

2015-17 Governor's Budget Board of Accountancy

- Presentation to Oregon State Legislature
Joint Committee on Ways and Means –
Subcommittee on General Government
 - SB 5501 Budget Bill
- Larry L. Brown, CPA, Board Chair
- Martin Pittioni, Executive Director

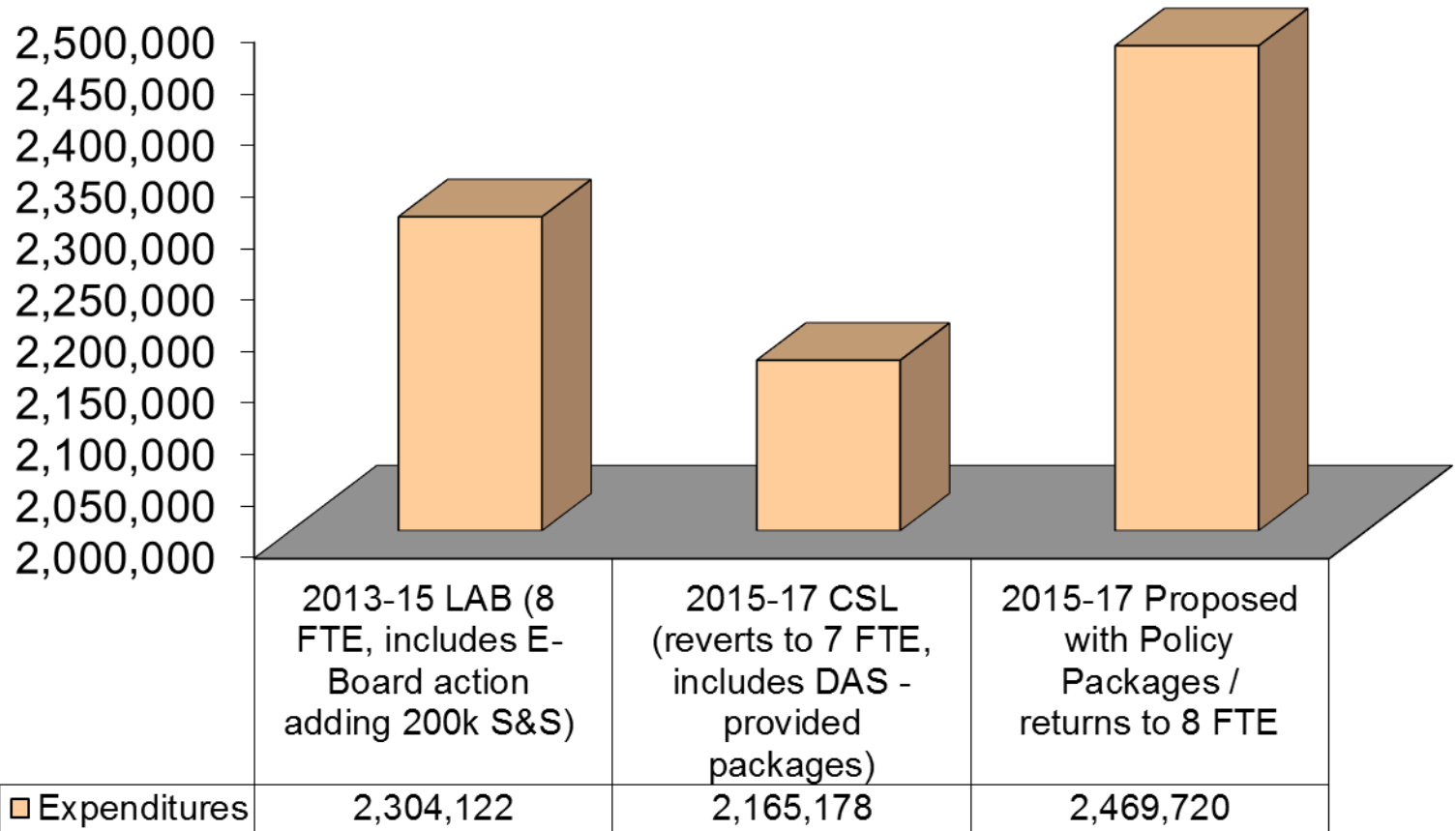
March 19, 2015

High-level Overview

- Mission: Board of Accountancy protects the public by regulating the practice and performance of all services provided by licensed accountants.
- Created in 1913. As of March 2015, the Board has about 8,000 individual and 1,000 firm licensees. The licensing volume is stable.
- Board Size: 7 (Governor-appointed and Senate confirmed; 5 CPAs, plus 1 PA and 1 Public Member)
- Current Staff Size: 8.0 FTE (includes limited duration investigator)
- Total GB 2015-17 Request: \$2,469,720 (7.2% above 2013-15 LAB; the LAB includes the one-time E-Board increase in Sept. 2014 of \$200k)
- 100% Other Funds Budget (sources: fees and civil penalties)
- Two policy packages focused on compliance (continue investigator position, add DOJ and contract investigator resources) resources
- KPMs: 57% on target, struggling in timely resolution of complaints

