

Greenbook
LBO Analysis of Enacted Budget
Accountancy Board

Philip A. Cummins, Senior Economist
July 2021

TABLE OF CONTENTS

Quick look...	1
Agency overview	1
Analysis of FY 2022-FY 2023 budget	2
Operating revenues and expenses	2
Licenses and investigation and enforcement statistics	3
CPA Education Assistance	4

LBO Greenbook

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 intending 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 budget appropriates \$3.6 million over the biennium.
- All funding is non-GRF, from fees charged to accountants and accounting firms.

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Appropriation	FY 2023 Appropriation
Fund 4K90 ALI 889609, Operating Expenses					
\$1,050,575	\$1,088,787	\$1,103,543	\$1,108,459	\$1,244,124	\$1,291,139
% change	3.6%	1.4%	0.4%	12.2%	3.8%
Fund 4J80 ALI 889601, CPA Education Assistance					
\$425,000	\$465,202	\$448,552	\$304,623	\$525,000	\$525,000
% change	9.5%	-3.6%	-32.1%	72.3%	0.0%
Total funding:					
\$1,475,575	\$1,553,989	\$1,552,095	\$1,413,082	\$1,769,124	\$1,816,139
% change	5.3%	-0.1%	-9.0%	25.2%	2.7%

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 It seeks to ensure the services received by Ohio's citizens and businesses from CPAs and PAs licensed by the Board will always be performed competently and in an ethical and professional manner. 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

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

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, 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 conducted by eight other staff members, including administrators and investigators.

Analysis of FY 2022-FY 2023 budget

Operations of the Board are paid from Fund 4K90 line item 889609, Operating Expenses. The appropriation for FY 2022 provides for a 12.2% increase from actual outlays in FY 2021, when spending rose only 0.4%. A further increase of 3.8% from FY 2022 is appropriated for FY 2023.

Scholarships for low-income and minority accounting students are paid from Fund 4J80 line item 889601, CPA Education Assistance. The appropriation for FY 2022 provides for a 72.3% increase from actual outlays in FY 2021, when spending fell 32.1%. The appropriation for FY 2023 is the same as that for FY 2022.

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 the 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. ACC's revenues consistently exceed its expenditures.

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 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 2020 annual report, 22,786 persons held active Ohio permits issued by the ACC and 8,137 persons were registration holders. Companies registered with the Board included 1,014 that provide financial reporting services and 1,665 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 2020, 697 CPAs were certified. No new PA licenses have been issued since 1993, and few persons with this designation remain registered.

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. One of these services is the eLicensing system. ACC began using eLicense Ohio in April 2018.

ACC's revenue and expense data, shown in Table 2, are taken from various annual reports, and include amounts both for Board operations and for the scholarship program.

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Revenue	\$1,501,194	\$1,593,478	\$1,661,789	\$1,567,326	\$1,947,379	\$1,857,612
Expenses	\$1,195,466	\$1,255,243	\$1,325,438	\$1,475,575	\$1,553,989	\$1,552,095
Net	\$305,728	\$338,235	\$336,351	\$91,751	\$393,390	\$305,517

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 2020 annual report, 710 cases were opened during the year, 719 cases were closed, and 46 cases remained open at year end.

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. Violators may be referred to county or city prosecutors. Investigators made 60 field calls in FY 2020. 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 for students in their fifth year of accounting study, required for the CPA certificate, and demonstrating financial need. To be awarded funding, applicants are required by administrative rule to certify that they will take the CPA examination within two years of meeting the educational requirements to sit for the examination. The program is supported by a \$10 per year license surcharge on permits and registrations.² Amounts of the scholarships vary by each applicant's financial need.

ACC/lb

² Division (H) of R.C. 4701.10 and Ohio Administrative Code rule 4701-17-08.