

Regulatory Board Evaluation

Board of Accountancy

**The West Virginia Board of Accountancy is Necessary
to Protect the Public Interest**

**Areas of Public Accessibility and Completing the
Register Properly Need to Be Improved**

**Update on the Status of a Recommendation from the June
2004 Regulatory Board Evaluation**



**May 2006
PE 06-05-378**

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John Sylvia
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May 21, 2006

The Honorable Edwin J. Bowman
State Senate
129 West Circle Drive
Weirton, West Virginia 26062

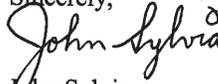
The Honorable J.D. Beane
House of Delegates
Building 1, Room E-213
1900 Kanawha Boulevard, East
Charleston, West Virginia 25305-0470

Dear Chairs:

Pursuant to the West Virginia Sunset Law, we are transmitting a Regulatory Board Evaluation of the Board of Accountancy, which will be presented to the Joint Committee on Government Operations on Sunday, May 21, 2006. The issues covered herein are "The West Virginia Board of Accountancy is Necessary to Protect the Public Interest;" "Areas of Public Accessibility and Completing the Register Properly Need to Be Improved;" and "Update on the Status of a Recommendation from the June 2004 Regulatory Board Evaluation."

We transmitted a draft copy of the report to the Board of Accountancy on May 10, 2006. The Board opted not to have an Exit Conference. We received the agency response on May 12, 2006.

Let me know if you have any questions.

Sincerely,

John Sylvia

JS/wsc

Joint Committee on Government and Finance

Contents

Executive Summary	5
Review Objective, Scope and Methodology	9
Issue 1: The Board of Accountancy is Necessary to Protect the Public Interest	11
Issue 2: Areas of Public Accessibility and Completing the Register Properly Need to Be Improved	15
Issue 3: Update - Due to the National Movement Towards a Computerized CPA Exam, West Virginia’s CPA Exam Application Fee Is Disproportionate to Expenses.....	23
 List Of Tables	
Table 1: Number of Days to Resolve Complaints.....	17
Table 2: Revenues and Expenses, FY 2003 - 2005.....	17
Table 3: Availability of Disciplinary Actions Online by Accountancy Boards.....	20
Table 4: Exam Receipts and Disbursements, CBT Testing 2004.....	24
 List of Graphs	
Graph 1: Board of Accountancy Applicants 2000 - 2005.....	25
 List Of Appendices	
Appendix A: Transmittal Letter to Agency.....	27
Appendix B: Agency Response	29

Executive Summary

Issue 1: The West Virginia Board of Accountancy Is Necessary to Protect the Public Interest.

The Bureau of Labor Statistics indicates that accountants and auditors help to ensure that businesses are run efficiently, its public records kept accurately, and its taxes paid properly and on time. They perform these vital functions by offering an increasingly wide array of business and accounting services, including assurance services to ensure the accuracy of financial statements. Accountants and auditors play a vital role in the exchange of information from business to the general public. Accountants produce financial statements and auditors assure the accuracy of these statements by review. This provides reliable information for public use when considering investments. Licensure serves the public interest by protecting the public from the actions of incompetent and dishonest accountants. Regulation of the accounting profession is necessary for the state of West Virginia to protect the public from financial loss due to the use of unreliable information. **Therefore, it is the Legislative Auditor's opinion that licensure of this profession protects the public interest and should be continued.**

Issue 2: Areas of Public Accessibility and Completing the Register Properly Need to Be Improved

The Board of Accountancy has satisfactorily complied with some applicable state laws and rules including setting fees by rules, maintaining a record of its proceedings, developing continuing education criteria, and meeting at least annually but compliance with other laws and rules can be improved upon.

The Board investigates and resolves complaints with due process and rules have been promulgated, as required by (§30-1-8(h)), that specify the investigation and resolution procedure of all complaints. During the time period of FY 2003 through FY 2005, the average length of time to resolve a complaint was 117 days. The Complaint and Disposition Log indicates that the Board has not fined, suspended, or revoked any licensees in the past three fiscal years in response to various complaints. The majority of complaints received were not under the Board's purview nor against any Board licensee. The complaints that were resolved by the Board consisted of Cease and Desist orders that prohibit the use of the Certified Public Accountant designation and Public Accountant designation, and resolutions agreed upon between the licensee and complainant.

