

# **LSC Greenbook**

**Analysis of the Enacted Budget**

## **Accountancy Board**

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### **ATTACHMENT:**

Budget Spreadsheet By Line Item

# Accountancy Board

- Funding of about \$1.3 million per fiscal year
- Provides oversight for CPAs, PAs, and accounting firms in the state

## OVERVIEW

The mission of the Accountancy Board (ACC) is to protect the public interest by requiring that all persons who desire to become Certified Public Accountants (CPAs) meet specific qualifications for entry into the profession and that CPAs and Public Accountants (PAs) maintain competence after they are licensed. The Board determines the level of knowledge of all applicants by a computer-based examination. Those who pass the examination and satisfy education and experience requirements are then licensed. They must thereafter meet continuing education requirements in order to remain licensed. The Board also registers public accounting firms.

The Board's governing authority consists of nine members appointed by the Governor, including eight CPAs who must meet certain qualifications and one member representing the public. Board members receive a per diem in an amount fixed by state law as well as reimbursement for actual and necessary expenses. Day-to-day operations are managed by an executive director and nine additional staff members, including three investigators. The Board receives no funding from the GRF. Its operations are completely supported by fee revenue.

## Appropriation Overview

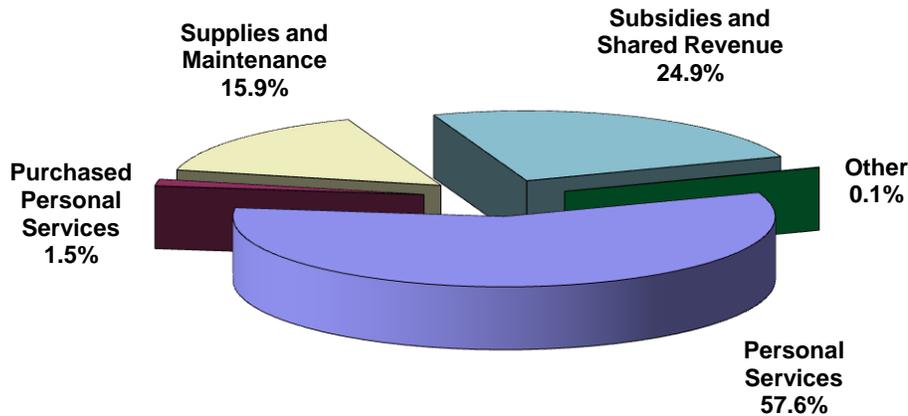
The budget appropriates \$1,302,500 in both FY 2014 and FY 2015. This matches the appropriation in FY 2013 as modified by Controlling Board action in June 2012. Actual spending in FY 2013 totaled about \$1.1 million.

Chart 1 below shows funding levels for ACC according to category of expense. As a regulatory agency, the Board's largest expense is personnel costs, accounting for \$750,000 each year, 57.6% of the budget for the biennium. Another \$325,000 per year, 24.9% of the total, is slated for the Board's CPA Education Assistance Scholarship Program, described in the "**Analysis of Enacted Budget**" section, and shown in the chart as subsidies and shared revenue. The remaining amounts are allocated for supplies and maintenance (15.9%), purchased personal services (1.5%), and other (0.1%). As with many other licensing boards and commissions, the Board obtains assistance from the Central Service Agency (CSA) within the Department of Administrative Services for various administrative support functions.

The budget amended section 4701.03 of the Revised Code to remove language specifying that the Executive Director of the Board be paid at a specific pay range and step. The modified language requires only that the Executive Director be paid in

accordance with salaries for exempt employees. This provision will allow the Board more flexibility to set compensation.

**Chart 1: Appropriations in the Enacted Budget  
by Expense Category, FY 2014-FY 2015**



### Fee Revenues and Fund 4K90

The Board issues permits (active licenses) and registrations (inactive licenses) to CPAs and PAs, and registrations to public accounting firms, which are generally renewed on a triennial basis. Three-year permits and registrations are the most commonly issued. Two-year licenses are issued to new CPAs. One-year permits and registrations are only issued in special circumstances.

