

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

**Securities Act of 1933
Release No. 8873/ December 18, 2007**

**Securities Exchange Act of 1934
Release No. 56986/ December 18, 2007**

**ORDER APPROVING PUBLIC COMPANY ACCOUNTING OVERSIGHT
BOARD BUDGET AND ANNUAL ACCOUNTING SUPPORT FEE FOR
CALENDAR YEAR 2008**

The Sarbanes-Oxley Act of 2002 (the “Act”) established the Public Company Accounting Oversight Board (“PCAOB”) to oversee the audits of public companies and related matters, to protect investors, and to 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. Section 109 of the 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. Section 109(h) amends Section 13(b)(2) of the Securities Exchange Act of 1934 to require issuers to pay the allocable share of a reasonable annual accounting support fee or fees, determined in accordance with Section 109 of the Act. Under Section 109(f), the aggregate annual accounting support fee shall not exceed the PCAOB’s aggregate “recoverable budget expenses,” which may include operating, capital and accrued items. Section 109(b) of the 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 Securities and Exchange Commission (the “Commission”).

On July 18, 2006, the Commission amended its Rules of Practice related to its Informal and Other Procedures to add a rule to facilitate the Commission's review and approval of PCAOB budgets and accounting support fees.¹ The new 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.

The new budget rule requires compliance beginning with the budget process for fiscal year 2008. Accordingly, in March 2007 the PCAOB provided the Commission with a narrative description of its program issues and outlook for the 2008 budget year. In response, the Commission staff provided to the PCAOB staff economic assumptions and budgetary guidance for the 2008 budget year. The PCAOB subsequently delivered a preliminary budget and budget justification to the Commission. The staff from the Commission's Offices of the Chief Accountant, Executive Director and Information Technology 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 2007 actual spending, and attended several meetings with management and staff of the PCAOB to develop an understanding of the PCAOB's budget and operations. During the course of the Commission's review, the Commission staff relied upon representations and

¹ 17 CFR 202.11. See Release No. 33-8724 (July 18, 2006) [71 FR 41998 (July 24, 2006)].

supporting documentation from the PCAOB. Based on this comprehensive review, the Commission issued a “pass back” to the PCAOB. The PCAOB approved its 2008 budget on November 19, 2007 and submitted that budget for Commission approval.

After considering the above, the Commission did not identify any proposed disbursements in the 2008 budget adopted by the PCAOB that are not properly recoverable through the annual accounting support fee, and the Commission believes that the aggregate proposed 2008 annual accounting support fee does not exceed the PCAOB’s aggregate recoverable budget expenses for 2008.

As part of its review of the 2008 PCAOB budget, the Commission notes that this is the first year of compliance with the new budget rule. The Commission recognizes that the PCAOB is continuing to work with its program areas to develop full and robust submissions in response to the new budget rule. The PCAOB also is in an important review and reorganization phase regarding its IT program, and the PCAOB intends to implement annual and special reporting for registered public accounting firms, a function required by Section 102(d) of the Sarbanes-Oxley Act of 2002, in the 2008 budget year.

In addition, the Commission believes an integral part of the PCAOB’s budget process, and of import to the Commission in fulfilling its oversight responsibilities, is the PCAOB’s long-range strategic planning. The budget rule requires the PCAOB to maintain a comprehensive strategic plan that supports each budget request,² describes the required minimum elements of the plan,³ and requires the PCAOB’s budget submission to describe the relationship between the strategic plan and the resources requested in the

² See 17 CFR 202.11(g).

³ See 17 CFR 202.11(b)(9).

budget.⁴ The Board submitted a strategic plan to the Commission in May, 2007, and the Commission subsequently provided comments designed to improve the plan so that it better informs the budget request as anticipated by the rule and facilitates the Commission's review and approval thereof. Because of the important role that the strategic plan plays in informing the PCAOB's budget request, and to address the other items mentioned above, the Commission deems it necessary to set forth the following specific measures.

Accordingly, with respect to the PCAOB's 2009 budget cycle, the PCAOB will:

1. Develop a full and robust strategic plan, preliminary budget and budget justification. In particular:
 - a. The PCAOB will review its strategic plan in connection with the description of the minimum elements of such a plan in the Commission's budget approval rule and the Commission's comments noted above. Consistent with the foregoing, the PCAOB will submit a draft to the Commission by February 29, 2008 of a revised strategic plan that includes, among other things, (i) quantifiable and measurable performance targets, (ii) forecasts of total headcount and budget summary figures for the current and four following years, (iii) a candid assessment of the PCAOB's strengths and weaknesses, and (iv) a broader discussion of environmental factors. The Commission will provide views to the PCAOB within two weeks after it receives the new draft plan. Thereafter, the PCAOB will adopt a new strategic plan, reflecting such views, by March 31, 2008.

⁴ See 17 CFR 202.11(b)(2) and (b)(5).

- b. The PCAOB will further develop and submit a more detailed preliminary budget, budget justification and performance budget, including performance targets as required under the budget rule.
2. Include more detailed information about the state of the PCAOB's IT review and reorganization in its quarterly reports to the Commission, including plans and estimated and actual costs for IT projects such as the proposed annual and special reporting system;
3. Implement annual and special reporting in accordance with the Act and provide an analysis of historical and planned expenditures related to the review and processing of registrations and annual reports of public accounting firms, including any associated information technology costs, and provide a timetable for recovering those amounts from registered public accounting firms as required by Section 102(f) of the Act;
4. Not increase Chairman and Board salaries for 2008 beyond the 3.3% budgeted increase in the 2008 budget, and Chairman and Board salaries shall not be further linked to FASB Chairman and Board salaries; and
5. Keep the Commission and its staff informed of any internal or third-party reviews of the PCAOB's programs and offices and the findings of any such reviews.

The Commission has determined that the PCAOB's 2008 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 2008 are approved.

By the Commission.

Nancy M. Morris
Secretary