The Board of Accountancy register does not include some of the information required by §30-1-12(a). The register does not indicate the registrants age, education, qualifications or place of residence. The register only includes name, license number, certificate date, and the status of the applicant (active/inactive, suspended, or retired). There is no information on the applicants who do not receive licensure. The Legislative Auditor recommends that the Board of Accountancy maintain a register as required by WVC §30-1-12.

WVC §30-1-12(c) indicates that every board shall regularly evaluate the feasibility of adopting additional methods of providing public access, including computer-based communications. Although the Board honors requests to review the disposition of complaints, public access could be improved upon by displaying the disciplinary actions of the Board via the Board's website. Most surrounding states provide the disposition of complaints online and indicate suspensions, fines and revocation. The Legislative Auditor recommends that the Board consider disclosing disciplinary actions on the Board's website in order to improve public access.

Update

Issue 3: Due to the National Movement Towards a Computerized CPA Exam, West Virginia's CPA Exam Application Fee Is Disproportionate to Expenses

Recommendation 10:

The Board should reduce the examination application fee and re-examination fee to an amount that is compensable to estimated expenses of processing exam applications.

Level of Compliance: In Dispute

The Board of Accountancy has not reduced the examination application fee or re-examination fee with respect to the recommendation of June 2004. The Board of Accountancy responded to this recommendation in June 2004 indicating that its examination application fee was comparable to other states and that a thorough review would be conducted after the first year of computerized testing.

The Board of Accountancy conducted a review of the receipts

and expenditures associated with the CPA exam under Computer Based Testing (CBT) in December 2004. There were three testing periods for the exam in 2004 and the exam fees received during the three periods totaled \$23,830. Expenses for the three periods were \$32,999 including employee compensation and postage. Approximately 84% of all expenses associated with the application process were to compensate the Board's CPA Exam Coordinator.

When the Board was administering the exam, it received exam applications, reviewed applications for eligibility, and notified AICPA of eligible candidates. In administering the written exam, the Board also paid for the rental of an exam site, paid AICPA to grade exams and for AICPA's development of the national exam, paid for proctors, security and for the moving of exam materials between the Board office and the exam site. These were direct costs for services totaling on average nearly \$75,000 that the Board no longer incurs.

In FY 2003, the Board reported exam receipts as \$73,195 and disbursements as \$78,198. The top expenditures included AICPA payments, payment to proctors and hall rental. The Board's personnel costs were not included when the Board calculated the \$78,198 total disbursements to administer the test in FY 2003. The Board is now including personnel costs in calculating total disbursements, which provide a more accurate analysis of the Board's expenses to administer the exam.

Even with the computerized exam, the Board's expenses continue to exceed receipts, but receipts could possibly be down due to a temporary decrease in applicants. There is a variation in number of applicants from year to year. These range from 857 in 2000 to 265 in 2004. The average number of applicants from 2000 to 2005 is 504. The number of applicants in 2004 was 265 which was far below average causing the receipts to be lower than other years. Thus, if the number of applicants returns to the average, total receipts will increase and the expenditures may also increase. Although expenditure increases may occur as the number of applicants increase, the increase in receipts may exceed any increases in expenditures. The Legislative Auditor recommends that the Board of Accountancy evaluate the history of applicants under the new method of testing in comparison to the administrative expenses attributed to the application process in three years to determine if lowering the exam application fee is feasible.

Recommendations

1. *The Legislative Auditor recommends that the Legislature continue the Board of Accountancy.*
2. *The Board should consider providing the disposition of complaints including suspensions, fines and revocations on its website.*
3. *The Board should complete and maintain the register as required by §30-1-12(a) of the Code.*
4. *The Board should continue to review all continuing professional education forms and should conduct random audits of continuing professional education on an annual basis.*
5. *The Legislative Auditor recommends that the Board of Accountancy evaluate the history of applicants under the new method of testing in comparison to the administrative expenses attributed to the application process in three years to determine if lowering the exam application fee is feasible.*

Review Objective, Scope and Methodology

This Regulatory Board Evaluation of the Board of Accountancy is required and authorized by the West Virginia Sunset Law, Chapter 4, Article 10 of the West Virginia *Code*, as amended. The Board is intended to protect the public interest in receiving accurate and reliable financial information and assurance by licensing certified public accountants, public accountants, and accounting firms.