Fee revenues collected by the Board are deposited into the Occupational Licensing and Regulatory Fund (Fund 4K90) established by H.B. 152 of the 120th General Assembly. Twenty-seven occupational licensing and regulatory boards and commissions, including the Accountancy Board, use Fund 4K90 as their main operating fund into which receipts are deposited and from which expenses are paid. Although this is a common funding pool, each licensing board or commission is expected to generate enough revenues to cover expenses. In the past, ACC's revenues have exceeded expenditures. Three-year license renewals account for the bulk of revenue and are staggered, ensuring a regular cash flow from year to year.

## ANALYSIS OF ENACTED BUDGET

ACC's operations are funded by a single item appropriation from the General Services Fund Group. A second line item is used to fund CPA education assistance scholarships to needy students. The table below shows the appropriation for each of these line items.

Appropriations for the Accountancy Board				
Fund	ALI and Name		FY 2014	FY 2015
<b>General Services Fund Group</b>				
4J80	889601	CPA Education Assistance	\$325,000	\$325,000
4K90	889609	Operating Expenses	\$977,500	\$977,500
<b>General Services Fund Group Subtotal</b>			<b>\$1,302,500</b>	<b>\$1,302,500</b>
<b>Total Funding: Accountancy Board</b>			<b>\$1,302,500</b>	<b>\$1,302,500</b>

### Operating Expenses (889609)

This line item funds the Accountancy Board's operating expenses. It is supported by license fees and other assessments deposited in Fund 4K90. The appropriations – \$977,500 in both FY 2014 and FY 2015 – match the appropriation in FY 2013.

#### Licenses

An individual engaged in the practice of public accounting in Ohio is required to hold a permit. Persons with a CPA or PA designation who are not engaged in the practice of public accounting may obtain a registration. All new licenses issued to individuals are CPA certificates; no new PA licenses have been issued since 1993.

#### Investigation and Enforcement

ACC's regulatory responsibility includes investigating complaints concerning alleged violations. The most frequent complaints include unethical conduct, unlicensed practice, firms operating without being registered, and retention of client records. If a licensee or firm fails to renew a license, the Board sends its investigators on a field call to determine if an individual or firm is practicing without a license. If so, violators may be referred to county or city prosecutors. To aid enforcement, ACC investigators prepare packets for local prosecutors with the relevant information on each case, helping prosecutors to follow up with charges.

### CPA Education Assistance (889601)

This line item funds the CPA Education Assistance Scholarship Program, which provides scholarships to low-income and minority students in their fifth year of accounting study required for the CPA certificate. To be awarded funding, applicants are required by administrative rule to certify that they will take the CPA examination

within two years of the final scholarship grant payment, or reimburse the Board. The budget appropriates \$325,000 in each fiscal year for this program, the same as the appropriation in FY 2013 as increased by Controlling Board action in June 2012. The program is supported by a \$10 per year license surcharge. The amounts of each scholarship vary by the applicant's financial need.

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# FY 2014 - FY 2015 Final Appropriation Amounts

# All Fund Groups

## Line Item Detail by Agency

			FY 2012	FY 2013	Appropriation FY 2014	FY 2013 to FY 2014 % Change	Appropriation FY 2015	FY 2014 to FY 2015 % Change
<b>Report For Main Operating Appropriations Bill</b>			<b>Version: Enacted</b>					
<b>ACC Accountancy Board of Ohio</b>								
4J80	889601	CPA Education Assistance	\$ 240,000	\$ 294,234	\$ 325,000	10.46%	\$ 325,000	0.00%
4K90	889609	Operating Expenses	\$ 936,464	\$ 845,670	\$ 977,500	15.59%	\$ 977,500	0.00%
<b>General Services Fund Group Total</b>			<b>\$ 1,176,464</b>	<b>\$ 1,139,904</b>	<b>\$ 1,302,500</b>	<b>14.26%</b>	<b>\$ 1,302,500</b>	<b>0.00%</b>
<b>Accountancy Board of Ohio Total</b>			<b>\$ 1,176,464</b>	<b>\$ 1,139,904</b>	<b>\$ 1,302,500</b>	<b>14.26%</b>	<b>\$ 1,302,500</b>	<b>0.00%</b>