

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

**Securities Act of 1933  
Release No. 33-9168 / December 22, 2010**

**Securities Exchange Act of 1934  
Release No. 34-63596 / December 22, 2010**

**ORDER APPROVING PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD  
BUDGET AND ANNUAL ACCOUNTING SUPPORT FEE FOR CALENDAR YEAR  
2011**

The Sarbanes-Oxley Act of 2002, as amended (the “Sarbanes-Oxley Act”), 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 Commission must approve the PCAOB’s annual budget and accounting support fee.

Section 982 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”)<sup>1</sup> amended the Sarbanes-Oxley Act to provide the PCAOB with explicit

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<sup>1</sup> Pub. L. No. 111-203, 124 Stat. 1376 (2010).

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, beginning in 2011. The 2011 budget approved and submitted by the Board includes an allocation of the annual accounting support fee among issuers and 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. The Commission's Rules of Practice related to its Informal and Other Procedures include a rule that facilitates the Commission's review and approval of PCAOB budgets and the annual accounting support fee.<sup>2</sup> 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 2010 the PCAOB provided the Commission with a narrative description of its program issues and outlook for the 2011 budget year. In response, the Commission provided the PCAOB with economic assumptions and budgetary guidance for the 2011 budget year. The PCAOB subsequently delivered a preliminary budget and budget justification to the Commission. Staff from the Commission's Offices of the Chief Accountant and Executive Director dedicated a substantial amount of time to the review and analysis of the PCAOB's programs, projects and budget estimates; reviewed

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<sup>2</sup> 17 CFR 202.190. See Release No. 33-8724 (July 18, 2006) [71 FR 41998 (July 24, 2006)].

the PCAOB's estimates of 2010 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. The PCAOB approved its 2011 budget during an open meeting on November 23, 2010 and submitted that budget for Commission approval on November 29, 2010.

After considering the above, the Commission did not identify any proposed disbursements in the 2011 budget adopted by the PCAOB that are not properly recoverable through the annual accounting support fee, and the Commission believes that the aggregate proposed 2011 annual accounting support fees do not exceed the PCAOB's aggregate recoverable budget expenses for 2011. The Commission looks forward to the PCAOB's annual updating of its strategic plan and the opportunity for the Commission to review and provide views to the PCAOB on a draft of the updated plan.

In its role as the oversight body of the PCAOB, the Commission is aware of the various uncertainties the PCAOB faces with respect to budgeting its resources and the potential impact if actual experience deviates from budget assumptions. Further, the Commission believes that the 2011 budget approved and submitted by the Board provides sufficient resources and flexibility for the PCAOB to continue to fulfill its mandate and to respond to changes in the assumptions upon which the budget is based. Should the PCAOB find the need to reallocate resources, the PCAOB should work closely with Commission staff on whether any reprogramming efforts result in the need for a supplemental budget request under the Commission's budget rule. In considering any reallocation that may be necessary in 2011, the

Commission encourages the Board to identify expenditures in its 2011 budget where flexibility exists.

As part of its review of the PCAOB's 2011 budget, the Commission notes that there are certain budget-related matters that should be addressed or more closely monitored during 2011 related to: (1) the PCAOB's inspections program; (2) its information technology programs; and (3) the impact of implementing legislative and other actions on the PCAOB. Accordingly, the Commission directs the PCAOB during the 2011 budget cycle to:

- (1) Continue to include in its quarterly reports to the Commission information about the PCAOB's inspections program. Such information will include (a) statistics relative to the numbers and types of firms budgeted and expected to be inspected in 2011, 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. 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.
- (2) Continue to include detailed information about the state of the PCAOB's information technology in its quarterly reports to the Commission, including planned, estimated, and actual costs for information technology projects. Such information should also include project plans, life cycle costs and progress, and provide an indication of the level and nature of involvement of consultants.
- (3) Consult with the Commission about the PCAOB's plans for implementing changes in response to legislative actions, advisory committees, or consultant reports.

The Commission has determined that the PCAOB's 2011 budget and annual accounting support fee are consistent with Section 109 of the Act. Accordingly,

IT IS ORDERED, pursuant to Section 109 of the Act, that the PCAOB budget and annual accounting support fee for calendar year 2011 are approved.

By the Commission.

Elizabeth M. Murphy  
Secretary