2015 -17 Governor Budget Summary Request

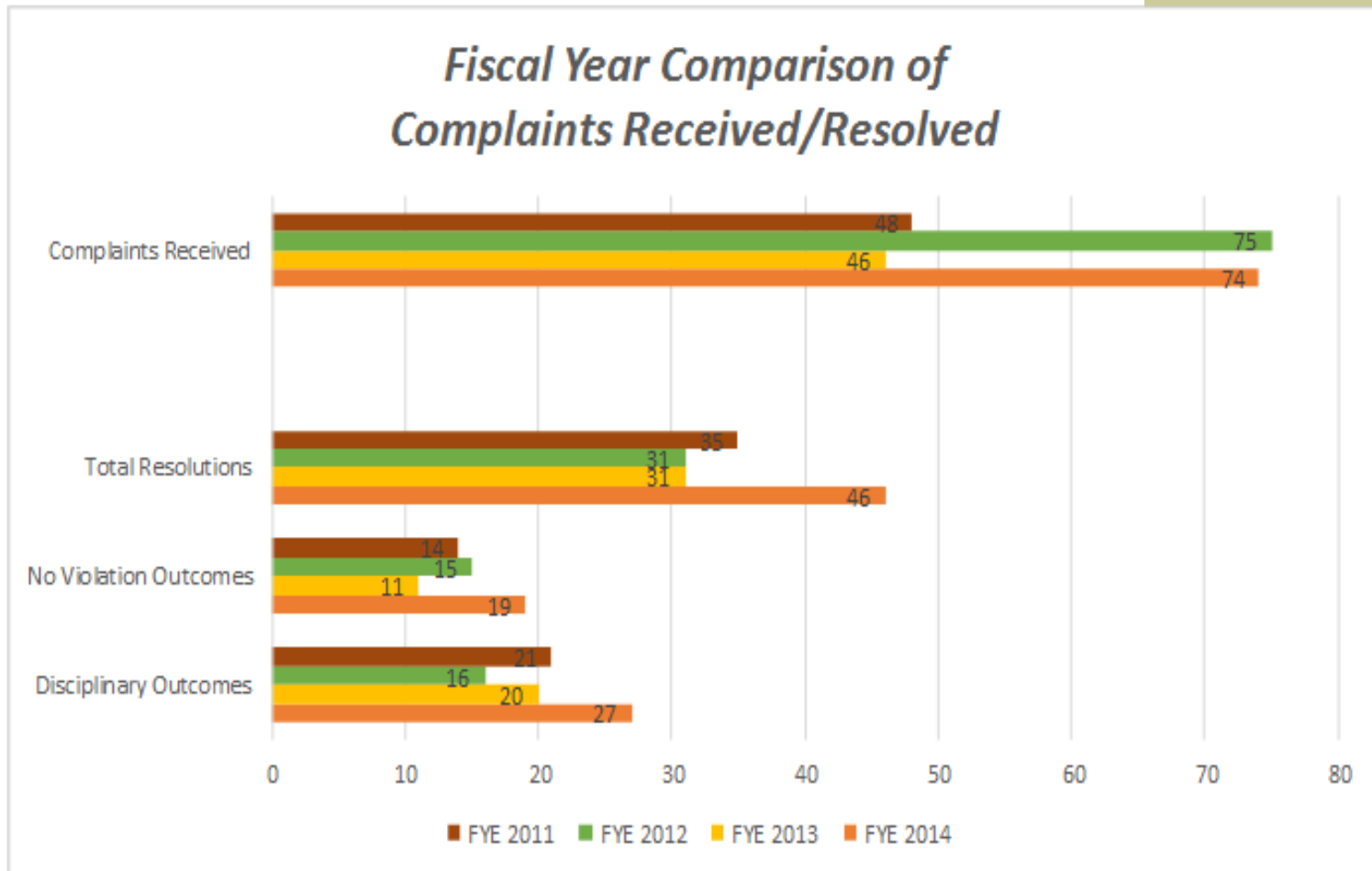
Board of Accountancy Governor's Budget



Challenges and Responses – Transparency and Efficiency

- **Improved access to disciplinary data**
 - Web look-up for consumers upgraded, disciplinary data added
 - Web-publication of disciplinary action summaries on front page of Board’s web site of in alphabetical and historical order, to help consumers, ethics instructors and licensees
 - Links to summaries: [alphabetical](#) version and [historical](#) version
- **Transparency with other jurisdictions** (licensure and discipline)
 - Completion of all phases of IT project linking Board licensing and enforcement data to national database linking 50 jurisdictions
 - National Association of State Boards of Accountancy (NASBA) run national databases for State Boards (ALD) as well as for consumers (cpaverify.org)
 - Innovative three party MOU allowed fast completion and NASBA direct-pay
- **Efficiency: linking exam applicant data to national database**
 - Phase 1 (complete): automatic upload of Oregon CPA exam applicant data to NASBA database, eliminating manual dual entry process at the Board
 - Phase 2 (in progress): download of exam grade data to BOA database

Main Challenge: Rise Complaints and increasing complexity of complaints



Context for Case Load Challenge – Case Complexity / Type Overview by Board Chair Larry L. Brown, CPA

- Recent complaints
 - Professional misconduct
 - Integrity and objectivity
 - Business transactions with clients
 - Due professional care
 - Holding out
 - Use of the CPA designation while license is lapsed or inactive

Agency Response – Part 1

- Worked with DAS and LFO to add change 2013-15 budget to add second limited duration Financial Investigator; hired September 2013
- 15-17 Policy Option Package 100 requests continuation of position (\$205,714 cost)
 - Historical average of 1 investigator plus contractors allows resolution of about 30 cases a year
 - Sustained multi-year average of incoming volume has been at least 60 cases / year (2 of the last three years significantly higher)
 - Second position is necessary to bring resolution capacity in line with incoming volume
 - Most experienced CPA investigator is retiring and Board will need to replace her and train successor in early 2015-17Key
