



2005 Budget (Revised)

**Public Company Accounting Oversight Board  
Budget (Revised)  
2005**

**OPERATING EXPENSES**

Personnel	
Salaries/1	\$ 67,328,000
Employee benefits/2	8,654,000
Payroll taxes/3	3,170,000
Training/4	1,799,000
Recruiting and relocation expenses/5	5,722,000
<b>Total personnel expenses</b>	<b>\$ 86,673,000</b>
Administrative expenses/6	2,769,000
Consulting and professional fees/7	4,726,000
Facilities/8	6,556,000
Information technology/9	10,924,000
Travel and related expenses/10	8,416,000
<b>Total Operating Expenses</b>	<b>\$ 33,391,000</b>

**CAPITAL EXPENDITURES**

Information technology development and infrastructure/9	13,909,000
Facilities build-out/11	3,145,000
<b>Total Capital Expenditures</b>	<b>\$ 17,054,000</b>

**TOTAL OUTLAYS**

**\$ 137,118,000**

LESS: 2005 Net Interest Receipts/12 700,000

**NET OUTLAYS**

**\$ 136,418,000**

LESS: 2004 Registration Fees/13 308,000

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**2005 ACCOUNTING SUPPORT FEE/14** **\$ 136,110,000**

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## NOTES TO 2005 BUDGET (Revised)

The 2005 budget for the Public Company Accounting Oversight Board ("PCAOB" or the "Board") is based on the best information available as of the date of this budget. 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. **Salaries** –The Board is engaged in a significant recruiting effort to establish a staff to assist the Board in achieving its mandates under the Sarbanes-Oxley Act of 2002 (the "Act"), and it expects to continue to be so engaged throughout 2005. Accordingly, the Board expects to begin 2005 with 262 employees and to increase the number of employees to approximately 450 by the end of the year. More than half of these new employees are expected to be experienced auditors who will conduct the Board's program of inspections to assess the degree of compliance by registered public accounting firms with the Act, the rules of the Board, the rules of the Commission, and auditing and related professional practice standards, in connection with those firms' audits of the financial statements of public companies. The 2005 budget for salaries includes salaries and related expenses for merit and other salary adjustments and awards.
2. **Employee benefits** – Estimated expenses for employee benefits include costs associated with health care, retirement, and other employee welfare-related items.
3. **Payroll taxes** – Estimated payroll taxes include Social Security, Medicare and unemployment taxes.
4. **Training** – Expected training expenses include training in professional competencies in accounting and auditing, law and other fields, to fulfill the Board's commitment to maintaining a highly-qualified staff in order effectively to achieve the Board's statutory mandates. Training expenses are also expected to include costs for training in using the Board's IT infrastructure and applications and Board policies and procedures.

5. **Recruiting and relocation** – Estimated recruiting and relocation expenses are expected to cover the cost of recruiting a highly-qualified, experienced staff, in a tight employment market for auditors and forensic accountants.
6. **Administrative expenses** – Estimated administrative expenses include costs for office supplies, printing, photocopying, telecommunications, postage and insurance, including premiums for general property and casualty insurance as well as directors' and officers' liability insurance.
7. **Consulting and professional fees** – Estimated consulting and professional fees include costs associated with developing certain initiatives related to the Board's programs that call for highly-specialized skills and services required for a limited period of time. These fees also include costs for services related to investigation and litigation support, such as court reporters, translators, and document and database management, in addition to other legal and advisory services.
8. **Facilities** – Estimated facilities expenses are expected to cover the cost of lease and other payments related to the Board's office space. The Board currently has leased office space at its headquarters in Washington, D.C., at its technology center in Dulles, Virginia in addition to office space to support its inspections staff in New York, New York; Atlanta, Georgia; Dallas, Texas; San Francisco and Costa Mesa, California; Denver, Colorado; and Chicago, Illinois.
9. **Information Technology** – The Board continues to invest in information technology to enable it to fulfill its statutory responsibilities under the Act. The Board expects to continue to execute its information technology strategy in two primary areas: IT applications and IT infrastructure. IT applications include (1) maintaining existing systems, such as the Board's registration, funding, inspection, standards and enforcement support systems; (2) adding capabilities and components to existing systems such as the Board's registration, funding, inspection, standards and enforcement support systems; and (3) developing and deploying entirely new systems, such as a risk management system to support the proactive analysis of audit risk.

IT infrastructure, the second component, consists of (1) deploying networks, security and other systems required to support new office spaces and new employees; (2) expanding existing internal operational systems, including those needed to support new employees expected in 2005; and (3) completing core infrastructure deployments and providing the additional infrastructure required to support new IT application initiatives.

10. **Travel and related expenses** – Estimated travel and related expenses are expected to support travel to perform on-site inspections in the offices of registered public accounting firms. As of December 16, 2004, there were 893 registered public accounting firms located in the United States, many of which have multiple offices, and 530 non-U.S. firms in 76 countries. In addition, the Board expects to incur travel and related expenses associated with the participation of Board members and professional staff in speaking and other outreach activities away from the Board's offices.
11. **Facilities build-out** – The Board expects to incur capital expenditures in 2005 to expand existing office space and/or renovate new office space to support increases in staff.
12. **Interest** – Interest receipts in 2005 is expected to be approximately \$700,000, based on average cash balances invested in overnight repurchase agreements yielding an assumed 1.25% APR, netted against estimated bank charges incurred.
13. **Registration and annual reporting fees** – Under Section 102 of the Act, public accounting firms applying for registration with the Board must pay registration fees in an amount sufficient to cover the costs of processing and reviewing their registration applications. Section 109 of the Act directs that any registration fees collected in one calendar year must be used to reduce the recoverable budget expenses for the next calendar year (i.e., the year after the year in which they are received). Therefore, registration fees of approximately \$308,000 collected for 2004 have been allocated to the 2005 budget to produce the 2005 accounting support fee. Similarly, registration fees collected for 2005 will be allocated to the 2006 budget to produce the 2006 accounting support fee.
14. **Accounting Support Fee** – Pursuant to Section 109 of the Act and the rules of the PCAOB, the budget of the Board, reduced by any registration or annual fees received for the preceding calendar year, is to be funded by an annual accounting support fee. The 2005 budget reflects an accounting support fee

of \$136,110,000. The budget offsets the anticipated interest earned on cash balances (see note 12, above) against total outlays. This amount minus the estimated registration fees collected for 2004 (see note 13, above), produces the 2005 accounting support fee.

Under Section 109 of the Act, annual reporting fees cover the costs of processing and reviewing annual reports submitted by registered public accounting firms. Registered public accounting firms are not currently required to submit annual reports, and therefore are not required to pay annual reporting fees. As contemplated by the Act, the Board intends to require annual reporting, and, when it does so, the Board will also assess annual reporting fees to cover the costs of processing and reviewing such reports. To the extent such fees are assessed in 2005, under Section 109 of the Act they will be allocated to the 2006 budget to produce the 2006 accounting support fee.