

Table of Contents
Board of Accountancy

<i>Agency Profile</i>	1
Agency Expenditure Overview	4
Agency Financing by Fund	5
Agency Change Summary	6
<u>Change Item(s)</u>	7
<i>Operating Adjustment</i>	7
<i>Online Permitting System</i>	9

AT A GLANCE

In FY 2017-18, the Board:

- Renewed over 19,800 certificates and firm permits annually
- Evaluated 1,273 applications for CPA licensure
- Revoked 859 CPA certificates for failure to renew
- Issued 1,295 new individual licenses
- Issued 216 new firm permits
- Investigated 167 new complaints

PURPOSE

The mission of the Minnesota Board of Accountancy is to protect the public through the regulation of the practice of accounting by Certified Public Accountants, Registered Accounting Practitioners and others in Minnesota by:

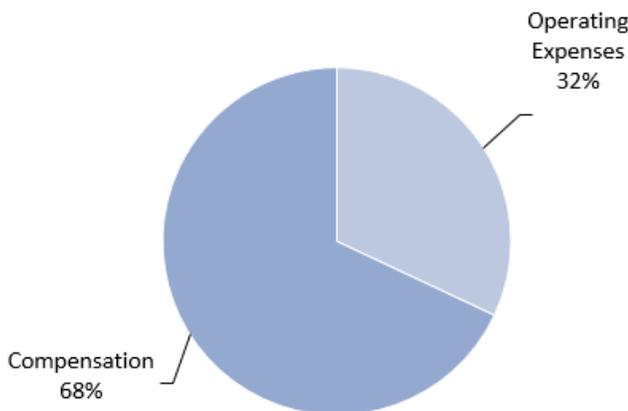
- Ensuring that those entering the practice meet standards of competency by way of education, experience and examination;
- Establishing standards of practice for those certified or registered to practice;
- Requiring that anyone practicing or offering to practice accounting be certified or registered and continue to maintain their professional competence; and
- Enforcing the laws, rules and standards governing the practice of accounting in Minnesota in a fair, expeditious and consistent manner.

The Board contributes to the statewide outcomes of:

- **A thriving economy that encourages business growth and employment opportunities**
- **Efficient and accountable government services**

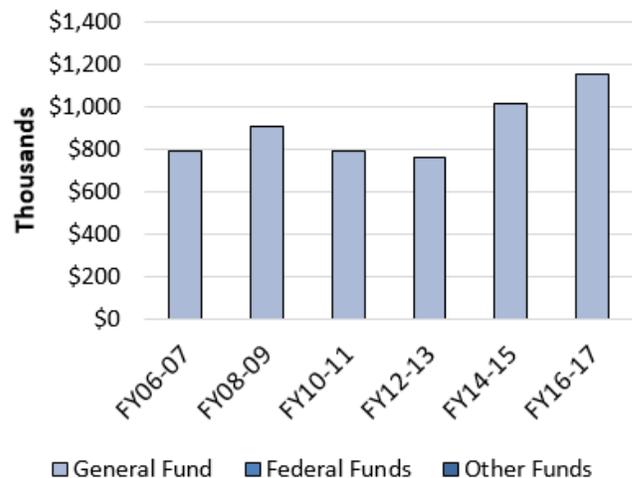
BUDGET

**Spending by Category
FY 17 Actual**



Source: Budget Planning & Analysis System (BPAS)

Historical Spending



Source: Consolidated Fund Statement

The Board collects application and licensure fees which are deposited in the State’s General Fund. The Board’s budget is funded through General Fund appropriations.

STRATEGIES

To accomplish its mission, the Board uses the following strategies:

1. **Regulatory** – Collaborating with the National Association of State Boards of Accountancy on consistent standards for examination, licensure and enforcement. Evaluating applications to ensure that those entering professional practice have completed the required education, examination and experience.
2. **Enforcement** – Investigating complaints and taking action against licensees and unlicensed individuals who violate the Board’s statutes and rules. Removing individuals from practice when necessary. Exchanging enforcement data across jurisdictions. Providing public access to license status, discipline history and the complaint process. Ensuring that the Board’s statutes and rules are up-to-date and understandable.
3. **Outreach and Education** – Providing information to Minnesota citizens, legislators, other state agencies, schools, professional societies and the national council about the value of licensure and the requirements of competent practice.

