conducting a review of the IT program, implementing IT governance structures, and strengthening Board oversight over its IT program. In addition to these important steps, the Commission directs the Board to continue to provide in its quarterly reports to the Commission detailed information about the state of the PCAOB’s IT program, including planned, estimated, and actual costs for IT projects, and the level of involvement of consultants. These reports also should include: (a) a discussion of the Board’s assessment of the progress and implementation of the Board actions mentioned above; and (b) the quarterly IT report that will be prepared by PCAOB staff and submitted to the Board.

The Commission also directs the PCAOB during the 2012 budget cycle to continue to include in its quarterly reports to the Commission information about the PCAOB’s inspections program. Such information is to include: (a) statistics relative to the numbers and types of firms budgeted and expected to be inspected in 2012, including by location and by year the inspections that are required to be conducted in accordance with the Sarbanes-Oxley Act and PCAOB rules; (b) information about the timing of the issuance of inspections reports for domestic and non-U.S.

⁵ The PCAOB’s Office of Internal Oversight and Performance Assurance provides internal examination of the programs and operations of the PCAOB. A public summary of the Office’s report on IT is available here: http://pcaobus.org/InternalOversight/Documents/2011_Information_Technology.pdf.

inspections; and (c) updates on the PCAOB's efforts to establish cooperative arrangements with respective non-U.S. authorities for inspections required in those countries.

The Commission has determined that the PCAOB's 2012 budget and annual accounting support fee are consistent with Section 109 of the Sarbanes-Oxley Act. Accordingly,

IT IS ORDERED, pursuant to Section 109 of the Sarbanes-Oxley Act, that the PCAOB budget and annual accounting support fee for calendar year 2012 are approved.

By the Commission.

Elizabeth M. Murphy
Secretary