

# STATE BOARD OF ACCOUNTANCY

## Enabling Laws

Act 418 of 2005

A.C.A. §17-12-101 et seq.

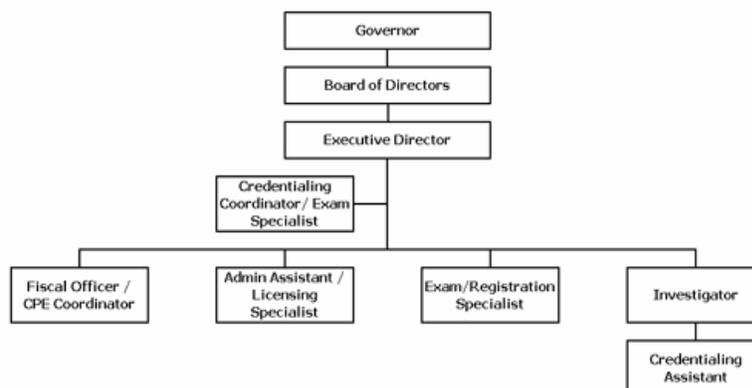
## History and Organization

Act 229 of 1915 established the Accountancy Board. Act 160 of 1975 repealed Act 229 and is known as the Public Accountancy Act of 1975. It authorized a seven member Board that is made up of five CPA's, a consumer representative and a senior citizen. The mission of the Board is to protect the public welfare by establishing and maintaining a high standard of integrity and dignity in the practice of public accountancy.

The statutory responsibility of the Board is to see that persons attesting as experts in accountancy as to the reliability or fairness of presentation of financial information be qualified to do so and that such be reserved to persons who demonstrate their ability and fitness to observe and apply the standards of the accounting profession.

The primary activities of the Board are to:

- Process applications, evaluate and certify education of exam candidates for eligibility to take the Uniform CPA Examination.
- Grant certifications to those who pass the CPA examination and those that otherwise qualify.
- Determine whether those who apply for a license to practice qualify.
- Annually register and issue licenses to all CPA's, PA's and Firms practicing public accounting.
- Investigate violations of the Public Accountancy Act and take disciplinary action when appropriate after conducting a hearing.
- Monitor mandatory continuing professional education on CPA's and PA's who hold licenses to practice.
- Administer a Quality Review Program on audit, compilation, review and governmental audit reports.



## **Agency Commentary**

The State Board of Public Accountancy was authorized by Arkansas Code Annotated § 17-12-201, and is responsible for oversight of the practice of public accounting and those persons who are performing duties as a certified public accountant. The Board is responsible for promulgating and amending rules of professional conduct appropriate to establishing and maintaining a high standard of integrity and dignity in the profession of public accountancy; and issuing rules of professional conduct pertaining to corporations practicing public accounting. Further the Board is responsible for the CPA examination, processing applications, certifying education and continuing educational requirements and issuing certificates and licenses to those individuals meeting the standards established for the practice of public accounting. The operations of the Board are funded from the receipt of examination and license fees charged by the Agency. The budget request for the agency reflects \$864,977 as base level for FY08 and FY09. Change level requests total \$72,772 for FY08 and \$82,872 for FY09.

### **Salary Expenses:**

The Board is requesting an increase of \$452 for FY08 and \$452 for FY09. These amounts are for Board Member Stipends and associated matching for an additional board meeting.

### **Operating Expenses:**

The Board is asking for change level request for operating expenses in the amount of \$22,320 for FY08 and \$22,420 for FY09; and a reduction of \$3,000 from Printing. The reduction in printing expense is due to a decrease in the number of required copies of the Agency's CPA Directory which is now provided on-line for easy access by the licensees and the public.

