

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

**Securities Act of 1933  
Release No. 8757/ December 4, 2006**

**Securities Exchange Act of 1934  
Release No. 54865/ December 4, 2006**

**ORDER APPROVING PUBLIC COMPANY ACCOUNTING OVERSIGHT  
BOARD BUDGET AND ANNUAL ACCOUNTING SUPPORT FEE FOR  
CALENDAR YEAR 2007**

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 that facilitates the Commission's review and approval of PCAOB budgets and accounting support fees.<sup>1</sup> 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.

Although the new budget rule will not take effect until the budget process for fiscal year 2008, the PCAOB staff and the Commission staff used their best efforts to substantially comply with the timetable and other requirements in the new rule for the PCAOB budget submission for 2007. Accordingly, in March 2006 the PCAOB provided the Commission with a narrative description of its program issues and outlook for the 2007 budget year, and in April the Commission staff provided to the PCAOB staff economic assumptions and budgetary guidance for the 2007 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 2006 actual spending, and attended several meetings with

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

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 supporting documentation from the PCAOB. Also, substantially as provided in the new rule, there was a "pass back" from the Commission to the PCAOB. The PCAOB approved its 2007 budget on November 30, 2006 and submitted that budget for Commission approval.

After considering the above, the Commission did not identify any proposed disbursements in the 2007 budget adopted by the PCAOB that are not properly recoverable through the annual accounting support fee, and the Commission believes that the aggregate proposed 2007 annual accounting support fee does not exceed the PCAOB's aggregate recoverable budget expenses for 2007.

As part of its review of the 2007 PCAOB budget, the Commission notes that the PCAOB has reaffirmed its commitments, among other things, to build upon its 2007 goals and objectives to develop a comprehensive multi-year strategic plan that is integrated with the PCAOB budget process; to have the auditors of its 2007 annual financial statements opine on the PCAOB's internal control over financial reporting; to devote staff resources to train both PCAOB staff and the public on revisions to the standard for auditing internal control over financial reporting; and to comply with the new Commission rule related to the PCAOB budget approval process in connection with its budget for 2008. The Commission also recognizes that the PCAOB, upon the arrival of Chairman Olson in mid 2006, appropriately has undertaken reviews in a number areas, including its compensation, recruiting and information technology programs. Because of the potential significance of those reviews, during 2007 the PCAOB should supplement

the quarterly reports made available to the Commission under the new budget rule with periodic reports on the progress and results of those reviews and with monthly reports showing variances of actual or estimated expenditures from budgeted amounts, to the extent such progress reports and monthly reports are prepared for internal purposes.

Based on the foregoing, the Commission has determined that the PCAOB's 2007 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 2007 are approved.

By the Commission.

Nancy M. Morris  
Secretary