Objective

The objective of this audit is to determine if the Board is necessary for protecting the public interest and whether or not the Board is operating in compliance with the policies and provisions of Chapter 30 of the *West Virginia Code* and other applicable laws and rules.

Scope

The scope of the audit covers the period of July 2003 through May 2006.

Methodology

Information compiled in this report has been acquired through Board correspondence and conversations with Board staff. Documents obtained from the Board include : 1) Annual Reports to the Governor from 2003 to 2005; 2) Board Meeting Minutes from 2003 to 2005; 3) Board procedures for investigating and resolving complaints; 4) Board procedure for verification of Continuing Professional Education (CPE) units; 5) Board roster and register; and 6) Board Complaint and Disposition Log. Information was also obtained from the federal 2002 Sarbanes-Oxley Act, the Securities and Exchange Commission, the American Institute of Certified Public Accountants (AICPA), and the Bureau of Labor Statistics. The review further included examination of West Virginia Code §30-1, §30-9, Board budget documents, and data collection from other states. Every aspect of this review complied with Generally Accepted Government Auditing Standards (GAGAS).

The West Virginia Board of Accountancy Is Necessary to Protect the Public Interest.

This report is a *Regulatory Board Evaluation* that requires by law a determination of whether licensure is necessary for public protection. In determining if there is a need for licensure of accountants, a primary consideration is the extent to which significant and discernable effects on public welfare would occur if the agency were abolished. **The Legislative Auditor finds that the licensing of accountants is necessary for protecting the citizens of West Virginia.**

Discontinuing the regulation of accountants would have an unfavorable effect on the citizens of West Virginia. The West Virginia Board of Accountancy licenses 2,266 individuals including: 2,244 Certified Public Accountants and 22 Public Accountants. The West Virginia Occupational Projections for 2012 estimate a growth rate of approximately 1%, with annual average career openings of 137. As stated by the West Virginia Board of Accountancy:

...the West Virginia Board of Accountancy (WVBOA) is responsible for assuring that the “public interest” is protected regarding financial transactions or for assessing that the financial status of various enterprises is reliable.

The Legislative Auditor agrees with this statement. Licensure serves the public interest by protecting the public from the actions of incompetent and dishonest accountants. Regulation of the accounting profession is necessary for the state of West Virginia to protect the public from financial loss due to the use of unreliable information.

State licensure provides the public with the assurance that accountants are competent and receive continuing education each year. Incompetent or unethical accountants could cause individuals and businesses relying on their services to incur financial losses. Auditor assurances about company financial statements remove a barrier to the efficient use of capital and offer some protection to third party investors. Recent accounting scandals (such as WorldCom and Enron) and numerous revisions of previously issued financial statements indicate the need for the oversight of accountants.

The Bureau of Labor Statistics indicates that accountants and auditors help to ensure that businesses are run efficiently, its public records kept accurately, and its taxes paid properly and on time. They perform these vital functions by offering an increasingly wide array of business and accounting services, including assurance services to ensure the accuracy of financial statements.

Accountants, through their independent audit function, are relied on to provide assurances about the financial representations of company managers, offering some protection to third party investors. West Virginia Code in (§30-9-1) states it is in the best public interest to receive “*accurate and reliable financial information and assurance*” and therefore requires certified public accountants, public accountants and accounting firms to be licensed. Assurance, pursuant to WV Code §30-9-2 (1), is defined as:

...any act or action, whether written or oral, expressing an opinion or conclusion about the reliability of a financial statement or about its conformity with any financial accounting standards.

Auditor assurances about company financial statements remove a barrier to the efficient use of capital and offer some protection to third party investors. In recent years, the general public relied on inaccurate financial statements and incurred financial losses due to accounting scandals. The Bureau of Labor Statistics states that in the aftermath of these scandals, professional certification is even more important in order to ensure that accountants’ credentials and ethics are sound.