The overall affect would be an increase request of \$22,320 for FY08 and \$22,420 for FY09. This increase would be allocated between Rent of Facilities (\$2,000 each year) due to notification from Arkansas Building Authority of rate increase; Other Rent and Leases (\$400 each year) for storage facilities and Parking Fees (\$300 each year) for anticipated rate increases; Board member travel (\$4,000 each year) for anticipated increases in the registration fees and inflation costs associated with travel to Board meetings, conference and seminars for dedicated volunteer Board members and certified public accountants to stay abreast of the rapidly changing accounting environment for better protection of the public welfare; Building Contents Insurance (\$100 for FY08 and \$200 for FY09) in anticipation of continuing increases in this area; Trash Pickup Service (\$100 each year) for anticipated increases due to inflation factors such as gas for recycling trash; Software/License fee (\$500 each year) in order to have the most current software to effectively accomplish the Board's mission; and Other Expenses & Services (\$17,920 each year) for conducting criminal background checks to comply with Act 54 of 2005 on licensure applicants; refresh rate for equipment and annual fee for technical support for maintaining current database software.

### **Professional Fees:**

Change level requests include reallocating resources from Professional Fees and Services to Grading Fees in the amount of \$30,000 for FY08 and FY09. This request is to reflect incorporation of all fees related to the CPA examination.

### **Capital Outlay:**

The Board is requesting an increase of \$10,000 for FY08 and \$10,000 for FY09. These amounts are

for anticipated office equipment and furniture expenses to replace equipment and furniture that is beyond repair or obsolete.

**Grading Fees:**

In addition to the reallocation of resources from Professional Fees and Services to Grading Fees, the Board is requesting an additional increase of \$40,000 in FY08 and \$50,000 in FY09. This to more properly reflect the cost of administering the CPA examination, also requested is the commitment name "Grading Fees" be changed to "Exam Fees" to more properly reflect that it incorporates expenses other than just grading fees related to the exam.

**Audit Findings**

DIVISION OF LEGISLATIVE AUDIT  
 AUDIT OF :  
 ARKANSAS STATE BOARD OF PUBLIC ACCOUNTANCY  
 FOR THE YEAR ENDED JUNE 30, 2005

| Findings | Recommendations |
|----------|-----------------|
| None     | None            |

**Employment Summary**

|                         | Male | Female | Total | %     |
|-------------------------|------|--------|-------|-------|
| White Employees         | 1    | 5      | 6     | 86 %  |
| Black Employees         | 0    | 1      | 1     | 14 %  |
| Other Racial Minorities | 0    | 0      | 0     | 0 %   |
| Total Minorities        |      |        | 1     | 14 %  |
| Total Employees         |      |        | 7     | 100 % |

**Cash Fund Balance Description as of June 30, 2006**

| Fund Account | Balance  | Type             | Location     |
|--------------|----------|------------------|--------------|
| 3030000      | \$57,977 | Checking/Savings | Regions Bank |

Statutory/Other Restrictions on use:

Public Accountancy Act of 1975 as amended. A.C.A. §17-12-100 et seq. All fees and other moneys received by the Arkansas State Board of Public Accountancy pursuant to the provisions of this chapter shall be kept in a separate fund and expended solely for the purposes of this chapter.

Statutory Provisions for Fees, Fines, Penalties:

Public Accountancy Act of 1975 as amended A.C.A. §17-12-306 - The Arkansas State Board of Public Accountancy shall charge a fee to each applicant applying to sit for the examination.

Revenue Receipts Cycle:

Fall/Winter receipt of Annual Registration from registrants. Year round registration for Uniform CPA Examination.

Fund Balance Utilization:

Funds expended to meet expenditures in accordance with appropriations act for the Board of Public Accountancy.

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| Fund Account | Balance   | Type       | Location                     |
|--------------|-----------|------------|------------------------------|
| 3030000      | \$735,049 | Investment | Regions Invest/Morgan Keegan |

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Public Accountancy Act of 1975 as amended. A.C.A. §17-12-100 et seq. All fees and other moneys received by the Arkansas State Board of Public Accountancy pursuant to the provisions of this chapter shall be kept in a separate fund and expended solely for the purposes of this chapter.

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Revenue Receipts Cycle:

Fall/Winter receipt of Annual Registration from registrants. Year round registration for Uniform CPA Examination.

Fund Balance Utilization:

Funds expended to meet expenditures in accordance with appropriations act for the Board of Public Accountancy.

