



BUDGET

FISCAL YEAR 2004

**Public Company Accounting Oversight Board
Budget
Fiscal Year 2004**

RECEIPTS	2004
Accounting Support Fees/1.	\$ 101,247,000
Registration and Annual Report Fees/2.	-
Interest/3.	-
Total Receipts	\$ 101,247,000
OPERATING EXPENSES	
Personnel	
Salaries/4.	\$ 38,188,000
Employee benefits/5.	9,546,000
Payroll taxes/6.	2,921,000
Training/7.	1,389,000
Recruiting and relocation expenses/8.	2,180,000
Total personnel expenses	\$ 54,224,000
Administrative expenses/9.	\$ 2,430,000
Consulting and professional fees/10.	2,622,000
Facilities/11.	3,709,000
Information technology/12.	8,745,000
Provision for uncollectible fees/13.	2,000,000
Provision for working capital reserve/14.	3,000,000
Research/15.	200,000
Travel and related expenses/16.	8,232,000
Total Operating Expenses	\$ 30,938,000
CAPITAL EXPENDITURES	
Information technology development and infrastructure/12.	\$ 17,285,000
Facilities build-out/17.	850,000
Total Capital Expenditures	\$ 18,135,000
TOTAL OUTLAYS	\$ 103,297,000
LESS: REGISTRATION FEES 2003	\$ (2,050,000)
ACCOUNTING SUPPORT FEE 2004	\$ 101,247,000



NOTES TO BUDGET FISCAL YEAR 2004

The budget for the Public Company Accounting Oversight Board ("PCAOB") is based on the best information available as of this date. Budgeted amounts are subject to change as conditions warrant. The following notes relate to specific line items in the budget and are referenced by number.

- 1. Accounting Support Fees** – The budget includes a 2004 accounting support fee of \$101,247,000. This figure represents the total outlays for fiscal year 2004 minus \$2,050,000 in estimated registration fees collected during 2003. To the extent actual 2003 registration fees exceed this estimate, the excess amount will be subtracted from the amount shown as the accounting support fee on this budget before the 2004 accounting support fee is assessed. Section 109 of the Sarbanes-Oxley Act of 2002 provides the formula for deriving the accounting support fee.
- 2. Registration and annual report fees** – The budget does not reflect collection of fees from registering and registered auditing firms for 2004 as the annual reporting fee has not yet been determined. The Board will assess and collect fees from registering audit firms as part of the registration process to recover the costs of processing and reviewing applications and will collect fees from registered audit firms as part of the annual reporting process.
- 3. Interest** – Interest income is calculated to be approximately \$525,000 based on average cash balances invested in overnight repurchase agreements yielding an assumed 2% APR, netted against estimated bank charges incurred. The budget does not reflect the calculation of interest income.
- 4. Salaries** – The budget reflects significant hiring plans of the Board from an estimated year end 2003 headcount of 126 to 284 by the end of the 2004 year. The budget reflects the continued ramp-up of inspection professionals in Washington, DC and New York, in addition to the initial ramp-up of the three regional offices (Atlanta, Dallas, and San Francisco) in the first and second quarters. The budget also reflects the ramp-up of enforcement professionals, throughout the year.

5. **Employee benefits** – Employee benefits are projected at a rate of 25%. This expense category includes costs for health care, retirement, and other employee welfare-related items.
6. **Payroll taxes** – Payroll taxes include Social Security, Medicare and unemployment taxes are projected at a rate of 7.65%.
7. **Training** – The Board has continued to make a commitment to a training regimen which will be required to maintain professional competence and develop new skills to the Board's oversight methodologies.
8. **Recruiting and relocation** – The budget reflects the costs related to hiring professionals in the inspection and enforcement functions.
9. **Administrative expenses** – The budget includes expenses for office supplies, printing, photocopying, telecommunications, postage and insurance. These expenses support the Board's inspection, enforcement, and standard setting activities as well as for general office operations. Insurance includes costs for general property and casualty insurance as well as directors and officers' liability insurance.
10. **Consulting and professional fees** – The Board utilizes the work of consultants for certain projects. A significant portion of the consulting budget is for program development and technical issues.
11. **Facilities** – The Board has leased office space in Washington, DC, New York City and Dulles, VA. The board plans to open three regional offices in Atlanta, Dallas and San Francisco in the first quarter. The new regional offices will house the Board's inspection staff.

12. **Information technology** – The Board is continuing to invest in information technology in support of the registration, inspection and enforcement functions that perform the Board's oversight role as well as enhancing internal IT systems to support basic business operations. To this end the Board will be executing its information technology strategy in six primary areas:
- New Regional Offices – systems required to support three new regional offices in Dallas, San Francisco and Atlanta;
 - Registration System Development - development required to support, among other things, non-U.S. audit firm registration, annual firm reporting and amendment submissions;
 - Organizational Support Systems - develop and field three additional systems to support functional requirements in the inspection, enforcement and analysis organizations;
 - Ongoing Maintenance - registration and funding system maintenance;
 - Business Continuity and Disaster Recovery – enhancing existing capabilities;
 - Internal Operations - enhancement of internal operational systems including new employee support as required by additional headcount.
13. **Provision for uncollectible fees** – The Board has established a provision for uncollectible accounting support fees based on historical performance of approximately 2% in 2003.
14. **Provision for working capital reserve** – The Board has allocated \$3,000,000 in 2004 for working capital purposes to assure adequate liquidity to maintain the Board's operations.
15. **Research** – A provision of \$200,000 has been established to fund academic research projects in 2004 that may be determined by the Board.
16. **Travel and related expenses** – The budget includes travel and related expenses primarily to support PCAOB inspectors conducting inspections in the field. In addition, Board members and professional staff will be required to participate in numerous speaking and other outreach activities away from the Board's offices.
17. **Facilities build-out** – The Board plans to continue the build-out of the New York office in the first quarter of 2004 in addition to the build-out of the three regional inspection offices in Atlanta, Dallas-Fort Worth, and the San Francisco area.