Accountants are subject not only to the regulatory oversight of state boards of accountancy which exist in all 50 states but to other governmental agencies and professional organizations. The Securities and Exchange Commission (SEC), the Public Company Accounting Oversight Board (PCAOB), and the American Institutes of Certified Public Accountants (AICPA) all regulate the profession.

The mission of the Securities and Exchange Commission (SEC) is to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation. The SEC requires public companies to disclose meaningful financial information to the public. Through the web of uncertainty created by accounting scandals, the SEC has attempted to restore confidence in the accounting profession via establishing the Public Company Accounting Oversight Board, adopting rules improving the

independence of external auditors, and by issuing a study on principles-based accounting.

The Public Company Accounting Oversight Board (PCAOB) was established by the Sarbanes-Oxley Act of 2002. The mission of PCAOB is to oversee the auditors of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, fair, and independent audit reports. The Board has the authority to conduct special investigations of registered public accounting firms.

The professional trade association of certified public accountants, the American Institute of Certified Public Accountants (AICPA), is a voluntary organization for CPAs. The AICPA's mission is to provide members with the resources, information, and leadership that enable them to provide valuable services in the highest professional manner to benefit the public. The AICPA works with the state CPA organizations and gives priority to those areas where public reliance on CPA skills is most significant.

Conclusion

Accountants and auditors play a vital role in the exchange of information from business to the general public. Accountants produce financial statements and auditors assure the accuracy of these statements by review. This provides reliable information for public use when considering investments. Licensure serves the public interest by protecting the public from the actions of incompetent and dishonest accountants. Regulation of the accounting profession is necessary for the state of West Virginia to protect the public from financial loss due to the use of unreliable information. **Therefore, it is the Legislative Auditor's opinion that licensure of this profession protects the public interest and should be continued.**

Recommendation

1. *The Legislative Auditor recommends that the Legislature continue the Board of Accountancy.*

Areas of Public Accessibility and Completing the Register and Annual Report Properly Need to Be Improved

The Board of Accountancy has satisfactorily complied with some applicable state laws and rules. These laws and rules, primarily found within the Board's own enabling statute and in the general provisions of Chapter 30, are important in the effective operation of a licensing board. The Board has complied with the following requirements:

- A Board representative attended the orientation session provided by the State Auditor's Office (§30-1-2a);
- Officers are elected annually (§30-1-3(a));
- The Board meets at least once annually (§30-1-5(a));
- The Board follows due process in its investigation and resolution of complaints (§30-1-5(b));
- The Board has set fees by rule (§30-1-6(c));
- The Board has procedural rules that outline the procedures for investigation and resolution of complaints (§30-1-8(h));
- The Board maintains a record of its proceedings (§30-1-12(a));
- The Board has a listing in the state government section of the Charleston area telephone book (§30-1-12(c));
- The Board has prepared and maintained a roster of all licensees organized both alphabetically and by county employed (§30-1-13); and
- The Board submits annual reports to the Governor and the Legislature (§30-1-12b).

Complaints Are Investigated and Resolved with Due Process

The Board investigates and resolves complaints with due process and rules have been promulgated, as required by (§30-1-8(h)), that specify the investigation and resolution procedure of all complaints. WVC §30-9-21 mandates the Board's complaints and investigation process. Upon receipt of a written complaint filed against any licensee, substantial equivalency practitioner or firm, the board will provide a copy of the complaint to the licensee, substantial equivalency practitioner or firm. The Board may investigate the complaint and if probable cause exists that the licensee or firm has violated any provision of state law or rules, then the Board will serve the licensee or firm with a written statement of charges and a notice specifying the date, time and place of a hearing.

The Board may also review the public work of a licensee or firm on a general and random basis, without any requirement of a formal complaint or suspicion of impropriety. If the Board discovers reasonable grounds, it may conduct an investigation and upon its own motion, may file a written statement of charges including a notice of hearing. It must be noted that the Board has not self initiated an investigation on any licensee.

The Complaint and Disposition Log indicates that the Board has not fined, suspended, or revoked any licensees in the past three fiscal years in response to various complaints. The majority of complaints received were not under the Board's purview nor against any Board licensee. The complaints that were resolved by the Board consisted of Cease and Desist orders that prohibit the use of the Certified Public Accountant designation and Public Accountant designation, and resolutions agreed upon between the licensee and complainant.