**Publications**

**A.C.A 25-1-204**

| Name                  | Statutory Authorization | Required for |                  | # Of Copies | Reason (s) for Continued Publication and Distribution |
|-----------------------|-------------------------|--------------|------------------|-------------|---|
|                       |                         | Governor     | General Assembly |             |   |
| Directory of Licenses | A.C.A.17-12-203 (b)     | N            | N                | 10          | Existence of Statutory Requirement                    |

**Agency Position Usage Report**

| FY2004-2005       |          |          |       |            |                        | FY2005-2006       |          |          |       |            |                        | FY2006-2007       |          |          |       |            |                        |
|-------------------|----------|----------|-------|------------|------------------------|-------------------|----------|----------|-------|------------|------------------------|-------------------|----------|----------|-------|------------|------------------------|
| Authorized in Act | Budgeted |          |       | Unbudgeted | % of Authorized Unused | Authorized in Act | Budgeted |          |       | Unbudgeted | % of Authorized Unused | Authorized in Act | Budgeted |          |       | Unbudgeted | % of Authorized Unused |
|                   | Filled   | Unfilled | Total | Total      |                        |                   | Filled   | Unfilled | Total | Total      |                        |                   | Filled   | Unfilled | Total | Total      |                        |
| 8                 | 7        | 1        | 8     | 0          | 12.50%                 | 8                 | 7        | 1        | 8     | 0          | 12.50%                 | 8                 | 7        | 1        | 8     | 0          | 12.50%                 |

## **Analysis of Budget Request**

**Appropriation:** A25 - Accounting Board-Cash Operations

**Funding Sources:** 303 - Accountancy Board - Cash

The State Board of Public Accountancy was authorized by Arkansas Code Annotated §17-12-201 et seq. The Board's responsibilities include oversight of public accounting and those individuals and firms practicing public accounting, promulgating and amending the rules of professional conduct to establish and maintain high standards of integrity and dignity within the profession, and printing and distributing to the public a register of all licensed public accountants. Further, the Board is responsible for administering a uniform examination, certifying educational and continuing educational requirements, and issuing certificates and licenses to those individuals meeting established standards for the practice of public accounting. The operations of the Board are funded from the receipt of examination and license fees charged by the agency.

A cost of living increase is not incorporated in Base Level pending the outcome of the Classification and Compensation Study. The Base Level request of \$335,052 for FY08 and \$335,052 for FY09 for Regular Salaries does include board member Stipend payments. FY07 salary levels have been held flat each year for all incumbents. Personal Services Matching may reflect increases in the Base Level due to the Social Security Tax maximum income limit and certain increases in Worker's Compensation and Unemployment Tax rates. Personal Services Matching also includes a \$30 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$350 per month.

Change Level Requests total \$72,772 for FY08 and \$82,872 for FY09. The increase in the Regular Salaries and Personal Services Matching line items is for board member stipends to cover the cost of an additional board meeting. The increase in the Operating Expenses line item is to cover increases in rent, board member travel, and an increase in criminal background checks to comply with Act 54 of 2005. A decrease in Operating Expenses of \$3,000 is due to a reduction in the number of printed CPA directories; which is now on line. The request for restoration of the Capital Outlay line item is for the replacement of office equipment and furniture that is beyond repair or obsolete.

The Agency requests an overall increase in Grading Fees of \$70,000 for FY08 and \$80,000 for FY09, of which \$30,000 each fiscal year is requested as a reallocation from Professional Fees. This request is needed to cover the expected increase of administering the CPA exam. The Agency requests the "Grading Fees" line item name be changed to "Exam Fees" to properly reflect the incorporation of all expenses of administering the CPA exam.

The Executive Recommendation provides for the Agency Request, with the exception of Professional Fees which is decreased an additional \$30,000. Expenditure of appropriation is contingent upon available funding.

