

**Redbook**  
**LBO Analysis of Executive Budget Proposal**  
**Accountancy Board**

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# LBO Redbook

## Accountancy Board

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### 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 the 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: 49% for personnel cost, 29% for scholarships, 21% for supplies and maintenance, and 1% for purchased personal services.

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Estimate	FY 2022 Introduced	FY 2023 Introduced
<b>Fund 4K90 ALI 889609, Operating Expenses</b>					
\$1,050,575	\$1,088,787	\$1,103,543	\$1,291,139	\$1,244,124	\$1,291,139
% change	3.6%	1.4%	17.0%	-3.6%	3.8%
<b>Fund 4J80 ALI 889601, CPA Education Assistance</b>					
\$425,000	\$465,202	\$448,552	\$525,000	\$525,000	\$525,000
% change	9.5%	-3.6%	17.0%	0.0%	0.0%
<b>Total funding:</b>					
\$1,475,575	\$1,553,989	\$1,552,095	\$1,816,139	\$1,769,124	\$1,816,139
% change	5.3%	-0.1%	17.0%	-2.6%	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.<sup>1</sup> 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

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

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. Operations are overseen by an executive director and conducted by eight other staff members, including administrators and investigators.

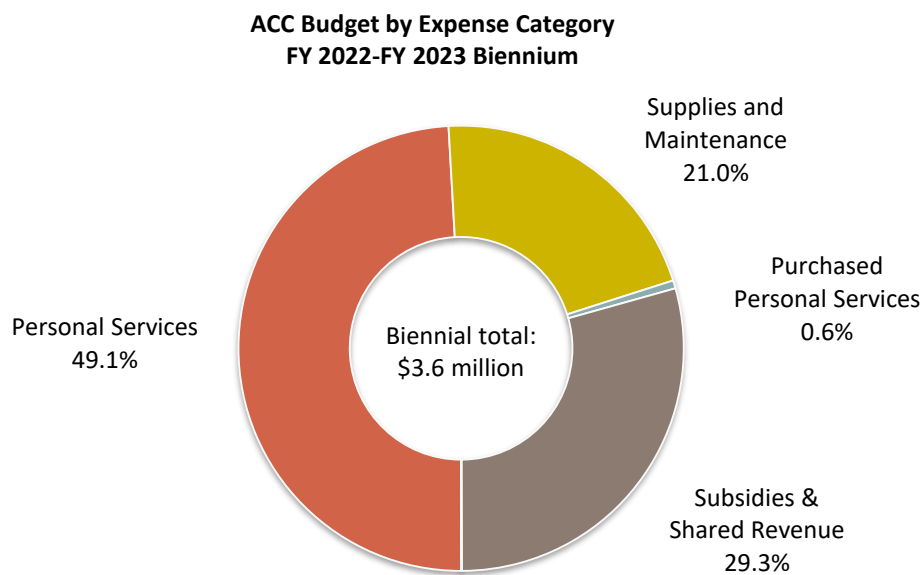
ACC relies on the Central Service Agency (CSA) for various services. CSA provides ACC and 23 other boards and commissions with various budgetary, fiscal, payroll, and human resource services. One of these services is the eLicensing system.

The Board is in the process of changing its rules in response to the changes made to Chapter 4701 of the Revised Code by H.B. 442 of the 133<sup>rd</sup> General Assembly.

Because of the pandemic, Board functions have generally been performed remotely since March 2020.

## Analysis of FY 2022-FY 2023 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 49.1% of the recommended budget for the biennium. Another 29.3% 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 (21.0%), purchased personal services (0.6%), and transfers and nonexpense (0.1%).

## 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. In FY 2020, ACC's revenues exceeded expenditures by \$305,517.

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.

The ACC began using eLicense Ohio in April 2018. The eLicense Ohio system is used for issuing and managing licenses by 21 state boards and commissions.

Table 2. Revenues and Expenditures, FY 2015-FY 2020						
	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

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.

## 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, a total of 710 cases were opened during the year and 719 cases were closed. As of June 30, 2020, 46 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 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 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 on permits and registrations.<sup>2</sup> Amounts of the scholarships vary by each applicant's financial need.

Table 3 below, taken from various ACC annual reports, summarizes the scholarship distributions paid from the CPA Education Assistance Fund (Fund 4J80) in recent years.

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

<b>Table 3. CPA Education Assistance Grant Payments, FY 2014-FY 2020</b>	
<b>Fiscal Year</b>	<b>Amount</b>
2014	\$222,088
2015	\$299,494
2016	\$316,601
2017	\$350,100
2018	\$425,000
2019	\$465,202
2020	\$452,057