

## Supreme Court Orders a Change for PCAOB, but Upholds Sarbanes-Oxley

July 8, 2010

### Dear clients and friends:

In a **decision** it issued on June 28, 2010, the U.S. Supreme Court held that the Securities and Exchange Commission (SEC) must change its system for removing board members from the Public Company Accounting Oversight Board (PCAOB). But the Supreme Court's 5-4 decision rejected the plaintiffs' argument that the PCAOB is unconstitutional, and it left intact the remainder of the 2002 Sarbanes-Oxley Act that created the PCAOB.

The Supreme Court declared unconstitutional the Sarbanes-Oxley provision that permitted the SEC to remove PCAOB board members only for good cause. It ruled that "such multilevel protection from removal is contrary to Article II's vesting of the executive power in the President." The Supreme Court's decision permits the SEC to remove PCAOB board members at will.

Plaintiffs were a Nevada-based accounting firm and one of its clients.

The **PCAOB** is a private-sector, non-profit corporation that oversees the auditors of U.S. public companies and requires those auditors to be subject to external and independent oversight.

The five members of the PCAOB Board are appointed to staggered five-year terms by the SEC after consultation with the Chairman of the Board of Governors of the Federal Reserve System and the Secretary of the Treasury.

In a **news release**, PCAOB Acting Chairman Daniel L. Goelzer said: "We are pleased that the decision allows the PCAOB to continue without interruption to carry out its important mission of overseeing public company audits in order to protect investors and promote the public interest."

If you would like additional information on the U.S. Supreme Court's decision or information about the responsibilities of the PCAOB, do not hesitate to contact us at (305) 373-5500.

Sincerely,



Tony Argiz, CPA/ABV/CFF, ASA, CVA, CFE  
[targiz@mbafcpa.com](mailto:targiz@mbafcpa.com)

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## PUBLIC COMPANY ADVISORY

### Our SEC Team:



Frank Gonzalez, CPA/CFF  
[fgonzalez@mbafcpa.com](mailto:fgonzalez@mbafcpa.com)



Emilio Escandon, CPA  
[eescandon@mbafcpa.com](mailto:eescandon@mbafcpa.com)



Yvette Garcia, CPA  
[ygarcia@mbafcpa.com](mailto:ygarcia@mbafcpa.com)



Steven Morrison, CPA  
[smorris@mbafcpa.com](mailto:smorris@mbafcpa.com)