## Appropriation

**Appropriation:** A25 Accounting Board-Cash Operations  
**Funding Sources:** 303 - Accountancy Board - Cash

| Commitment Item                      | Historical Data     |                     |                         | Agency Request and Executive Recommendation |                  |                  | 2008-2009        |                  |                  |
|--------------------------------------|---------------------|---------------------|-------------------------|---|------------------|------------------|------------------|------------------|------------------|
|                                      | 2005-2006<br>Actual | 2006-2007<br>Budget | 2006-2007<br>Authorized | 2007-2008                                   |                  |                  | Base Level       | Agency           | Executive        |
| Regular Salaries 5010000             | 287,687             | 335,052             | 331,272                 | 335,052                                     | 335,472          | 335,472          | 335,052          | 335,472          | 335,472          |
| <b>#Positions</b>                    | <b>7</b>            | <b>8</b>            | <b>8</b>                | <b>8</b>                                    | <b>8</b>         | <b>8</b>         | <b>8</b>         | <b>8</b>         | <b>8</b>         |
| Extra Help 5010001                   | 0                   | 5,000               | 5,000                   | 5,000                                       | 5,000            | 5,000            | 5,000            | 5,000            | 5,000            |
| <b>#Extra Help</b>                   | <b>0</b>            | <b>1</b>            | <b>1</b>                | <b>1</b>                                    | <b>1</b>         | <b>1</b>         | <b>1</b>         | <b>1</b>         | <b>1</b>         |
| Personal Services Matching 5010003   | 97,252              | 98,299              | 103,372                 | 101,358                                     | 101,390          | 101,390          | 101,358          | 101,390          | 101,390          |
| Operating Expenses 5020002           | 181,249             | 182,143             | 182,143                 | 182,143                                     | 204,463          | 204,463          | 182,143          | 204,563          | 204,563          |
| Conference & Travel Expenses 5050009 | 8,101               | 14,706              | 14,706                  | 14,706                                      | 14,706           | 14,706           | 14,706           | 14,706           | 14,706           |
| Professional Fees 5060010            | 16,898              | 99,041              | 99,041                  | 99,041                                      | 69,041           | 39,041           | 99,041           | 69,041           | 39,041           |
| Data Processing 5090012              | 15,536              | 22,657              | 22,657                  | 22,657                                      | 22,657           | 22,657           | 22,657           | 22,657           | 22,657           |
| Refunds/Reimbursements 5110014       | 3,842               | 10,020              | 10,020                  | 10,020                                      | 10,020           | 10,020           | 10,020           | 10,020           | 10,020           |
| Capital Outlay 5120011               | 6,644               | 10,000              | 10,000                  | 0   | 10,000           | 10,000           | 0                | 10,000           | 10,000           |
| Exam Fees 5900046                    | 80,110              | 145,000             | 95,000                  | 95,000                                      | 165,000          | 165,000          | 95,000           | 175,000          | 175,000          |
| <b>Total</b>                         | <b>697,319</b>      | <b>921,918</b>      | <b>873,211</b>          | <b>864,977</b>                              | <b>937,749</b>   | <b>907,749</b>   | <b>864,977</b>   | <b>947,849</b>   | <b>917,849</b>   |
| <b>Funding Sources</b>               |                     |                     |                         |   |                  |                  |                  |                  |                  |
| Fund Balance 4000005                 | 594,445             | 759,282             |                         | 651,275                                     | 651,275          | 651,275          | 546,059          | 546,059          | 576,059          |
| Cash Fund 4000045                    | 862,156             | 813,911             |                         | 759,761                                     | 832,533          | 832,533          | 760,968          | 843,840          | 843,840          |
| <b>Total Funding</b>                 | <b>1,456,601</b>    | <b>1,573,193</b>    |                         | <b>1,411,036</b>                            | <b>1,483,808</b> | <b>1,483,808</b> | <b>1,307,027</b> | <b>1,389,899</b> | <b>1,419,899</b> |
| Excess Appropriation/(Funding)       | (759,282)           | (651,275)           |                         | (546,059)                                   | (546,059)        | (576,059)        | (442,050)        | (442,050)        | (502,050)        |
| <b>Grand Total</b>                   | <b>697,319</b>      | <b>921,918</b>      |                         | <b>864,977</b>                              | <b>937,749</b>   | <b>907,749</b>   | <b>864,977</b>   | <b>947,849</b>   | <b>917,849</b>   |

The FY07 Budgeted amount in Regular Salaries exceeds the authorized due to board stipend adjustments during the 2005-2007 biennium.

Budget exceeds Authorized Appropriation in Grading Fees due to a transfer from the Cash Fund Holding Account.

Board requests the commitment item name "Grading Fees" be changed to "Exam Fees" to properly reflect the incorporation of all fees related to the exam.

## Change Level by Appropriation

**Appropriation:** A25-Accounting Board-Cash Operations

**Funding Sources:** 303 - Accountancy Board - Cash

### Agency Request

| Change Level |                     | 2007-2008      | Pos      | Cumulative     | % of BL      | 2008-2009      | Pos      | Cumulative     | % of BL      |
|--------------|---------------------|----------------|----------|----------------|--------------|----------------|----------|----------------|--------------|
| <b>BL</b>    | <b>Base Level</b>   | <b>864,977</b> | <b>8</b> | <b>864,977</b> | <b>100.0</b> | <b>864,977</b> | <b>8</b> | <b>864,977</b> | <b>100.0</b> |
| C01          | Existing Program    | 75,772         | 0        | 940,749        | 108.7        | 85,872         | 0        | 950,849        | 109.9        |
| C03          | Discontinue Program | (3,000)        | 0        | 937,749        | 108.4        | (3,000)        | 0        | 947,849        | 109.5        |
| C04          | Reallocation        | 0              | 0        | 937,749        | 108.4        | 0              | 0        | 947,849        | 109.5        |

### Executive Recommendation

| Change Level |                     | 2007-2008      | Pos      | Cumulative     | % of BL      | 2008-2009      | Pos      | Cumulative     | % of BL      |
|--------------|---------------------|----------------|----------|----------------|--------------|----------------|----------|----------------|--------------|
| <b>BL</b>    | <b>Base Level</b>   | <b>864,977</b> | <b>8</b> | <b>864,977</b> | <b>100.0</b> | <b>864,977</b> | <b>8</b> | <b>864,977</b> | <b>100.0</b> |
| C01          | Existing Program    | 75,772         | 0        | 940,749        | 108.7        | 85,872         | 0        | 950,849        | 109.9        |
| C03          | Discontinue Program | (3,000)        | 0        | 937,749        | 108.4        | (3,000)        | 0        | 947,849        | 109.5        |
| C04          | Reallocation        | 0              | 0        | 937,749        | 108.4        | 0              | 0        | 947,849        | 109.5        |
| C19          | Executive Changes   | (30,000)       | 0        | 907,749        | 104.9        | (30,000)       | 0        | 917,849        | 106.1        |

### Justification

|     |  |
|-----|--|
| C01 | An increase in salary and related match of \$452 for FY08 and FY09 is requested to cover the cost of an additional board meeting. An increase in Operating Expense of \$25,320 for FY08, and \$25,420 for FY09 is requested. Of this amount, \$23,920 is for increases in rent, board member travel, and an increase in criminal background checks for both FY08 and FY09. In addition to the request for reallocation of resources of \$30,000 from Professional Fees to Grading Fees, an increase of \$40,000 in FY08 and \$50,000 in FY09 is requested to cover the expected increase in the cost of administering the exam. An increase is requested to restore Capital Outlay of \$10,000 for FY08 and FY09 for anticipated office equipment and furniture expenses to replace those beyond repair or obsolete. |
| C03 | A reduction of \$3,000 in Operating Expense for FY 08 and FY09 is due to a reduction in number of CPA Directories; which is now online.  |
| C04 | A reallocation of resources of \$30,000 is requested from Professional Fees to Grading Fees for FY08 and FY09 and the commitment item name "Grading Fees" be changed to "Exam Fees". The request for the name change is to more properly reflect the incorporation of all expenses of administering the CPA exam.  |
| C19 | Executive Recommendation further decreases Professional Services \$30,000 to \$39,041.   |