During the time period of FY 2003 through FY 2005, the average length of time to resolve a complaint was 117 days, ranging from 14 to 1,031 days. Table 1 illustrates the length of time to resolve complaints for fiscal years 2003-2005. The complaint taking 1,031 days to resolve related to substandard work and was made by the U.S. Department of Education. The Board requested an opinion from the American Institute of Certified Public Accountant's (AICPA) Ethics Division. The Certified Public Accountant (CPA) did not cooperate during the investigation. The AICPA finally recommended that the CPA be expelled from membership

due to his lack of cooperation in connection with this complaint. Prior to the closure of the case, the CPA failed to renew his license and upon closure had not held a license to practice for over a year. The Board closed the case without prejudice, noting that if the licensee applied for renewal of license, then the case would be reopened prior to consideration for licensure. All other complaints were handled in a timely fashion.

Table 1 Number of Days to Resolve Complaints						
Year	1-60	61-120	121-200	201-300	over 300	Totals
2003	5	0	2	0	1	8
2004	5	5	5	1	0	16
2005	6	4	1	1	0	12
<i>Source: PERD analysis of data from the WV Board of Accountancy</i>						

The Board Is Financially Self-sufficient

The Board of Accountancy is financially self-sufficient as required by WVC §30-1- 6(c). As shown in Table 1, the Board had an ending cash balance for fiscal year 2005 of \$159,573. Annual receipts average \$289,563 for the last three years and expenditures average \$299,352. Ending cash balances average \$174,457 and overall the Board is financially stable.

Table 2 Revenues and Expenses, FY 2003 - 2005			
Fiscal Year	Actual Revenues	Actual Expenditures	EOY Cash Balances
2003	\$353,114	\$327,168	\$214,884
2004	\$254,456	\$320,426	\$148,914
2005	\$261,120	\$250,460	\$159,573
<i>Source: PERD analysis of data from the WV Board of Accountancy</i>			

The Board Has Established Continuing Professional Education Requirements

On July 15, 2005, the Board adopted the *Statement on Standards for Continuing Professional Education (CPE) Programs* issued jointly by the American Institute of Certified Public Accountants (AICPA) and National Association of State Boards of Accountancy (NASBA). The Board's CPE Policies and Guidelines include guidance on the program content and review of the content, provisions for self-study, and a stipulation that courses must be at least 50 minutes of formalized study in a classroom environment. The CPE Policy and Guidelines also states that courses must be completed during the calendar year being reported unless a CPE extension has been approved by the Board.

The Board requires licensees to submit a CPE Report each year that documents the licensees continuing professional education including the hours claimed, field of study, type of course and the source of the course. The Board reviews these in order to renew the license of each applicant annually.

The Board audits the filings for Continuing Professional Education. An audit of the 2005 CPE Reporting Form informs licensees to submit documentation that may include certificates of attendance and completion, copies of sign-in sheets, documentation of school employment, or a copy of course summaries. In 2000, the Board concluded that 100% of all CPE filings should be reviewed by the CPE Coordinator and that the 1999 filings would be audited at 2%. The Board of Accountancy states:

There was no audit conducted in 2003 or 2004 due to time and work load constraints.

The Legislative Auditor recommends that the continuing professional education forms continue to be reviewed by the Board and that audits should be conducted randomly on an annual basis.

The Board of Accountancy's Register Does Not Meet Statutory Requirements

The Board does not have a completed register that includes the specified information pursuant to WVC §30-1-12(a) which states:

...every board shall keep a record of proceedings and a register of all applicants for license or registration, showing for each the date of his or her application, his or her name, age, educational and other qualifications, place of residence, whether an examination was required, whether the applicant was rejected or certificate of license or registration granted, the date of this action, the license or registration number, all renewals of the license or registration, if required, and any suspension or revocation thereof.

The Board of Accountancy Register does not include some of this information. The register does not indicate the registrants age, education, qualifications or place of residence. The register only includes name, license number, certificate date, and the status of the applicant (active/inactive, suspended, or retired). There is no information on the applicants who do not receive licensure. The Legislative Auditor recommends that the Board of Accountancy maintain a register as required by WVC §30-1-12.

