

STATE BOARD OF ACCOUNTANCY

Enabling Laws

Act 520 of 2007
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 Act 160 of 1975 repealed Act 229 and is known as the Public Accountancy Act of 1975.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 and regulation of the practice of public accounting and those persons who are performing duties as a certified public accountant and 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 determining the qualifications of applicants for the CPA examination, processing applications, certifying education and continuing educational requirements and authorizing the issuance of new and renewal licenses to those individuals meeting the standards established for the practice of public accounting. The Board investigates all alleged and factual violations of the accountancy's licensing law as well as holds hearings and assesses penalties to ensure compliance. The Agency receives no funding from the State because the operations of the Board are cash funded from the receipt of fees charged for licensing, issuance, renewal of licenses, examination, and penalties and fines associated with violations of regulations.

Salary Expenses:

The Board is requesting an increase for board member stipends and related match in the amount of \$452 in FY10 and in FY11. Act 67 of 2007 now allows the agency to pay stipends to Board members for any day while performing any proper business of the Board. Additional increase will allow Board members to receive a stipend for conducting board business such as the CPA Certificate Ceremony given at the Capitol for new CPAs and serving as the Chair of a Task Force to address agency needs or rule changes due to changes in the accounting profession.

Operating Expenses:

An increase in Operating Expenses of \$62,350 in FY10 and \$66,099 in FY11 is requested.

For FY10 and FY11, the requested increase would be allocated between such expenses as computer equipment, office supplies, freight, other rent & leases, trash pick-up services, mileage; subscriptions/publications; software/license; meals, lodging, tuition & course material, enforcement investigation expense, postage, parking fees, office rent, board member travel, cash fund service charge and other expenses and services due to expected increase in costs, inflation, the rising cost of fuel and mileage rates, increased office space and to provide the resources including replacing outdated computer equipment and the opportunity to stay abreast of current laws and the ever changing accounting environment to effectively accomplish the Board's mission. The costs associated with board member conferences and travel allows the opportunity for dedicated board members and certified public accountants to attend meetings specifically designed to educate and focus on the rapidly changing accounting environment for better protection of the public welfare. A reallocation of resources is requested to properly classify \$22,657 from Data Processing to Operating Expenses for support and maintenance of their web site and licensure database (network services).

Conference & Travel Expenses:

The Board is asking for change level request for Conference & Travel Expenses for employees in the amount of \$431 for FY10 and \$877 for FY11.

This increase would be allocated between mileage, common carrier, meals, lodging, conference/seminar fees related to anticipated increases in these expenses due to mileage reimbursement rates, fuel costs and inflation. These conferences and seminars are to provide the agency's staff training to stay abreast of the

changing accounting environment.

Data Processing:

The Board requests a reallocation of resources to properly classify \$22,657 from Data Processing to Operating Expenses for network services expense for FY10 and FY11.

Capital Outlay:

The Board is requesting the restoration of Capital Outlay of \$10,000 for both years of the biennium and an increase of \$17,500 in FY10 and \$7,500 in FY11 for a total amount of \$27,500 in FY10 and \$17,500 in FY11. These amounts are for anticipated leasehold improvements, to replace a server for the computer network and for equipment and furniture replacement of obsolete, non-repairable equipment or to provide additional equipment as needed during the next biennium.

Exam Fees:

The Board is requesting an increase of \$60,000 for FY10 and \$75,000 for FY11. These estimated costs are for anticipated increases in the third-party costs of administering the CPA Exam and in the number of candidates applying for and taking the exam.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
ARKANSAS STATE BOARD OF PUBLIC ACCOUNTANCY

FOR THE YEAR ENDED JUNE 30, 2007

Findings	Recommendations
None	None

Employment Summary

	Male	Female	Total	%
White Employees	2	4	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, 2008

Fund Account	Balance	Type	Location
3030000	\$1,151,751	Investment	Regions Invest/Morgan Keegan

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 appropriation act for the Board of Public Accountancy.

Fund Account	Balance	Type	Location
3030000	\$59,315	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 appropriation 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

FY2006 - 2007						FY2007 - 2008						FY2008 - 2009					
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 %	9	6	3	9	0	33.33 %	9	7	2	9	0	22.22 %

Analysis of Budget Request

Appropriation: A25 - Accounting Board-Cash Operations

Funding Sources: 303 - Accountancy Board - Cash

The State Board of Public Accountancy authorized by Arkansas Code Annotated §17-12-201 is responsible for oversight of the practice of public accounting and individuals performing duties as a certified public accountant. The Board is responsible for administering an 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 examination and license fees charged by the agency.

Base Level unclassified positions were changed to classified and the current classified position reflects the recommendations of the Pay Plan Study. Salaries were adjusted accordingly. A 2.3% Cost of Living Allowance is reflected in the second year of the biennium. The Base Level request for Regular Salaries may include board member Stipend payments and Career Service payments for eligible employees. Personal Services Matching includes a \$75 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$425.

Change Level Requests total \$128,076 for FY10 and \$137,271 for FY11. The increase in Regular Salaries and Personal Services Matching is for board member stipends pursuant to Act 67 of 2007, which allows the Board to pay stipends while performing any proper board business. The increase in the Operating Expenses line item of \$39,693 for FY10 and \$43,442 for FY11 is to cover increases in office rent; due to an increase in office space, board member travel; for attendance at meetings specifically designed to educate and focus on the changing accounting environment, cash fund service charge, office supplies, other services and expenses, and to replace outdated computer equipment. The Board requests an increase in Conference & Travel Expenses of \$431 for FY10 and \$877 for FY11 for the anticipated cost increases for mileage, airfare, and conference/seminar fees to stay current with the changing accounting environment. The request for Capital Outlay of \$27,500 for FY10 is for leasehold improvements; due to the increase in office space, office equipment and furniture for replacement of obsolete, non-repairable equipment or provide additional equipment as needed, and to replace an outdated network server. The request of \$17,500 for FY11 is for leasehold improvements and office equipment and furniture.

