

Redbook
LBO Analysis of Executive Budget Proposal
Accountancy Board

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LBO Redbook

Accountancy Board

Quick look...

- The Accountancy Board (ACC) seeks to assure the provision of accounting services to Ohioans in an ethical and professional manner, by overseeing certified public accountants (CPAs), public accountants (PAs), and accounting firms in the state.
- ACC provides scholarships to low-income and minority students seeking to become CPAs.
- The Board consists of nine members appointed by the Governor with consent of the Senate.
- Overseen by an executive director, ACC employs nine, not including the board members.
- The executive budget recommends appropriations totaling \$3.7 million over the biennium.
 - All funding is non-GRF, from fees charged to accountants and accounting firms.
 - Uses of the budget: 55% for personnel cost, 28% for scholarships, and 15% for supplies and maintenance, with small amounts (less than 1% each) for purchased personal services, equipment, and transfers and nonexpense.

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate	FY 2024 Introduced	FY 2025 Introduced
Fund 4K90 ALI 889609, Operating Expenses					
\$1,103,543	\$1,108,459	\$1,289,873	\$1,329,542	\$1,343,885	\$1,301,216
% change	0.4%	16.4%	3.1%	1.1%	-3.2%
Fund 4J80 ALI 889601, CPA Education Assistance					
\$448,552	\$304,623	\$233,852	\$525,000	\$525,000	\$525,000
% change	-32.1%	-23.2%	124.5%	0.0%	0.0%
Total funding:					
\$1,552,095	\$1,413,082	\$1,523,725	\$1,854,542	\$1,868,885	\$1,826,216
% change	-9.0%	7.8%	21.7%	0.8%	-2.3%

Agency overview

The Accountancy Board (ACC) protects the public by requiring that certified public accountants (CPAs) meet specific requirements for licensing, and that CPAs and public accountants (PAs) maintain their competence after licensing.¹ ACC’s mission “is to assure that the services received by Ohio’s citizens and businesses from CPAs and PAs licensed by the Board, will always be performed in an ethical and professional manner and to strictly and fairly enforce

¹ Registrations for PAs were issued during 1959 to 1993; no new PA registrations are issued. As of June 2022, 35 PAs remained registered.

Ohio’s statutes and rules.” The agency 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 to remain licensed. ACC also registers public accounting firms. It investigates violations of law and board rules pertaining to accounting and disciplines licensees. The agency also provides financial assistance to students in the fifth year of college who intend to become CPAs and are financially needy.

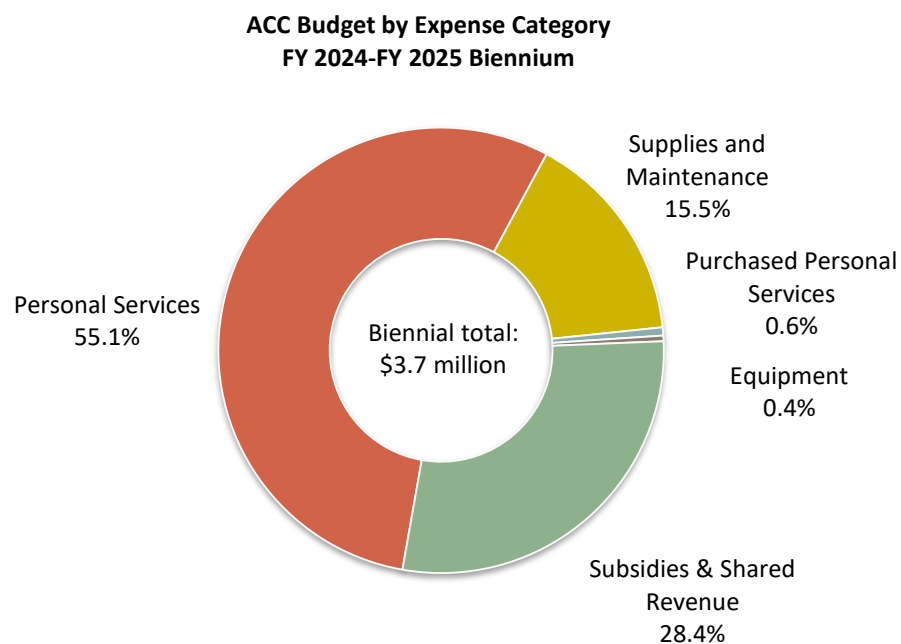
The Board by statute has nine members appointed by the Governor with the advice and consent of the Senate, including eight CPAs who must meet certain qualifications and one member representing the public. Board members serve seven-year terms, are compensated on an hourly basis for work on board business, and are reimbursed for expenses. ACC employs a staff of nine, not including the board members. Staff members include an executive director, administrators, and investigators.

