

PCAOB

Public Company Accounting Oversight Board

June 1, 2010

The Honorable Mary L. Schapiro
Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Chairman Schapiro:

I am pleased to transmit to you a summary of a performance review, entitled "Reported Performance for 2009". This performance review was conducted by the Board's Office of Internal Oversight and Performance Assurance. The Board formed IOPA to provide the Board, the Securities and Exchange Commission, and others interested in the Board's work with assurance that the PCAOB is achieving the objectives of Title I of the Sarbanes-Oxley Act in an effective manner. IOPA conducts its reviews in conformance with Government Auditing Standards issued by the Comptroller General of the United States.

The Board developed a strategic plan that sets forth goals, objectives, and initiatives to assist in the achievement of the PCAOB's mission under the Act. The 2008 – 2013 version of that plan included 11 performance measures and three performance indicators intended to help the Board evaluate its success with respect to achieving its strategic goals. Actual results against these measures and indicators will be included in the PCAOB's Annual Report for 2009. IOPA was asked to independently determine whether reported results were appropriately supported.

IOPA concluded that overall the PCAOB maintained appropriate support for its reported results. In a few cases, IOPA observed that supporting materials could be better organized or that results could be more clearly presented. I have asked the Director of the Office of Communications to discuss IOPA's observations with the appropriate Division or Office directors as the Board finalizes its Annual Report for 2009. The Board will also take into consideration IOPA's observations on performance measures and indicators as it further refines those measures and indicators as part of developing a revised strategic plan to align with the Board's 2011 budget.

The Honorable Mary L. Schapiro

June 1, 2010

Page 2

The Board intends to publish the attached summary of IOPA's report on the PCAOB's Web site on or about June 8, 2010. Please feel free to contact me or the Director of IOPA, Peter Schleck (202-207-2085), if you have any questions or would like any additional information about IOPA's review or about the 2009 performance indicators.

Sincerely,



Daniel L. Goelzer
Acting Chairman

Enclosure: Review of the Public Company Accounting Oversight Board's Reported Performance for 2009 (IOPA-2010-002) May 14, 2010

cc: The Honorable Kathleen L. Casey
The Honorable Elisse B. Walter
The Honorable Luis A. Aguilar
The Honorable Troy A. Paredes

PERFORMANCE REVIEW

THE PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD'S REPORTED PERFORMANCE FOR 2009 (IOPA-2010-002)

INTERNAL OVERSIGHT AND PERFORMANCE ASSURANCE
May 14, 2010

BACKGROUND AND OBJECTIVE

The Sarbanes-Oxley Act of 2002 (Act) established the Public Company Accounting Oversight Board (PCAOB) and serves as the strategic framework for the development of the Board's programs and operations. Consistent with the Act, the PCAOB's mission is to oversee the audit of public companies 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 has four primary responsibilities: registration of accounting firms that audit U.S. public companies; inspections of registered firms; establishment of auditing standards; and investigation and discipline of registered firms for violations of specified laws or professional standards.

The Board developed a *Strategic Plan* that sets forth goals, objectives, and initiatives to assist the achievement of the PCAOB's mission under the Act. The 2008 – 2013 version of that plan included 11 performance measures and three performance indicators^{1/} intended to help the Board evaluate its success with respect to achieving its strategic goals. In its *Annual Report* for 2009, the Board will report actual 2009 performance against these measures and indicators. The PCAOB's Office of Communications, which has responsibility for issuing the Annual Report, requested that the Office of Internal Oversight and Performance Assurance (IOPA) independently review reported performance prior to the annual report's issuance. As such, IOPA

^{1/} The *Strategic Plan* describes *measures* as relating to certain activities for which the PCAOB is directly responsible. *Indicators* are described as relating to activities that the PCAOB may not directly control.

PERFORMANCE REVIEW

conducted this review to determine whether the PCAOB's reported results against performance measures for 2009 were appropriately supported.^{2/}

PERFORMANCE MEASUREMENT

The *Strategic Plan* notes that the Board relies on a combination of qualitative and quantitative measures to assess progress towards strategic goals. As defined in the plan, qualitative measures include discussions such as those found in PCAOB Rule 4010 reports,^{3/} and other descriptive summaries of firms' audit practices that reflect the impact of the PCAOB's oversight. The plan also articulates the Board's intent to use quantitative measures, where appropriate, to assist in demonstrating the PCAOB's ability to achieve results. The Board's expressed view is that quantitative measures can be helpful, but that their value as oversight tools should be regularly assessed.

In conducting this review, IOPA interviewed individuals from the PCAOB Divisions and Offices responsible for each performance measure and indicator. We also reviewed documentation maintained by the Divisions and Offices in support of reported performance for 2009. The scope of IOPA's review did not include a 100 percent validation of all reported results. Rather, we sought to determine the reasonableness of the methodologies employed in collecting performance data and the appropriateness of backup documentation maintained.

Based on our review, IOPA concluded that overall, the PCAOB maintained appropriate support for its reported results. In a few cases, we observed that supporting materials could be better organized or that results could be more clearly presented. We recommended that the Director of Communications, who has administrative responsibility for the annual report, discuss these observations with the responsible Division and Office Directors. The Director of Communications concurred with our recommendation.

^{2/} This is a public summary of the report. The full report, prepared in accordance with Government Auditing Standards, has been issued to the Board. The full report includes a detailed discussion of the review objective, scope, and methodology.

^{3/} Rule 4010 states, in part, that "...the Board may, at any time, publish such summaries, compilations, or other general reports concerning the procedures, findings, and results of its various inspections as the Board deems appropriate."