

Oregon Board of Accountancy 2023-25 Budget / SB 5501

Oregon State Legislature - Joint Committee On Ways and Means
Subcommittee On General Government
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Agency Overview - Introducing the Profession and Board

- ▶ The mission of the Board of Accountancy (Board) is to protect Oregon consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards and promulgated rules.
- ▶ Board regulates services by Certified Public Accountants (CPAs) in the arenas of:
 - ▶ Audits, Reviews and Compilations (includes municipal and governmental audits, and assurances as to the reliability of attested information or compiled financial statements)
 - ▶ Tax and Accounting services
 - ▶ Personal Financial Planning, Business Consulting, Forensic Accounting, etc.
- ▶ Key Impacts of Board licensee services on individuals and businesses include:
 - ▶ Audits of financial statements are key to ensuring quality of financial information in the marketplace
 - ▶ Tax compliance
 - ▶ CPAs in private industry are key to ensuring the quality of financial reporting

Agency Overview - Current Profession Challenges

▶ Workforce Pipeline Challenge

- ▶ Shortage of students entering the CPA pipeline and shortage of new CPAs available for hire
- ▶ Nationally, per the American Institute of Certified Public Accountants (AICPA) 2021 trends report released last year:
 - ▶ High of 48,000 applicants for the CPA exam in 2016, declining to 30,000 applicants in 2020 - in part a pandemic hit
 - ▶ Recovery to about 32,000 applicants nationally in 2021

▶ National conversation is occurring between AICPA and National Association of State Boards of Public Accountancy (NASBA) regarding response to pipeline issues

- ▶ Collaborative conversations in Oregon between the Oregon Society of Public Accountants (OSCPA) and the Board

▶ Profession has evolved (in part due to COVID): major increase in remote work across state lines

Agency Overview - Board Goals and Response to Current Profession Challenges

- ▶ Board is responding to profession challenges with key agency goal to eliminate barriers
 - ▶ Re-constituted Laws and Rules Committee (LRC) began its work in January 2023
 - ▶ Initial focus of LRC is rules review with a goal of reducing barriers in the initial licensure process
 - ▶ Second LRC phase will tackle rules review with goal to reduce barriers to professional practice, reflect the evolution of the profession and best practices in regulation nationally (Uniform Accountancy Act)
- ▶ OSCPA and Legislature are helping with HB2523 / reducing the amount of education hours required to sit for the CPA exam
- ▶ Board has already implemented the following operational changes last year to reduce barriers:
 - ▶ More streamlined process for initial licensure and reciprocity licensure
- ▶ On February 13, the Board is starting outsourcing of some services to NASBA to improve service:
 - ▶ Examination application processing, continuing education audits, wall certificates and permit cards

Agency Overview - Board Specific Challenges and Response

Key Board Challenge in 2021/2022:

- ▶ Increasing disconnect with a variety of stakeholder groups and the needs of the profession
- ▶ Wholesale staff turnover (except in 1 position) in first half of calendar year 2022

Agency Response:

- Termination of Executive Director in January 2022
- Recruitment of previous Executive Director (2012 - 2017) to the agency on a permanent basis (started May 16, 2022)
- Immediate Re-set of Relationships with OSCPA and the Higher Education Community
- Implementation of operational efficiencies as discussed
- Policy re-set at the level of administrative rule through start of the LRC process in 2023
 - Policy re-set may yield request for agency request legislation in 2025 to further reduce barriers (if approved by Governor's Office)

Agency Response is not anticipated to require additional resources, rather it may yield efficiencies

- ▶ Possibility of LFO 801 technical adjustment package at work session time to reflect efficiencies in process

Agency Overview - Board Composition and Size

- ▶ Created in 1913.
- ▶ As of February 6, 2023, the Board has 8,225 individual and 928 public accounting firm licensees
- ▶ Overall licensee volume is has stayed largely stable over a five- and ten-year period, with a very slight reduction trend, however an increase in applicants for licensure is expected for this year
- ▶ Fee-based agency - no General Fund or Federal Funds
- ▶ Board Size: 7 (Governor-appointed and Senate confirmed; 5 CPAs, plus 1 PA and 1 Public Member)
- ▶ Current Staff Size: 7.5 FTE, proposed reduction to 7.00 FTE due to efficiencies gained may be reflected in LFO adjustment
- ▶ Staffing is still in process of stabilizing; 3 positions under classification review at DAS prior to recruitment posting