Public Access to the Disposition of Complaints Could Be Improved

WVC §30-1-5 states that every Board will provide public access to the record of disposition of the complaints it receives. The Board has an internal document entitled “Complaint and Disposition Log” that is for board members’ use only. The Board of Accountancy states:

...the Board does not provide public access to the COMPLAINT AND DISPOSITION LOG. This log is for internal staff and board use only. Requests to view the result of a complaint are honored. After conferring with our legal counsel, the board follows her instructions.

Although the Board honors requests to review the disposition of complaints, public access could be approved upon by displaying the disciplinary actions of the Board via the Board’s website. Most surrounding states provide the disposition of complaints online and indicate suspensions, fines and revocation. Table 3 indicates which states provide disciplinary actions online that have been taken by each individual state’s board of accountancy.

WVC §30-1-12(c) indicates that every board shall regularly evaluate the feasibility of adopting additional methods of providing public access, including computer-based communications. The Legislative Auditor recommends that the Board consider disclosing disciplinary actions on the Board's website in order to improve public access. It must be noted that the Board voted to post disciplinary actions online as of January 2005, but the Board has not had any disciplinary actions since that date.

Table 3
Availability of Disciplinary Actions Online by Accountancy Boards

State	None	Licensee Name, Board Action, Revocations, etc. *
Kentucky	X	
Maryland		X
Ohio		X
Pennsylvania		X
Virginia	X	
West Virginia	X	
<i>*Examples of online disciplinary disclosures available in Appendix B. Source: KY- www.cpa.ky.gov MD- www.dlir.state.md.us/license/occprof/account OH- www.acc.ohio.gov, PA- www.dos.state.pa.us/account VA- www.boa.state.va.us and WV- www.state.wv.us.wvboa/</i>		

Conclusion

The Board has complied with some of the general provisions of Chapter 30 of the West Virginia Code. The Board as successfully met at least once annually, is financially self-sufficient and maintains satisfactory records of its meetings. The Board should consider providing the disposition of complaints on its website to improve public accessibility. The Register needs to be maintained in a manner that is publicly accessible and in accordance with the requirements of statute. Also, the Board needs to complete the Annual Report properly in order to meet the re-

quirements of statute.

Recommendations

2. *The Board should consider providing the disposition of complaints including suspensions, fines and revocations on its website.*
3. *The Board should complete and maintain the register as required by §30-1-12(a) of the Code.*
4. *The Board should continue to review all continuing professional education forms and should conduct random audits of continuing professional education on an annual basis.*

Update:

Due to the National Movement Towards a Computerized CPA Exam, West Virginia's CPA Exam Application Fee Is Disproportionate to Expenses

Recommendation 10:

The Board should reduce the examination application fee and re-examination fee to an amount that is compensable to estimated expenses of processing exam applications.

Level of Compliance: In Dispute

The Board of Accountancy has not reduced the examination application fee or re-examination fee with respect to the recommendation of June 2004. The Board of Accountancy responded to this recommendation in June 2004 indicating that its examination application fee was comparable to other states. The Board noted that it would give careful consideration to the recommendation after an evaluation of the first year's operation under the computerized CPA Exam.

The Board of Accountancy conducted a review of the receipts and expenditures associated with the CPA exam under Computer Based Testing (CBT) in December 2004. Table 4 illustrates the receipts and disbursements attributable to the processing of exam applications for 2004. There were three testing periods for the exam in 2004 and the exam fees received during the three periods totaled \$23,830. Expenses for the three periods were \$32,999 including employee compensation and postage. Approximately 84% of all expenses associated with the application process were to compensate the Board's CPA Exam Coordinator. The CPA Exam Coordinator is responsible for a number of duties including entering all applicant information into the data system, determining whether or not the candidate is authorized to test, and recording and mailing the exam scores. The CPA Exam Coordinator also serves as a liaison to the AICPA, NASBA, Gateway System, and Prometric for each candidate.

