

# Accountancy Board of Ohio

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- \$2,305,964 requested;  
\$2,201,686 recommended
- 32,346 licenses to administer FY2000

## OVERVIEW

The mission of the Accountancy Board of Ohio is to assure that the services received by Ohioans from Certified Public Accountants (CPAs) and Public Accountants (PAs) will be performed in an ethical, competent, and professional manner and in accordance with all appropriate laws and standards. The Board determines the level of knowledge of all applicants through means of an examination. Those who pass the examination are then licensed and regulated by the Board. The Board mandates a continuing program of continuing education for its licensees.

In FY 2000 the Board administered over 32,000 licenses. The Accountancy Board of Ohio is the only occupational licensing board that operates on a triennial renewal cycle. The Board operates from two state funds, the 4K9 Fund and the 4J8 Fund.

The Board's license revenues and operational expenditures are included in the 4K9 Fund. Revenues and expenditures for FY1998/1999/2000 renewal cycle totaled \$4,035,232 and \$2,232,050 respectively. The Board's net gain for the three-year cycle ending in FY2000 was \$1,803,182.

The moneys in Fund 4J8 come from fees paid by licensees and are used for the Board's scholarship program. The 4J8 Fund was created as a result of FY1993 legislation that increased the basic education requirements an individual must meet to become licensed as a Certified Public Accountant. The first disbursement from this fund was in FY1998.

ACCOUNTANCY BOARD

Corrected PageA4 of Red Book

ADDITIONAL FACTS AND FIGURES

REVISED CHART

Accountancy Board of Ohio Staffing Levels						
Program Series/Division	1998	1999	2000	2001	Estimated	
					2002	2003
Board Members	9	9	9	9	9	9
Administrative Staff	10	9	8	8	8	8
Investigators	1	2	3	3	3	3
<b>Totals</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>

The above chart has been revised from the original Red Book. The number of Administrative Staff is currently 8, not 11.

Number of Licensees

License Type	FY1999	FY2000
Certified Public Accountant*	29,041	29,703
Public Accountant*	377	333
Other	9,952	2,310

\*Types include: Ohio Registration and Ohio Permit.

Current License Fees

License fees for public accountants and certified public accountants were last increased in July 1991. Fees for firms were last increased in July 1993. The Board operates on a triennial renewal cycle.

	1 year	2 year	3 year
Limited Permit	\$13	\$26	\$40
Unlimited Permit	\$45	\$90	\$135

## ANALYSIS OF EXECUTIVE PROPOSAL

### ACCOUNTANCY BOARD OF OHIO

**Purpose** Tests, licenses and regulates the individuals and firms who practice accounting in this state.

The following table shows the line items that are used to fund this program series, as well as the Governor's recommended funding levels.

Fund	ALI	Title	FY 2002	FY 2003
4K9	889-609	Operating Expenses	\$870,318	\$917,458
4J8	889-601	CPA Education Assistance	\$204,400	\$209,510
<b>Total funding: Accountancy Board of Ohio</b>			<b>\$1,074,718</b>	<b>\$1,126,968</b>

Specific programs within the Accountancy Board of Ohio program series that this analysis will focus on include:

- **Operating Expenses**
- **CPA Education Assistance**

**Operating Expenses Program Description:** The Accountancy Board of Ohio tests, licenses, and regulates individuals and firms who practice accounting in this state to ensure that the services being provided are ethical and professional in manner and in accordance with all appropriate laws and standards. The laws in Chapter 4701 of the Ohio Revised Code govern the Accountancy Board.

**Funding Source: GSF Fund 4K9** – Currently, all revenue from the 22 occupational licensing boards is placed in Fund 4K9 and the reallocated to each board. Each board must raise enough revenue through its license fees to cover its expenses.

**Line Items:** 889-609 Operating Expenses

**Implication of Recommendation:** The executive recommendation for the Accountancy Board of Ohio is \$870,318 for FY2002, a 7.3% increase over the appropriation for FY2001, and \$917,458 for FY2003, an increase of 5.4% from FY2002.

The executive proposal will support the Board's operations at its current level. It provides enough funds in the maintenance line to provide for one filing cabinet. It also includes a rent adjustment of \$1,576 for FY2002 and \$1,157 for FY2003 due to higher rent at the Riffe Center.

**CPA Education Assistance Program Description:** In August 1992 the Ohio General Assembly enacted legislation that raised the basic educational requirements that individuals must meet to become licensed as CPAs. The CPA Education Assistance Program was established to reduce the burden of the increased education requirement to low income students. The first scholarships were awarded in January 1998. The Board awards funding in two tiers: tier one grants are awarded to minority students and

tier two grants are awarded directly to Ohio colleges.

***Funding Source:*** GSF – Surcharge on license renewal is deposited into Fund 4K9. Money is transferred quarterly to Fund 4J8 to fund this program.

***Line Items:*** 889-601 CPA Education Assistance

***Implication of Recommendation:*** The Executive recommendation for the CPA Education Assistance account is \$204,400 in FY2002 and \$209,510 for FY2003.

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## PERMANENT AND TEMPORARY LAW

This section describes permanent and temporary law provisions contained in the executive budget that will affect the department's activities and spending decisions during the next biennium.

### **Increases the maximum fine the Board may assess for violations of professional standards from \$1000 to \$5000 (ORC 4701.16)**

The \$1000 fine has not been changed since 1980. Currently, the Board has indicated that the fees for later renewal can approach \$1000, therefore making the current fine ineffective as a deterrent. The new fine will allow the Board to use it more often.