The Board of Accountancy contributes to the statewide outcome of creating a thriving economy that encourages business growth and employment opportunities by:

- Issuing permits to firms and licenses to individuals who practice public accounting, ensuring that those individuals and firms comply with statutes, rules, and accounting and auditing standards, and contributing to a stable and secure financial network;
- Ensuring that statutes and rules reflect the minimum standards to protect the public; and
- Updating statutes and rules to remove unnecessary barriers to licensure and certification.

We contribute to providing efficient and accountable government services by:

- Responding quickly and professionally to applicants, licensees, certificate holders, and the public;
- Providing education and information to the public, students, and licensees; and
- Thoroughly and efficiently investigating complaints and taking enforcement action when appropriate.

The Board strives for equity in licensure and certification by:

- Ensuring that standards for Minnesota residents are not easier or harder to achieve than standards for those already licensed or certified in another state transferring to Minnesota;
- Consistently applying the statutes and rules to all applicants, licensees, and firms; and
- Using plain language on application forms and in administrative rules.

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Percentage of applications for initial licensure submitted online Note: Online initial apps launched in November 2017	0%	62%	Before and after Nov. 2017
Quality	Average days to licensure (individuals)	18	18	FY 15/16 & FY 17/18
Quality	Average days to licensure (firms)	26	22	FY 15/16 & FY 17/18
Quality	Average days to resolve a complaint	93	60	FY 15/16 & FY 17/18

The Board of Accountancy's legal authority comes from M.S. 214.01 and M.S. 326A.

(<https://www.revisor.mn.gov/statutes/cite/214.01>)

(<https://www.revisor.mn.gov/statutes/cite/326A>)

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20 FY21		Governor's Recommendation FY20 FY21	
<u>Expenditures by Fund</u>								
1000 - General	568	589	595	700	651	651	744	675
Total	568	589	595	700	651	651	744	675
Biennial Change				138		7		124
Biennial % Change				12		1		10
Governor's Change from Base								117
Governor's % Change from Base								9

Expenditures by Program

Accountancy	568	589	595	700	651	651	744	675
Total	568	589	595	700	651	651	744	675

Expenditures by Category

Compensation	365	400	404	464	456	464	469	478
Operating Expenses	190	189	191	232	191	183	271	193
Other Financial Transaction	14			4	4	4	4	4
Total	568	589	595	700	651	651	744	675

Full-Time Equivalent

	5.40	5.92	5.23	5.60	5.50	5.50	5.50	5.50
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(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20 FY21		Governor's Recommendation FY20 FY21	
1000 - General								
Balance Forward In		71		50				
Direct Appropriation	639	641	645	650	651	651	744	675
Cancellations		123						
Balance Forward Out	71		50					
Expenditures	568	589	595	700	651	651	744	675
Biennial Change in Expenditures				138		7		124
Biennial % Change in Expenditures				12		1		10
Governor's Change from Base								117
Governor's % Change from Base								9
Full-Time Equivalents	5.40	5.92	5.23	5.60	5.50	5.50	5.50	5.50

(Dollars in Thousands)

	FY19	FY20	FY21	Biennium 2020-21
Direct				
Fund: 1000 - General				
FY2019 Appropriations	650	650	650	1,300
Base Adjustments				
Pension Allocation		1	1	2
Forecast Base	650	651	651	1,302
Change Items				
Operating Adjustment		43	24	67
Online Permitting System		50		50
Total Governor's Recommendations	650	744	675	1,419
 Revenue Change Summary				
Non-Dedicated				
Fund: 1000 - General				
Forecast Revenues	1,740	1,740	1,740	3,480
Total Governor's Recommendations	1,740	1,740	1,740	3,480

Board of Accountancy

FY 2020-21 Biennial Budget Change Item

Change Item Title: Operating Adjustment

Fiscal Impact (\$000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Expenditures	43	24	24	14
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	43	24	24	14
FTEs	0	0	0	0

Recommendation:

The Governor recommends additional funding of \$67 thousand in the FY 2020-2021 biennium and \$38 thousand in the FY 2022-2023 biennium to maintain the current level of service delivery at the Board of Accountancy, and for one-time legal and rulemaking costs.