 - Without this investment Board will continue to have significant difficulty with timely resolution of complaints and related KPMs

Agency Response – Part 2

■ Increased use of Contract Investigators

- Agency responded by hiring additional contract investigators to supplement in-house resources
- E-Board approval (limited to 2013-15) of \$100,000 increase in Professional Services for that purpose
- Policy Option Package 101 adds \$75,000 to Professional Services (and related \$23,828 for increase in DOJ expenses) for 2015-17. \$75k adds about 4 hrs / week for 2 years of contract investigator

■ Process Improvements

- Preliminary Inquiry Process to reduce number of cases going to full investigation (implemented)
- Board work session scheduled for May 2015 to further review process recalibration to better reflect case variety and complexity

Other budget challenges and responses

- Significant Increases in State Government Service Charges
 - DAS Packages (31/32) totaling \$186,385 (reduced by one-time shielding of \$60,000 in additional increases, delayed to 17-19)
 - Package 31 includes a \$24,157 jump in the State Government Service Charges line item
 - Package 32 represents \$121,282 in additional service charge increases across four other line items
- Falling Ending Balances
 - Ending Balance projected for 2013-15 is about \$986,670 – down from beginning balance of \$1,449,031 (\$462,361 drop)
 - Proposed 15-17 Governor's budget relies on additional \$662,532 in ending balance resources – unsustainable trend
 - Response: Board has united behind the OSCPA requested SB 581-A fee bill which is not built into 2015-17 Governor's Budget

Summary of Fee Bill Response / SB 581-A

- OSCPA Requested and Managed
- Supported in addition to OSCPA by the Governor's Office / Board, OAIA – profession is united
- Increases CPA/PA two-year renewal fee from \$160 to \$255
 - Primary revenue source of the Board
 - This fee has been set at the \$150/\$160 level since January 1, 2000
- Increases firm registration 2-year renewal from \$175 to \$260
- Both fees are set in statute
- Operative Date of January 1, 2016
- First Cycle for CPAs/PAs impacted are June 2016 renewals
- Firm renewals will be impacted beginning with the January 1, 2016 – December 31, 2017 registration renewal cycle