



**PUBLIC OVERSIGHT BOARD**

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**REPORT ON SCHEDULE OF EXPENSES**

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**YEAR ENDED JULY 31, 2001**



PUBLIC OVERSIGHT BOARD

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors  
American Institute of Certified Public  
Accountants and the Members  
Public Oversight Board

We have audited the accompanying schedule of expenses of the PUBLIC OVERSIGHT BOARD (the "POB") for the year ended July 31, 2001. Management of the American Institute of Certified Public Accountants and the POB is responsible for the schedule of expenses. Our responsibility is to express an opinion on the schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the schedule of expenses referred to above presents fairly, in all material respects, the expenses of the Public Oversight Board for the year ended July 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

*J.H. Cohn LLP*

Roseland, New Jersey  
September 4, 2001, except for Note 7  
as to which the date is January 31, 2002

## PUBLIC OVERSIGHT BOARD

SCHEDULE OF EXPENSES  
YEAR ENDED JULY 31, 2001

Salaries	<u>\$ 885,239</u>
Board fees	<u>403,167</u>
Peer review and oversight direction	<u>281,032</u>
Personnel costs:	
Pensions	6,078
Employee insurance and benefits	<u>100,861</u>
Total	<u>106,939</u>
Occupancy:	
Rent and building supplies	122,694
Depreciation	<u>17,502</u>
Total	<u>140,196</u>
General:	
Duplicating and printing	13,534
Stationery and supplies	6,890
Technical subscriptions	3,455
Postage and related supplies	8,669
Telephone	20,181
Staff travel	149,736
Business meals	9,861
Board meetings	12,839
Member travel	59,256
Annual Report	28,365
Web site	4,387
Legal fees	1,290,680
Commercial services	18,818
Editorial assistance and public relations	2,295
Sundry	<u>29,242</u>
Total	<u>1,658,208</u>
Other:	
Special Independence Reviews	1,390,377
Panel on Audit Effectiveness	<u>185,026</u>
Total	<u>1,575,403</u>
Total	<u>\$5,050,184</u>

See Notes to Schedule of Expenses.



## PUBLIC OVERSIGHT BOARD

### NOTES TO SCHEDULE OF EXPENSES

#### Note 1 - Organization:

On September 17, 1977, the American Institute of Certified Public Accountants (the "AICPA"), in consultation with the United States Securities and Exchange Commission (the "SEC"), established a self-regulatory framework by the creation of the Division for CPA Firms (the "Division"). Within the Division, the AICPA created the SEC Practice Section (the "SECPS") designed to enhance the quality of the audit practice of accounting firms that audit financial statements filed with the SEC. The Public Oversight Board (the "POB") is an independent private sector body that was created to assure that the public interest in independent auditing receives appropriate consideration at all times. The POB in its oversight role works closely with the AICPA, the SECPS, member firms, the SEC and other government agencies as an independent party for the public interest to enhance self-regulation of the accounting industry.

On February 9, 2001, a formal charter (the "Charter") was approved for the POB. The Charter established the requirement for the SECPS to provide the POB with all the resources to perform its activities and discharge its oversight responsibilities in accordance with the Charter. Funding for the POB and its officers, employees and others, and all activities authorized by the POB, is provided by the SECPS and its members through the AICPA. The POB's annual budget shall not exceed \$5,200,000, including anticipated oversight reviews, which amount shall be adjusted annually for inflation. Notwithstanding this limitation, the SECPS Executive Committee and the AICPA Board may increase the forgoing dollar amount based on the consideration of all the circumstances and public interest at any time during the year. With respect to unanticipated oversight reviews, which are not included in the annual budget and which would cause current period expenditures to exceed the dollar limit in the year covered by the annual budget, such reviews would be subject to a supplemental budget after approval by the POB having submitted such budget to the SECPS Executive Committee for its concurrence and, if the AICPA Board requests, to the AICPA Board for its concurrence, their concurrence not to be unreasonably withheld.

#### Note 2 - Summary of significant accounting policies:

##### Use of estimates:

The preparation of the schedule of expenses in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### Depreciation:

Provision is made for depreciation of furniture, equipment and improvements on the straight-line method by annual charges to operations calculated to absorb the cost of assets over their estimated useful lives. Depreciation expense for the year ended July 31, 2001 amounted to \$17,502.



PUBLIC OVERSIGHT BOARD

NOTES TO SCHEDULE OF EXPENSES

Note 3 - Lease commitment:

The POB leases its premises in Stamford, Connecticut under an operating lease which, on March 7, 2001, was renewed for five years commencing March 1, 2003. The total amount of the base rent payments is being charged to expense using the straight-line method over the extended lease term. The result of using the straight-line method of expensing rent in excess of actual rental payments amounted to \$11,738 for the year ended July 31, 2001.

Minimum future rental commitments under the noncancelable operating lease as of July 31, 2001, exclusive of future escalations for real estate taxes and building operating expenses, are as follows:

<u>Year Ending</u> <u>July 31,</u>	<u>Amount</u>
2002	\$108,411
2003	108,411
2004	108,411
2005	108,411
2006	108,411
Subsequent to 2006	<u>171,651</u>
Total	<u>\$713,706</u>

Note 4 - Special Independence reviews:

During the year ended July 31, 2001, the POB incurred approximately \$1,400,000 of professional fees in connection with planning for the special reviews of the independence quality control systems of the five largest SECPS member firms. The costs of such reviews are not subject to the annual budget dollar limit as described in Note 1.

Note 5 - Panel on Audit Effectiveness:

During the year ended July 31, 2001, the POB incurred approximately \$185,000 in connection with the Panel on Audit Effectiveness whose report was issued prior to the adoption of the Charter described in Note 1.

Note 6 - Employee benefits:

POB staff are covered under multi-employer pension plans maintained by the AICPA. Pension expense included in the accompanying schedule of expenses amounted to \$6,078 for the year ended July 31, 2001.

Note 7 - Subsequent event:

The Board voted on January 20, 2002 to terminate its existence pursuant to Section IX of the POB Charter no later than March 31, 2002. The Board reaffirmed that decision on January 31, 2002.