Table 4		
Exam Receipts and Disbursements, CBT Testing 2004		
	Receipts	Disbursements
Exam Fees	\$23,830	
CPA Exam Coordinator Salary (75% of total salary)		\$27,671
Data Manager (7 ½ weeks)		\$5,024
Postage		\$303
Total	\$23,830	\$32,999

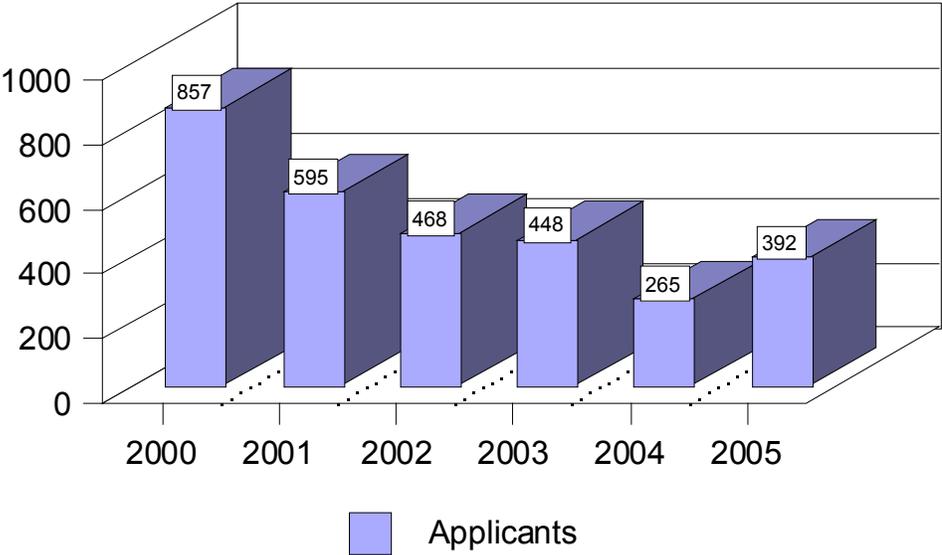
When the Board was administering the exam, it received exam applications, reviewed applications for eligibility, and notified AICPA of eligible candidates. This process has continued with the exception that the Board now notifies NASBA rather than AICPA. In administering the written exam, the Board also paid for the rental of an exam site, paid AICPA to grade exams and for AICPA's development of the national exam, paid for proctors, security and for the moving of exam materials between the Board office and the exam site. These were direct costs for services totaling on average nearly \$75,000 that the Board no longer incurs.

In FY 2003, the Board reported exam receipts as \$73,195 and disbursements as \$78,198. The top expenditures included AICPA payments, payment to proctors and hall rental. The Board's personnel costs were not included when the Board calculated the \$78,198 total disbursements to administer the test in FY 2003. The Board is now including personnel costs in calculating total disbursements, which provide a more accurate analysis of the Board's expenses to administer the exam.

Even with the computerized exam, the Board's expenses continue to exceed receipts, but receipts could possibly be down due to a temporary decrease in applicants. The following graph illustrates the variation in number of applicants from year to year. These range from 857 in 2000 to 265 in 2004. The average number of applicants from 2000 to 2005 is 504. The number of applicants in 2004 was 265 which was far below average causing the receipts to be lower than other years. Thus, if the number of applicants returns to the average, total receipts will increase and the expenditures may also increase. Although expenditure increases may occur as the number of applicants increase, the increase in receipts may exceed any increases in expenditures. **The Legislative Auditor**

recommends that the Board of Accountancy evaluate the history of applicants under the new method of testing in comparison to the administrative expenses attributed to the application process in three years to determine if lowering the exam application fee is feasible.

Graph 1
Board of Accountancy Applicants 2000 - 2005



Recommendation

- 5. *The Legislative Auditor recommends that the Board of Accountancy evaluate the history of applicants under the new method of testing in comparison to the administrative expenses attributed to the application process in three years to determine if lowering the exam application fee is feasible.*

Appendix A: Transmittal Letter

WEST VIRGINIA LEGISLATURE *Performance Evaluation and Research Division*

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John Sylvia
Director

May 10, 2006

Jo Ann Walker, Executive Director
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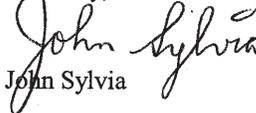
Dear Ms. Walker:

This is to transmit a draft copy of the Regulatory Board Evaluation of the West Virginia Board of Accountancy. This report is scheduled to be presented during the May 21-May 23 interim meeting of the Joint Committee on Government Operations. We will inform you of the exact time and location once the information becomes available. It is expected that a representative from your agency be present at the meeting to orally respond to the report and answer any questions the committee may have.