ACC relies on the Central Service Agency (CSA) for various services. CSA provides ACC and 23 other boards and commissions with various budgetary, fiscal, payroll, and human resource services. ACC uses the eLicensing system, also within the Department of Administrative Services, for administration of licenses. ACC is represented in administrative hearings and court proceedings by the Ohio Attorney General’s Office.

Board functions have generally been performed remotely since March 2020. Most board staff only work in the office one day a week.

Analysis of FY 2024-FY 2025 budget proposal

Operations of the Board are paid from Fund 4K90 line item 889609, Operating Expenses. Scholarships for low-income and minority accounting students are paid from Fund 4J80 line item 889601, CPA Education Assistance. The chart below shows the biennial recommendations for the Board by expense category.



As a regulatory agency, the Board's largest expense is personnel costs, accounting for 55.1% of the recommended budget for the biennium. Another 28.4% of the total is slated for the Board's CPA Education Assistance Scholarship Program, shown in the chart as subsidies. The remaining amounts are allocated for supplies and maintenance (15.5%), purchased personal services (0.6%), equipment (0.4%), and transfers and nonexpense (0.03%).

The proposed budget requires the Accountancy Board to maintain a publicly available and searchable electronic register with certain information regarding each public accountant holding a license issued by the Board, rather than requiring a printed register as under current law, and modifies the information that must be included in the register. Eliminating the printed annual register will reduce board costs. The Board currently provides an online licensee lookup capability.

Operating revenues and expenses

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. The base individual license fee for CPAs and PAs was increased by the Board in October 2018 after being held unchanged since 1994, apart from surcharges to support the Board's CPA Education Assistance Scholarship Program. 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). Nineteen occupational licensing and regulatory boards and commissions, including ACC, 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 its expenses. In FY 2022, ACC's revenues exceeded expenditures by \$459,938.

Fees for various permits and registrations administered by ACC are shown in Table 1. In addition, a fee of \$3.50 for each eLicense transaction is charged to help cover the Board's costs.

License Type	Fee
Individual three-year permit fee	\$180
Individual three-year registration fee	\$85
Individual two-year permit fee (newly licensed CPA or return to practice)	\$120
Individual two-year registration fee (newly licensed CPA or return to good standing)	\$56
Individual one-year permit fee (only for return to practice)	\$60
Individual one-year registration fee (only for return to good standing)	\$28
Public accounting firm initial registration fee	\$10
Public accounting firm three-year registration renewal fee	\$30
CPA certificate application fee (reciprocity, transfer of grades)	\$100

The Board's FY 2022 annual report shows 21,905 active CPA permits. Companies registered with the Board included 888 that provide financial reporting services and 1,747 tax/consulting firms. 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. In FY 2022, 658 CPAs were certified. No new PA licenses have been issued since 1993, and few persons with this designation remain registered.

ACC began using eLicense Ohio in April 2018. The eLicense Ohio system is used for issuing and managing professional and occupational licenses by 23 state boards and commissions.

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenue	\$1,661,789	\$1,567,326	\$1,947,379	\$1,857,612	\$1,680,388	\$1,983,664
Expenses	\$1,325,438	\$1,475,575	\$1,553,989	\$1,552,095	\$1,403,160	\$1,523,725
Net	\$336,351	\$91,751	\$393,390	\$305,517	\$277,227	\$459,938

From year to year, ACC's revenues consistently outpace expenses. The data shown in Table 2 are taken from various annual reports, and include amounts both for board operations and for the scholarship program.²

Licenses and investigation and enforcement statistics

ACC's regulatory responsibility includes investigating complaints concerning alleged violations. Complaints include unethical conduct, unlicensed practice, firms operating without being registered, and retention of client records. According to the Board's FY 2022 annual report, a total of 858 cases were opened during the year and 926 cases were closed. As of June 30, 2022, 29 cases remained open. ACC employs two full-time investigators.

If a licensee or firm fails to renew a license, ACC investigators make 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. Investigators conducted 107 field calls in FY 2022. 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

Appropriation item 889601, CPA Education Assistance, funds the Board's 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

² The expense total for FY 2021 shown in Table 2 and in ACC's annual report differs from the figure for actual expenses in the Ohio Administrative Knowledge System, shown in the "Quick Look" table above. LBO does not know the reason for this difference.

final scholarship grant payment. The program is supported by a \$10 per year license surcharge on permits and registrations.³ Amounts of the scholarships vary by each applicant's financial need.

ACC/zg

³ Division (H) of R.C. 4701.10 and Ohio Administrative Code 4701-17-08.