### **Late Fees (ORC 4701.10)**

Late fees are imposed in the bill as follows: (1) For applying for an initial Ohio permit or Ohio registration more than 60 days after issuance of the CPA certificate, not in excess of \$100 per month up to a total of \$1,200; (2) For failing (without just cause) to renew an Ohio permit or Ohio registration while not engaged in the practice of public account, not in excess of \$50 per month up to a total of \$300. Also changes law so that a person who fails to apply for a permit or registration within one year of the expiration date on the Ohio permit or a CPA certificate holder who fails to apply within one year of receiving the CPA certificate will have their CPA registration or PA registration suspended. Current law requires three years rather than one.

## REQUESTS NOT FUNDED

Accountancy Board of Ohio						
Fund Line Item	FY 2002 Requested	FY 2002 Recommended	Difference	FY 2003 Requested	FY 2003 Recommended	Difference
ACC 889-609	\$907,494	\$870,318	(\$37,176)	\$984,560	\$917,458	(\$67,102)

The Board sought additional funding for maintenance, credit card fee increases, an increase in investigative activity and an increase in training. The Board also wished to fund the position of Assistant Executive Director at pay range 16 of table E-1. The Governor's recommendation funded none of these requests.

**LSC Budget Spreadsheet by Line Item, FY 2002 - FY 2003**

<i>Fund</i>	<i>ALI</i>	<i>ALI Title</i>	<b>Revised Estimated 2001</b>	<b>As Introduced 2002</b>	<b>House Sub Bill 2002</b>	<b>% Change Est. 2001 to House 2002</b>	<b>As Introduced 2003</b>	<b>House Sub Bill 2003</b>	<b>% Change House 2002 to House 2003</b>
<b>ACC Accountancy Board of Ohio</b>									
4J8	889-601	CPA Education Assistance	\$200,000	\$ 204,400	\$ 204,400	2.2%	\$ 209,510	\$ 209,510	2.5%
4K9	889-609	Operating Expenses	\$810,813	\$ 870,318	\$ 870,318	7.3%	\$ 917,458	\$ 917,458	5.4%
<b>General Services Fund Group Total</b>			<b>\$ 1,010,813</b>	<b>\$ 1,074,718</b>	<b>\$ 1,074,718</b>	<b>6.3%</b>	<b>\$ 1,126,968</b>	<b>\$ 1,126,968</b>	<b>4.9%</b>
<b>Total All Budget Fund Groups</b>			<b>\$ 1,010,813</b>	<b>\$ 1,074,718</b>	<b>\$ 1,074,718</b>	<b>6.3%</b>	<b>\$ 1,126,968</b>	<b>\$ 1,126,968</b>	<b>4.9%</b>

## General Services Fund Group

### 4J8 889-601 CPA Education Assistance

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$250,800	\$166,400	\$13,500	\$200,000	<b>\$204,400</b>	<b>\$209,510</b>
	-33.7%	-91.9%	1381.5%	<b>2.2%</b>	<b>2.5%</b>

**Source:** GSF: Surcharge to license renewals which is deposited into Fund 4K9 and then transferred quarterly into Fund 4J8

**Legal Basis:** Originally established by Am. Sub. H.B. 215 of the 122nd G.A.

**Purpose:** This appropriation was established to reduce the burden of the increased education requirement to low income students. The funds in this line item will be used to pay for scholarships awarded to CPA students in their fifth year of school.

### 4K9 889-609 Operating Expenses

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$702,365	\$643,130	\$749,167	\$810,813	<b>\$870,318</b>	<b>\$917,458</b>
	-8.4%	16.5%	8.2%	<b>7.3%</b>	<b>5.4%</b>

**Source:** GSF: Revenue received by the occupational licensing boards is deposited into Fund 4K9

**Legal Basis:** Originally established by Am. Sub. H.B. 152 of the 120th G.A.

**Purpose:** This appropriation supports the general operating expenses, including payroll, supplies, and equipment for the Accountancy Board of Ohio, which licenses and regulates accountants and accounting firms.

As Introduced\*

In House Finance and Appropriations

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**Permanent Law Changes****Subject: Late Fees****sections: 4701.10, 4743.05**

Imposes late fees as follows: (1) For applying for an initial Ohio permit or Ohio registration more than 60 days after issuance of the CPA certificate, not in excess of \$100; (2) For failing (without just cause) to renew an Ohio permit while engaged in the practice of public accounting, not in excess of \$100 per month up to a total of \$1,200; (3) For failing (without just cause) to renew an Ohio permit or Ohio registration while not engaged in the practice of public accounting, not in excess of \$50 per month up to a total of \$300.

Also changes law so that a person who fails to apply for a permit or registration within one year of the expiration date of the Ohio permit or a CPA certificate holder who fails to apply within one year of receiving the CPA certificate will have their CPA registration or PA registration suspended. Current law requires three years rather than one.

No change.

As Introduced\*

In House Finance and Appropriations

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**Permanent Law Changes****Subject: Increases Maximum Fine for Violations of Professional Standards****section: 4701.16**

Increases the maximum fine the Board may assess for violations of professional standards from \$1,000 to \$5,000. The maximum fine has remained at \$1,000 since 1980. The Board indicates that the fees for late renewal can approach \$1,000, making the current fine ineffective as a deterrent. Because the new fine can be substantially more than late filing fees, the Board may be able to use the fine more often. However, the larger fine could serve as a deterrent, reducing violations. Therefore, the fiscal effect of this provision will depend largely on these two unpredictable factors.

No change.