If you would like to schedule an exit conference to discuss any concerns you may have with the report, please notify us between May 10, 2006 and May 12, 2006. We need your written response by noon on May 17, 2006, in order for it to be included in the final report. If your agency intends to distribute additional material to committee members at the meeting, please contact the House Government Organization staff at 340-3192 by Thursday, May 18, 2006 to make arrangements.

We request that your personnel not disclose the report to anyone not affiliated with your agency. Thank you for your cooperation.

Sincerely,


John Sylvia

Joint Committee on Government and Finance

Appendix B: Agency Response

West Virginia
Board of Accountancy
106 Capitol Street, Suite 100
Charleston, West Virginia 25301-2610



Joe Manchin, III, Governor

Board Members:
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Harold Davis, CPA
Lee Fisher, Public Member

Jo Ann Walker, Executive Director

May 12, 2006

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PERFORMANCE EVALUATION AND
RESEARCH DIVISION

John Sylvia
Performance Evaluation and Research Division
West Virginia Legislature
Building 1, Room W-314
1900 Kanawha Boulevard East
Charleston, West Virginia 25305-0610

Dear Mr. Sylvia:

This Board has received the draft copy of the Regulatory Board Evaluation of the West Virginia Board of Accountancy :

In response to the Recommendations of the Evaluation Board please see the following:

1. The Legislative Auditor recommends that the Legislature continue the BOARD OF ACCOUNTANCY.
 - The West Virginia Board of Accountancy agrees with this recommendation.
2. The Board should consider providing the disposition of complaints including suspensions, fines and revocations on its website.
 - Responding to the Recommendation from the Evaluation Board in 2004, the Board voted to post Disciplinary Actions on the Board's web site effective January 2005 forward. However, the Board has not suspended any licensees, revoked any certificates, levied any fines or taken any other disciplinary actions for posting.
3. The Board should complete and maintain the register as required by § 30-1-12(a) of the Code.
 - The Board does not have a completed register that includes the specified information for all licensees from 1959 forward, but the database is probably closer to meeting statutory requirements than the legislative audit report indicates. From January 2004 forward, the information is for the most part complete. (See Exhibit A) I have attached a register of all West Virginia certificants from 2000 forward. As you can see, from 2000 to 2004, the education information is missing, but the rest of the data has very few "gaps."

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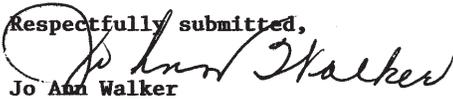
- With three full-time staff performing exam and licensure duties that cycle throughout the year. It becomes difficult to update licensure records from the past when present duties and deadlines are so imminent. Little time is left over for pulling paper files and manually updating each of the records with missing data.

Since the last legislative review the data system was upgraded to accommodate the required information and Board staff have been working to fill some of these data "gaps". In the past year we have reviewed the log of registrations and added any missing names and/or numbers to our system. We have also tried to update dates of birth and other necessary information as a licensee's file crosses our desks.

Contrary to the legislative auditor's statement, we do maintain records for those who do not receive licensure. Those persons either passed the exam and have a status of "PASSED"; secured a Certificate only and have the status "Cert Only"; or a Certificate Number was not assigned for various reasons and has the status "Not Assigned". (See Exhibit B.)

- It will take time to update the data system with statutorily required data. However, we believe that we can have a complete set of register data from year 2000 forward by the next review.

- The Board should continue to review all continuing professional education forms and should conduct random audits of continuing professional education on an annual basis.
 - The West Virginia Board agrees with this recommendation and notes that a 1% audit is currently being conducted.
- The Legislative Auditor recommends that the Board of Accountancy evaluate the history of applicants under the new method of testing in comparison to the administrative expenses attributed to the application process in three years to determine if lowering the exam application fee is feasible.
 - The Board of Accountancy agrees with this recommendation.

Respectfully submitted,

Jo Ann Walker
WEST VIRGINIA BOARD OF ACCOUNTANCY

cc: file
enc: