

# **Accountancy Board of Ohio**

**House Higher Education Subcommittee**

*Carol Robison, Budget Analyst  
Legislative Service Commission*

*March 6, 2003*

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**LSC Redbook**  
**for the**  
**Accountancy Board of Ohio**

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*March 6, 2003*

# Accountancy Board of Ohio

- Executive recommendation is \$1,220,093 for FY 2004 and \$1,265,088 for FY 2005
- Investigative work of the Board produced legal actions in nearly all 88 counties

## OVERVIEW

The mission of the Accountancy Board of Ohio is to assure that the services received by Ohioans from Public Accountants (PAs) and Certified Public Accountants (CPAs) 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 program of continuing education for its licensees.

In FY 2002 the Board handled the administrative work for 29,367 public accountant and certified public accountant licenses. The Accountancy Board of Ohio is one of two occupational licensing boards that operate on a triennial renewal cycle. The Board operates from two state funds, the 4K9 Fund and the 4J8 Fund.

### 4K9 Fund

The Board's license revenues and operational expenditures are included in the 4K9 Fund. For the triennial period FY 2000 – FY 2002, the 4K9 Fund realized a net gain of \$1,538,573 for the Accountancy Board.

	FY 2000	FY 2001	FY 2002	Triennial Total
<b>4K9 Revenues</b>	\$1,346,449	\$1,357,310	\$1,277,077	\$3,980,836
<b>4K9 Expenditures</b>	\$749,167	\$812,167	\$880,929	\$2,442,263
<b>Net Gain</b>	\$597,282	\$545,143	\$396,148	\$1,538,573

The Accountancy Board anticipates increases in expenses in the upcoming triennial period due to increases in investigative travel costs, credit card license renewal charges from the major credit card companies, annual rent at the Riffe Center, contributory charges for the MIS consultant contracted by DAS to serve the licensing boards, lockbox services through a local bank (expenses shifted from Treasurer of State to boards), replacement of 11 computers over the FY 2004-2005 biennial period, and other charges from DAS for costs related to the new licensing system.

**4J8 Spending Authority for Educational Assistance**

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 FY 1993 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 FY 1998. The Fund continues to provide educational assistance to qualified candidates. Currently, due to a shortage of qualified candidates for educational assistance, there is a positive balance of unused funds in the 4J8 Fund.

<b>Actual 4J8 Expenditures FY 2000 – FY 2002</b>			
<b>FY 2000</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>Total</b>
\$13,500	\$104,938	\$157,246	\$275,684
<b>Estimated 4J8 Spending Authority FY 2003 – FY 2005</b>			
<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>Total</b>
\$209,510	\$209,510	\$209,510	\$628,530

## 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 2004	FY 2005
4K9	889-609	Operating Expenses	\$1,010,583	\$1,055,578
4J8	889-601	CPA Education Assistance	\$209,510	\$209,510
<b>Total funding: Accountancy Board of Ohio</b>			<b>\$1,220,093</b>	<b>\$1,265,088</b>

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

- OPERATING EXPENSES
- EDUCATIONAL ASSISTANCE

#### Operating Expenses

**Program Description:** (R.C. Chapter 4701.) 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.

**Funding Source:** GSF Fund 4K9. Currently, all revenue from the 24 occupational licensing boards is placed in Fund 4K9 and then reallocated to each board. Each board must raise enough revenue through its license fees to cover its expenses.

**Line Item:** 889-609, Operating Expenses

**Implication of Recommendation:** The executive recommendation for the 4K9 Fund portion of the Accountancy Board of Ohio is \$1,010,583 for FY 2004, a 5% increase over the estimated spending for FY 2003, and \$1,055,578 for FY 2005, an increase of 4.5% over the executive recommendation for FY 2004.

Passage of S. B. 200 in December 1998 continues to have an impact on the Accountancy Board's operations by virtue of increasing the investigative work of the Board. The number of cases handled by the Accountancy Board's investigative staff in FY 2002 represents a 70% increase in the number of cases that were handled in FY 1999. Beginning in January 2001, the Board has had more contact with county prosecutors in investigations; a total of 19 criminal cases were filed with local prosecutors for unlawful practice. Over 15.5 months from early 2001 through the summer of 2002, there were 46 disciplinary hearings. This number represents a marked increase in disciplinary hearings from previous years.

The largest increases in expenditures are expected from the increases in travel expenses and the continuation of increased investigations.

Other increases in expenses are expected from the conversion of the CPA examination format from paper to computer-based format beginning in 2004. Certified Public Accountant Examination Services holds the contract for this conversion, yet the Accountancy Board anticipates there may be conversion issues that may produce some additional expenses.

**Educational Assistance**

**Program Description:** (R.C. section 4701.26) 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 and will continue through future bienniums. 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 Fund 4J8. Surcharge on license renewal is deposited into Fund 4K9. Money is transferred quarterly to Fund 4J8 to fund this program.