Rationale/Background:

Each year, the cost of doing business rises—employer-paid health care contributions, FICA and Medicare, along with other salary and compensation-related cost increases. Other operating costs, like rent and lease, fuel and utilities, and IT and legal services also grow. This cost growth puts pressure on agency operating budgets that remain flat from year to year.

Enforcement of statutes and rules (i.e. complaint resolution) is one of the major ways the Board fulfills its mission to protect the public health, safety, and welfare. The Board has several enforcement cases that are in the appeal process. In addition to its legal fees for the Attorney General’s Office, the Board anticipates increases in non-AGO-related legal fees in FY 2020-2023, estimated at \$10 thousand annually.

Additionally, the Board’s administrative rules require updates based on changes to accounting standards on a national level. Rulemaking expenses for the Board are estimated at \$20,000 in FY 2020 and include publication of notices in the *State Register*, mailing notifications to affected parties, and holding public hearings.

Proposal:

The Governor recommends increasing agency operating budgets to maintain the delivery of current services. For the Board, this funding will cover known employee compensation. It also includes one-time funding for rulemaking costs in FY 2020 and legal costs from FY 2020-2023.

	FY 2020	FY 2021	FY 2022	FY 2023
Compensation	\$13	\$14	\$14	\$14
Rulemaking	20			
Legal Fees	10	10	10	
Total	43	24	24	14

Results:

This proposal is intended to allow the Board to continue to provide current levels of service and information to the public.

Statutory Change(s):

N/A

Board of Accountancy

FY 2020-21 Biennial Budget Change Item

Change Item Title: Online Permitting System

Fiscal Impact (\$000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Expenditures	50	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	50	0	0	0
FTEs	0	0	0	0

Recommendation:

The Governor recommends additional, one-time funding of \$50 thousand in FY 2020 for website and application system updates at the Board of Accountancy.

Rationale/Background:

During the FY 2018-2019 biennium, the Board successfully launched its online application system for initial Certified Public Accountant certificates. Applicants are able to check the status of their application 24/7 and print customized reference and experience forms that are required as a part of the application process. The online system has been well-received by applicants and by the end of the biennium - just seven months after launch - over 80% of the applications the Board received were through the online system. The Board would like to enhance its online application system to allow Certified Public Accounting firms to apply for a firm permit online.

Additionally, for each credit card transaction for online initial applications or renewals, the Board is charged a fee. The actual fee varies depending on the user's credit card (Visa, MasterCard, Discover, etc.) and the rewards the user gets from using that card, however the Board must charge a set fee for each transaction. The Board has been processing applications for renewal online for over a decade and each year goes through a lengthy process of analyzing the fees charged to the Board by the bank relative to the amount the Board collected from its applicants the previous year to set the fee for the upcoming year. The process is cumbersome and unreliable and results in the Board either over-recovering or under-recovering the fees. There is a new process available whereby US Bank processes the convenience fees on behalf of the Board. In order to take advantage of this new process, the Board must make changes to its website and interface with US Bank.

Proposal:

The Governor recommends this one-time increase to the Board in order to complete the modernization of its application system and more efficiently process payment transactions.

IT Related Proposals:

The Board will use an external vendor to complete this project.

Results:

The additional funding will help the Board achieve the following results:

1. Expand the Board's online initial application system to include allowing Certified Public Accounting firms to apply for a permit online. The Board's goal is that 80% of firm applications will be submitted online.

2. Updating the interface with US Bank will result in more accurate fee collection, and reduce the amount of money the Board must contribute from its operating budget to cover the cost of under-recovery.

Statutory Change(s):

N/A