The Board also requests a reallocation of \$22,657 from Data Processing to Operating Expenses to properly classify support and maintenance of their website and licensure database(network services expense).

The Board requests an increase in Exam Fees of \$60,000 for FY10 and \$75,000 for FY11 to cover the estimated increased costs of third-party fees of administering the CPA Exam and an increased number of applicants.

Executive Recommendation provides for Agency Request. Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: A25 - Accounting Board-Cash Operations

Funding Sources: 303 - Accountancy Board - Cash

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2007-2008 Actual	2008-2009 Budget	2008-2009 Authorized	2009-2010			2010-2011		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	347,599	414,108	411,948	416,795	417,215	417,215	425,751	426,171	426,171
#Positions		8	9	9	9	9	9	9	9	9
Extra Help	5010001	0	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
#Extra Help		0	1	1	1	1	1	1	1	1
Personal Services Matching	5010003	107,076	123,166	121,076	131,946	131,978	131,978	133,799	133,831	133,831
Operating Expenses	5020002	179,762	204,563	204,563	204,563	266,913	266,913	204,563	270,662	270,662
Conference & Travel Expenses	5050009	14,583	14,706	14,706	14,706	15,137	15,137	14,706	15,583	15,583
Professional Fees	5060010	22,099	39,041	39,041	39,041	39,041	39,041	39,041	39,041	39,041
Data Processing	5090012	19,291	22,657	22,657	22,657	0	0	22,657	0	0
Refunds/Reimbursements	5110014	5,713	10,020	10,020	10,020	10,020	10,020	10,020	10,020	10,020
Capital Outlay	5120011	8,217	10,000	10,000	0	27,500	27,500	0	17,500	17,500
Exam Fees	5900046	197,462	220,000	175,000	175,000	235,000	235,000	175,000	250,000	250,000
Total		901,802	1,063,261	1,014,011	1,019,728	1,147,804	1,147,804	1,030,537	1,167,808	1,167,808
Funding Sources										
Fund Balance	4000005	1,031,065	1,211,066		1,103,901	1,103,901	1,103,901	898,555	898,555	898,555
Cash Fund	4000045	1,081,803	956,096		814,382	942,458	942,458	826,903	964,174	964,174
Total Funding		2,112,868	2,167,162		1,918,283	2,046,359	2,046,359	1,725,458	1,862,729	1,862,729
Excess Appropriation/(Funding)		(1,211,066)	(1,103,901)		(898,555)	(898,555)	(898,555)	(694,921)	(694,921)	(694,921)
Grand Total		901,802	1,063,261		1,019,728	1,147,804	1,147,804	1,030,537	1,167,808	1,167,808

The FY09 Budget amount in Regular Salaries and Personal Services Matching exceeds the authorized amount due to salary and matching rate adjustments during the 2007-2009 biennium. FY08 Actual and FY09 Budget exceeds Authorized Appropriation in Exam Fees due to a transfer from the Cash Fund Holding Account.

Change Level by Appropriation

Appropriation: A25 - Accounting Board-Cash Operations

Funding Sources: 303 - Accountancy Board - Cash

Agency Request

Change Level		2009-2010	Pos	Cumulative	% of BL	2010-2011	Pos	Cumulative	% of BL
BL	Base Level	1,019,728	9	1,019,728	100.0	1,030,537	9	1,030,537	100.0
C01	Existing Program	115,376	0	1,135,104	111.3	131,967	0	1,162,504	112.8
C04	Reallocation	0	0	1,135,104	111.3	0	0	1,162,504	112.8
C08	Technology	12,700	0	1,147,804	112.6	5,304	0	1,167,808	113.3

Executive Recommendation

Change Level		2009-2010	Pos	Cumulative	% of BL	2010-2011	Pos	Cumulative	% of BL
BL	Base Level	1,019,728	9	1,019,728	100.0	1,030,537	9	1,030,537	100.0
C01	Existing Program	115,376	0	1,135,104	111.3	131,967	0	1,162,504	112.8
C04	Reallocation	0	0	1,135,104	111.3	0	0	1,162,504	112.8
C08	Technology	12,700	0	1,147,804	112.6	5,304	0	1,167,808	113.3

Justification

C01	An increase in salary and related match of \$452 is requested for board member stipends for each year of the biennium pursuant to Act 67 of 2007, which allows the agency to pay stipends for any day while performing any proper board business. An increase in Operating Expenses of \$34,493 for FY10, and \$38,138 for FY11 is requested for office rent, board member travel, cash fund service charge, other expenses and services, and office supplies. The Travel increase request of \$431 for FY10 and \$877 for FY11 is for the anticipated cost increases for mileage, airfare, and conference/seminar fees. The increase for Capital Outlay of \$20,000 for FY10 and \$17,500 for FY11 is for leasehold improvements and office equipment and furniture. The increase in Exam Fees of \$60,000 in FY10 and \$75,000 in FY11 is to cover the estimated increased costs of third-party fees of administering the CPA Exam and an increased number of applicants.
C04	The agency requests a reallocation of resources to properly classify \$22,657 for FY10 and FY11 from Data Processing to Operating Expenses for expenses associated with support and maintenance of their web site and licensure database (network services).
C08	The Board requests an increase in Operating Expenses of \$5,200 for FY10 and \$5,304 for FY11 to replace outdated computer equipment. The Board requests an increase in Capital Outlay of \$7,500 for FY10 to replace a network server. This is referenced on the Operations Tab of the agency's IT Plan.