**Line Item:** 889-601, CPA Education Assistance

**Implication of Recommendation:** The executive recommendation for the CPA Education Assistance account is \$209,510 in FY 2004 and \$209,510 for FY 2005. In previous years, spending from the 4J8 Fund has been less than the allocated moneys based upon a lack of qualified candidates for educational assistance.

In spite of recent decreases in the number of candidates to receive educational assistance, a possible increase in the number of candidates for educational funding may be experienced over the FY 2004-FY2005 biennial period due to the increase in number of educational hours from 120 hours to 150 hours to maintain the CPA licensure. The additional 30 hours represents a fifth year of coursework. It is unknown if the additional 30 hours of required coursework will contribute to a decline in CPAs, or have no effect on the number of CPAs.

## ADDITIONAL FACTS AND FIGURES

Accountancy Board of Ohio Staffing Levels						
Program Series/Division	2000	2001	2002	2003	Estimated	
					2004	2005
Board Members	9	9	9	9	9	9
Administrative Staff	8	8	8	8	8	8
Investigators	3	3	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>

### Number of Licensees

License Type	FY 2001	FY 2002
Public Accountant – Ohio Permit	48	43
Public Accountant – Ohio Registration	265	239
Certified Public Accountant – Ohio Registration	10,267	10,225
Certified Public Accountant – Ohio Permit	19,338	18,860
<b>TOTAL</b>	<b>29,918</b>	<b>29,367</b>

### 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

## **PERMANENT AND TEMPORARY LAW**

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

There are no permanent or temporary law provisions with fiscal effects on this agency.

## **REQUESTS NOT FUNDED**

The Accountancy Board has requested a budget of \$1,258,093 for FY 2004 and \$1,289,088 for FY 2005.

- FY 2004 Core: \$1,171,968 (includes \$209,510 Educational Assistance 4J8 Fund moneys)
- FY 2004 Supplemental: \$86,125
- FY 2005 Core: \$1,171,968 (includes \$209,510 Educational Assistance 4J8 Fund moneys)
- FY 2005 Supplemental: \$117,120

The executive recommendation of \$1,220,093 for FY 2004 represents 97.0% of the Board's request for FY 2004.

The executive recommendation of \$1,265,088 for FY 2005 represents 98.1% of the Board's request for FY 2005.

The Board is seeking additional funding for credit card fee increases, an increase in investigative activity, MIS consultant, lockbox, rent increase, and replacement of eleven computers. Without full funding, the Accountancy Board may reduce its activity in one or more of these areas.

## General Services Fund Group

### 4J8 889-601 CPA Education Assistance

2000	2001	2002	2003 Estimate	2004 Executive Proposal	2005 Executive Proposal
\$13,500	\$104,938	\$157,246	\$209,997	<b>\$209,510</b>	<b>\$209,510</b>
	677.3%	49.8%	33.5%	<b>-0.2%</b>	<b>0.0%</b>

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

**Legal Basis:** Section 10 of Am. Sub. H.B. 94 of the 124th G.A. (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

2000	2001	2002	2003 Estimate	2004 Executive Proposal	2005 Executive Proposal
\$749,167	\$812,167	\$880,929	\$962,458	<b>\$1,010,583</b>	<b>\$1,055,578</b>
	8.4%	8.5%	9.3%	<b>5.0%</b>	<b>4.5%</b>

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

**Legal Basis:** Section 10 of Am. Sub. H.B. 94 of the 124th G.A. (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.

**LSC Budget Spreadsheet by Line Item, FY 2004 - FY 2005**

<i>Fund</i>	<i>ALI</i>	<i>ALI Title</i>	<i>2002</i>	<i>Estimated 2003</i>	<i>Executive 2004</i>	<i>% Change 2003 to 2004</i>	<i>Executive 2005</i>	<i>% Change 2004 to 2005</i>
<b>ACC Accountancy Board of Ohio</b>								
4J8	889-601	CPA Education Assistance	\$ 157,246	\$209,997	\$ 209,510	-0.2%	\$ 209,510	0.0%
4K9	889-609	Operating Expenses	\$ 880,929	\$962,458	\$ 1,010,583	5.0%	\$ 1,055,578	4.5%
<b>General Services Fund Group Total</b>			<b>\$ 1,038,175</b>	<b>\$ 1,172,455</b>	<b>\$ 1,220,093</b>	<b>4.1%</b>	<b>\$ 1,265,088</b>	<b>3.7%</b>
<b>Total All Budget Fund Groups</b>			<b>\$ 1,038,175</b>	<b>\$ 1,172,455</b>	<b>\$ 1,220,093</b>	<b>4.1%</b>	<b>\$ 1,265,088</b>	<b>3.7%</b>