Agency Overview - The Budget Basics

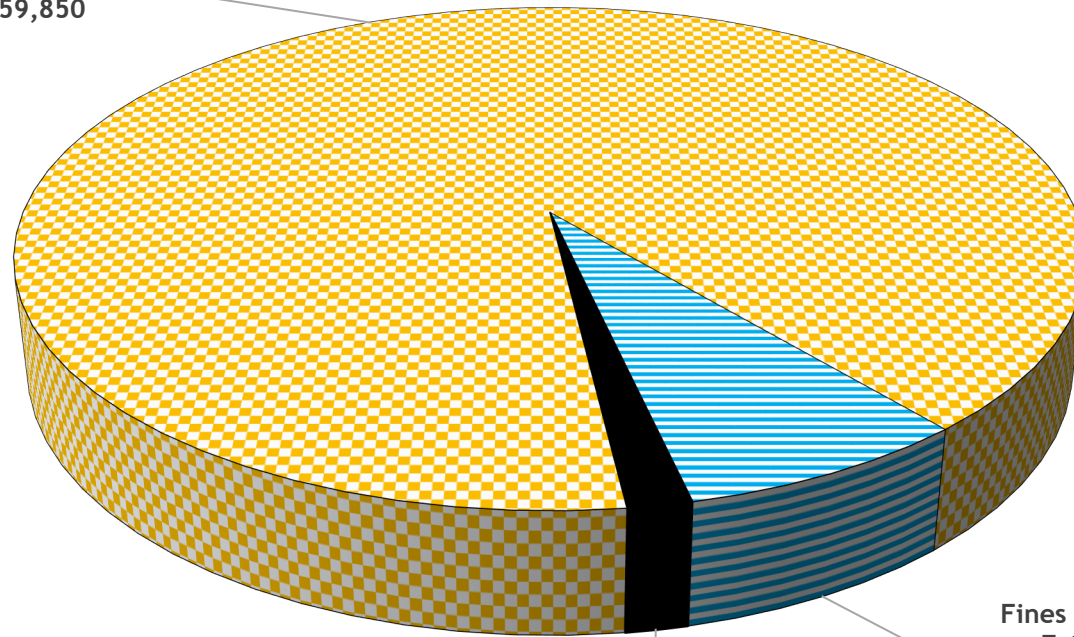
Straight-forward 2023-25 Budget Request for the Board of Accountancy:

- ▶ No Policy Option Packages
- ▶ No requests for Additional Resources
- ▶ No fee increases
- ▶ No requests does not mean lack of activity or leaning back - there is substantial rebuilding, and rebuilding batter under way
- ▶ The budget proposal for 2023-25 means the Board's activities to address the challenges of the profession and its operational challenges can be accomplished within its existing resources
- ▶ Solid budget picture for the Board and ability to address its needs within budget reflects prior close collaboration with OSCPA, OAIA, DAS, LFO from about 8 years ago - and the support of your predecessors on this oversight panel (SB 581 - 2015 led by OSCPA).
- ▶ Governor's Budget and Agency Request Budget align

Agency Overview - Board of Accountancy Funding Sources Overview

Board of Accountancy Funding Sources 2023-25

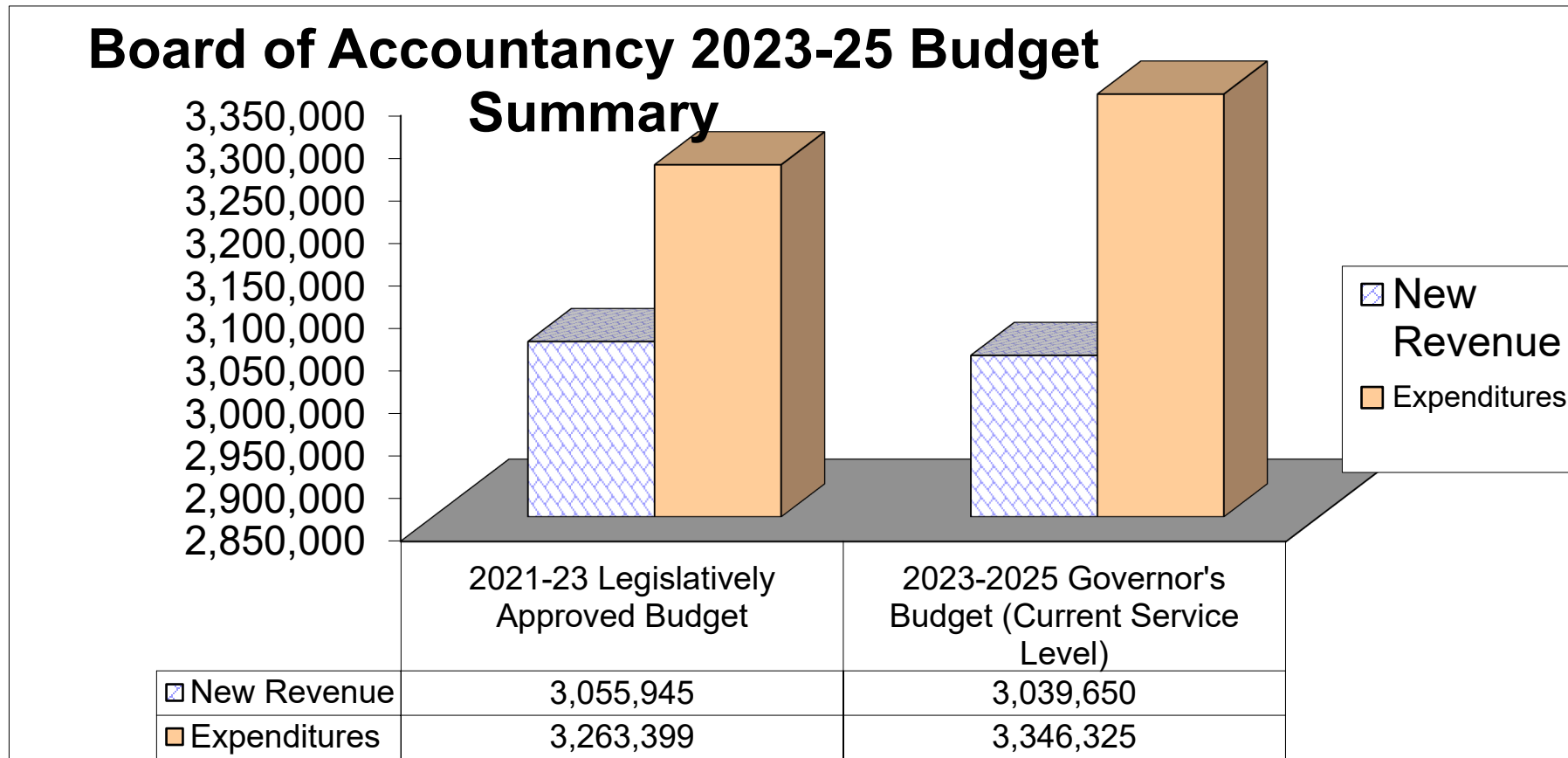
Business Licenses and Fees
/ 90.8%, \$2,759,850



Fines and Forfeitures /
7.6%, \$230,000

Interest / Sales / Other /
1.6%, \$49,800

Agency Overview - Board of Accountancy SB 5501 / Expenditure Authorization Request



Agency Overview - Board of Accountancy Performance Measures for FY 2022

- ▶ 2022 wholesale staffing changes significantly impacted performance
- ▶ Board uses an annual renewal cycle each June and faced the 2022 renewal season with about 4,000 renewal applications with minimal and largely brand new, mostly temporary staff
- ▶ Board Investigator was diverted to primarily performing licensing duties for about 6 months to keep agency operating, causing compliance operations to operate at minimal level
- ▶ Impacts ranged from far longer processing times, loss of data for a period on customer service performance measure, and far lower performance on compliance measures
- ▶ FY 2022 is an outlier year for performance due to the above one-time factors:
 - ▶ 60% of performance measures in red (below 15% of target)
 - ▶ 20% of performance measures in yellow (within 5 - 15% below target)
 - ▶ 20% of performance measures at target (within 5% of target)

Agency Overview - Board of Accountancy

Key Performance Accomplishment over time

Key Accomplishment 1 - Dramatic Reduction in Case Backlog

- ▶ 2016/17 high of 145 cases pending is at 28 cases now (12/16/2022 data) - an 80% reduction

Key Accomplishment 2 - Dramatic Reduction in Case Processing Times

- ▶ Average Case Resolution time reached a high of 440 days in FY 2016
- ▶ Timely Investigation Performance is 204 days to completion and approval of report (FY 2022)
- ▶ For first 6 months of 2022-23 FY, time to completion of and approval of report is 156 days

Agency Overview - Board of Accountancy

Future Challenges

- ▶ Stabilize staff and performance indicators across the board
- ▶ Continue to implement process efficiencies
- ▶ Continue work with LRC to develop rule improvements that will reduce barriers to applicants and licensees and implement them
- ▶ Continue collaborative work with (and meaningful involvement of) stakeholders in the above work
- ▶ Develop more detailed plans with stakeholders to to identify how the Board can further help improve workforce pipeline issues

QUESTIONS FOR THE BOARD?