

Redbook
LBO Analysis of Executive Budget Proposal
Accountancy Board

Philip A. Cummins, Senior Economist
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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 CPAs, 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 Board members.
- The executive budget recommends appropriations totaling \$3.6 million over the biennium.
 - All funding is non-GRF, from fees charged to accountants and accounting firms.
 - Uses of the budget: 51% for personnel cost, 29% for scholarships, 19% for supplies and maintenance, and 1% for purchased personal services.

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
Fund 4K90 ALI 889609, Operating Expenses					
\$975,635	\$980,203	\$1,050,575	\$1,236,965	\$1,236,965	\$1,291,139
% change	0.5%	7.2%	17.7%	0.0%	4.4%
Fund 4J80 ALI 889601, CPA Education Assistance					
\$316,601	\$345,235	\$425,000	\$525,000	\$525,000	\$525,000
% change	9.0%	23.1%	23.5%	0.0%	0.0%
Total funding:					
\$1,292,236	\$1,325,438	\$1,475,575	\$1,761,965	\$1,761,965	\$1,816,139
% change	2.6%	11.3%	19.4%	0.0%	3.1%

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 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

¹ Registrations for PAs were issued during 1959 to 1993; no new PA registrations are issued.

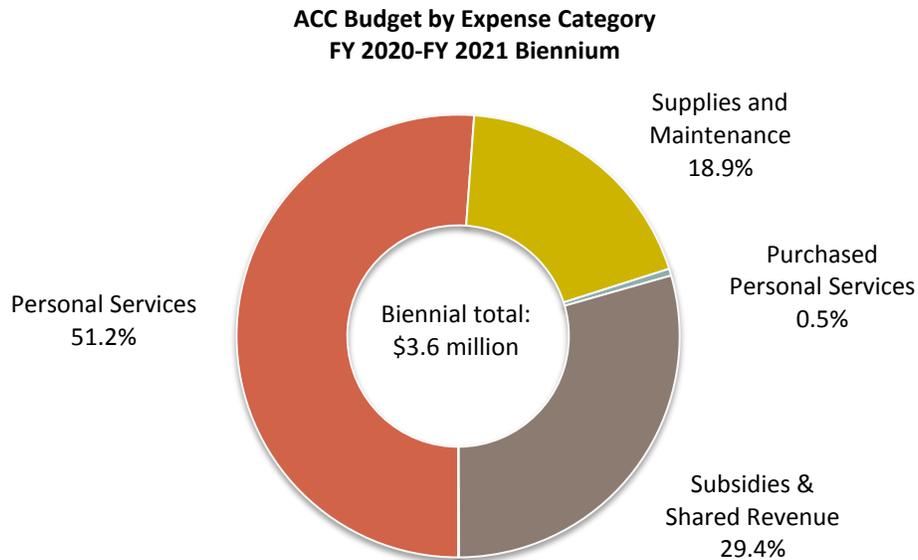
continuing education requirements to remain licensed. ACC also registers public accounting firms. It investigates violations of law and Board rules pertaining to accounting and disciplines licensees. The agency also provides financial assistance to students in the fifth year of college who intend to 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. Operations are overseen by an executive director and eight other staff members, including administrators and investigators. The Board receives no funding from the GRF. Its operations are completely supported by fee revenue.

ACC relies on the Central Service Agency (CSA) for various services. CSA provides ACC and 24 other boards and commissions with various budgetary, fiscal, payroll, and human resource services. One of these services is the eLicensing system.

Analysis of FY 2020-FY 2021 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 51.2% of the recommended budget for the biennium. Another 29.4% 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 (18.9%), purchased personal services (0.5%), and transfers and nonexpense (0.1%).

Operating revenues and expenses

As with many other licensing boards and commissions, the Board obtains assistance from the CSA within the Department of Administrative Services for various administrative support functions. The Board paid \$23,154 in CSA charges for these services in FY 2018, 1.6% of its total expenses in that year.

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, and were increased \$30 for individuals. Two-year licenses are issued to new CPAs, and were increased \$20 for individuals. One-year permits and registrations are only issued in special circumstances. Fees for public accounting firm registrations were not changed.

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-five 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 its expenses. In FY 2018, ACC's revenues exceeded expenditures by \$137,415.

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 in FY 2018 is charged to help cover the Board's costs.

License Type	Fee
Individual three-year Ohio permit fee	\$180
Individual three-year Ohio registration fee	\$85
Individual two-year Ohio permit fee (newly licensed CPA)	\$120
Individual two-year Ohio registration fee (newly licensed CPA)	\$56
Public accounting firm initial registration fee	\$10
Public accounting firm three-year registration renewal fee	\$30

According to the Board's FY 2018 annual report, as of June 30, 2018, 22,751 individuals held active Ohio permits issued by the Accountancy Board. 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, and few persons with this designation remain registered. There were also 1,285

public accounting firms that perform financial reporting services and 1,816 tax/consulting firms registered in Ohio.

The Accountancy Board began using eLicense Ohio in April 2018. The eLicense Ohio system is used for issuing and managing licenses by 25 state boards and commissions.

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Revenue	\$1,540,495	\$1,564,967	\$1,501,194	\$1,593,478	\$1,661,789	\$1,567,326
Expenses	\$1,125,927	\$1,181,029	\$1,195,466	\$1,255,243	\$1,319,174	\$1,429,911
Net	\$414,568	\$383,938	\$305,728	\$338,235	\$342,615	\$137,415

From year to year, ACC's revenues consistently outpace expenses. The data shown in Table 2 are taken from various annual reports.

Licenses and investigation and enforcement statistics

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. According to the Board's FY 2018 annual report, a total of 115 cases were opened during the year and 93 cases were closed. As of June 30, 2018, 22 cases remained open.

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. Investigators made 34 field calls in FY 2018. 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 final scholarship grant payment. The program is supported by a \$10 per year license surcharge. Amounts of the scholarships vary by each applicant's financial need.

Table 3 below, taken from ACC's FY 2018 annual report, summarizes the scholarship distributions paid from the CPA Education Assistance Fund (Fund 4J80) in the last five fiscal years.

Table 3. CPA Education Assistance Grant Payments, FY 2014-FY 2018	
Fiscal Year	Amount
2014	\$222,088
2015	\$299,494
2016	\$316,601
2017	\$350,100
2018	\$425,000