

**Greenbook**  
**LSC Analysis of Enacted Budget**

---

---

**Accountancy Board**

---

---

Philip A. Cummins, Senior Economist  
Legislative Service Commission

July 2017

## TABLE OF CONTENTS

<b>OVERVIEW</b> .....	<b>1</b>
Appropriation Overview .....	1
Fee Revenues and Fund 4K90 .....	2
<b>ANALYSIS OF ENACTED BUDGET</b> .....	<b>3</b>
<b>Operating Expenses (889609)</b> .....	<b>3</b>
Licenses .....	3
Investigation and Enforcement .....	4
<b>CPA Education Assistance (889601)</b> .....	<b>4</b>

**ATTACHMENT:**

Budget Spreadsheet By Line Item

# Accountancy Board

- Oversees CPAs, PAs, and accounting firms in the state
- Provides scholarships to low-income and minority students seeking to become CPAs

## OVERVIEW

The Accountancy Board (ACC) protects 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'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 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 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. They 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. The Board receives no funding from the GRF. Its operations are completely supported by fee revenue.

## Appropriation Overview

The enacted budget appropriates \$1.47 million in FY 2018 and \$1.56 million in FY 2019. This is a 10.7% increase from FY 2017 spending to FY 2018 and a 6.5% increase from FY 2018 to FY 2019.

Appropriations by Fund Group, FY 2018-FY 2019 Am. Sub. H.B. 49					
Fund Group	FY 2017*	FY 2018	% change	FY 2019	% change
Dedicated Purpose	\$1,325,438	\$1,466,957	10.7%	\$1,561,965	6.5%
<b>TOTAL</b>	<b>\$1,325,438</b>	<b>\$1,466,957</b>	<b>10.7%</b>	<b>\$1,561,965</b>	<b>6.5%</b>

\*FY 2017 figures represent actual expenditures.

As a regulatory agency, the Board's largest expense is personnel costs, accounting for 58.6% of the budget for the biennium. Another 21.5% 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. The remaining amounts are allocated for supplies and maintenance (19.2%) and purchased personal services (0.8%), with a negligible amount for other expenses.

### **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-six 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 FY 2016, ACC's revenues exceeded expenditures by \$338,065.

## ANALYSIS OF ENACTED BUDGET

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

<b>Agency Appropriations by Fund Group, FY 2018-FY 2019</b> (Am. Sub. H.B. 49)				
<b>Fund</b>	<b>ALI and Name</b>		<b>FY 2018</b>	<b>FY 2019</b>
<b>Dedicated Purpose Fund Group</b>				
4J80	889601	CPA Education Assistance	\$325,000	\$325,000
4K90	889609	Operating Expenses	\$1,141,957	\$1,236,965
<b>Dedicated Purpose Fund Group Subtotal</b>			<b>\$1,466,957</b>	<b>\$1,561,965</b>
<b>Total Funding: Accountancy Board</b>			<b>\$1,466,957</b>	<b>\$1,561,965</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 – \$1,141,957 in FY 2018 and \$1,236,965 in FY 2019 – represent a 16.5% increase from spending in FY 2017 to FY 2018 and an 8.3% increase from FY 2018 to FY 2019.

#### Licenses

According to the Board's FY 2016 annual report, as of June 30, 2016, 22,673 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. There were also 1,347 peer review public accounting firms and 1,168 tax/consulting firms registered in Ohio. Currently, virtually all individuals and firms update their licenses online.

ACC anticipates sizable costs for an eLicense system upgrade, including implementation, training, transition costs, and downtime to resolve issues with the new system. ACC also expects increases in CSA costs and rental rates. The Board's budget for supplies and maintenance in the upcoming biennium includes a 23% increase in projected spending from the estimate for the FY 2016-FY 2017 biennium. Also, ACC expects to charge a fee of \$3.50 for each eLicense transaction in FY 2018 to help cover these costs.

## 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. According to the Board's FY 2016 annual report, a total of 116 cases were opened during the year and 121 cases were closed. As of June 30, 2016, eight 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 75 field calls in FY 2016. To aid enforcement, ACC investigators prepare packets for local prosecutors with the relevant information on each case, helping prosecutors to follow up with charges.

ACC anticipates increasing costs for personnel, travel, and hearings to deal with these cases.

## 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. The budget appropriates \$325,000 in each fiscal year for this program, 5.9% less than spending in FY 2017. The program is supported by a \$10 per year license surcharge. The amounts of each scholarship vary by the applicant's financial need.

The table below summarizes the transfers made from Fund 4K90 to the CPA Education Assistance Fund (Fund 4J80) and the scholarship distributions paid from the fund in the last three fiscal years.

<b>CPA Education Assistance Fund Summary, FY 2014-FY 2016</b>			
	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
Transfers-in	\$349,480	\$308,410	\$274,880
Distributions	\$222,088	\$299,494	\$316,601

ACC.docx/lb

# FY 2018 - FY 2019 Final Appropriation Amounts

# All Fund Groups

## Line Item Detail by Agency

			FY 2016	FY 2017	Appropriation FY 2018	FY 2017 to FY 2018 % Change	Appropriation FY 2019	FY 2018 to FY 2019 % Change
<b>Report For Main Operating Appropriations Bill</b>			<b>Version: As Enacted</b>					
<b>ACC Accountancy Board of Ohio</b>								
4J80	889601	CPA Education Assistance	\$ 316,601	\$ 345,235	\$ 325,000	-5.86%	\$ 325,000	0.00%
4K90	889609	Operating Expenses	\$ 975,635	\$ 980,203	\$ 1,141,957	16.50%	\$ 1,236,965	8.32%
<b>Dedicated Purpose Fund Group Total</b>			<b>\$ 1,292,237</b>	<b>\$ 1,325,438</b>	<b>\$ 1,466,957</b>	<b>10.68%</b>	<b>\$ 1,561,965</b>	<b>6.48%</b>
<b>Accountancy Board of Ohio Total</b>			<b>\$ 1,292,237</b>	<b>\$ 1,325,438</b>	<b>\$ 1,466,957</b>	<b>10.68%</b>	<b>\$ 1,561,965</b>	<b>6.48%</b>