

Accountancy Board of Ohio
Annual Report
Fiscal Year Ended June 30, 2012

INTRODUCTION

The Accountancy Board of Ohio is the state government agency established by the Ohio General Assembly in 1908 to regulate the practice of public accounting in Ohio. The Board is responsible for examining and licensing certified public accountants, licensing the remaining public accountants, registering public accounting firms and enforcing the provisions of Chapter 4701 of the Ohio Revised Code as passed by the General Assembly and Agency 4701 of the Ohio Administrative Code as adopted by the Board.

The Board is entirely self-sustaining. It does not spend any tax dollars. Revenue is generated from fees collected for license applications, license renewals and other services. The Board reimburses other state agencies for services rendered.

The Ohio Attorney General is the statutory legal counsel to the Board. John E. Patterson, Assistant Attorney General, represents the Board in administrative hearings and court proceedings.

Mission Statement

The mission of the Accountancy Board of Ohio is to assure that the services received by Ohio's citizens and businesses from CPAs and PAs licensed by the Board, will always be performed in an ethical and professional manner and to strictly and fairly enforce Ohio's statutes and rules.

Vision Statement

It is the vision of the Accountancy Board of Ohio to become the regulatory agency that provides quality service to the public through the effective use of technology and the implementation of best business practices.



Message from the Board Chair M. A. "Maggie" Houston, CPA

It has been an honor to serve as a member of the Accountancy Board of Ohio for the past five years. This year it has been a privilege to serve as Chair.

The Board is responsible for protecting the public interest related to CPAs and CPA firms by performing investigations, monitoring individual licenses and firm registrations and verifying continuing education requirements. It issues permits, registrations and certificates to CPAs in Ohio. The Board oversees the CPA examination in Ohio. At the end of fiscal year 2012, there were 21,228 permit holders, 8,953 registration holders, 1,629 attest firms, and 1,600 tax/consulting firm registered with the Board. A total of 894 CPA certificates were issued.

The Accountancy Board of Ohio is recognized throughout the country for its effectiveness in enforcement and discipline of the rules and laws that govern CPAs and CPA firms. The Board's disciplinary manual is being used as a model for other states. This year there were 26 disciplinary hearings before the board and 18 certificates were revoked, and three firm registrations were revoked.

In order to be knowledgeable about current and future changes in the profession, it is important that Board members and staff interact with their counterparts at National Association of State Boards of Accountancy (NASBA) meetings. Several Board members serve on NASBA committees.

Jim Carroll	Bylaws Committee
Bob Fay	CPE Committee
Mike Fritz	Ethics and Professional Issues Committee, Global Strategies Committee
Maggie Houston	CPA Examination and Administration Committee

Ohio participates in NASBA's Accountancy Licensing Database and its auxiliary service, CPAVerify. These tools enhance the enforcement of the state accountancy laws. In recent years the Board members and staff took a lead role in promoting the interstate mobility statute for CPAs. Today nearly every state has adopted mobility provisions.

The Ohio Society of CPAs serves as the Board's agent for the peer review process. The Board appreciates the excellent working relationship it has with the OSCP.

This year \$240,000 of educational assistance grants were awarded to Ohio students completing the fifth year of study to be eligible to take the CPA exam.

The Board functions efficiently and effectively due to the fine work of a small but dedicated staff. In addition, the Board relies on legal guidance from the Ohio Attorney General's office.

The nine-member Board, the staff and legal counsel take our responsibilities seriously and are proud to represent the CPA profession. I thank the Board members for their support this year.

With confidence I pass the gavel to the incoming Board Chair, W. Michael Fritz.

Respectfully,

A handwritten signature in cursive script that reads "M.A. Houston".

M.A. "Maggie" Houston, CPA

ACCOUNTANCY BOARD OF OHIO MEMBERS

The Board is composed of nine members, eight of whom are certified public accountants and one who is a member of the general public. The Governor, with the advice and consent of the Senate, appoints each member to a seven-year term. Board members are compensated on an hourly basis for time devoted to the Board's affairs. They are reimbursed for expenses incurred in the performance of their official duties.

Chair



Margaret A. Houston, CPA

Term 1/8/2008—10/20/2014 (licensed since 1987)
Senior lecturer, Department of Accountancy
Wright State University, Dayton, Ohio.

Vice Chair



Wayne Michael Fritz, CPA

Term 2/23/2009 - 10/20/2015 (licensed since 1980)
Partner, Deloitte & Touche, LLP, Columbus, Ohio.

Secretary



Robert F. Fay, CPA

Term 2/23/2009—10/20/2015 (licensed since 1985)
Owner, Robert F. Fay, CPA, Canton, Ohio.

Past Chair



Greta J. Russell, CPA

Term 11/17/2006—10/20/2013 (licensed since 1981)
Retired from The Ohio State University. She resides in
Whitehall, Ohio.

Past Chair



Mark B. LaPlace, CPA

Term 2/24/2006—10/20/2012 (licensed since 1982)
Partner, GBQ Holdings, LLC, Columbus, Ohio.

Member



Michael S. Comer, CPA

Term 10/21/2009—10/20/2016 (licensed since 2005)
Partner, KPMG, LLP, Cincinnati, Ohio.

Member



James J. Carroll, CPA

Term 11/4/2009—10/20/2016 (licensed since 1973)
Member, Cors & Bassett LLC, Cincinnati, Ohio.

Member



Adriana Sfalcin (Public Member)

Term 12/6/2010—10/20/2017
Executive Vice President and COO, Ohio Council of Retail Merchants, Columbus, Ohio.

Member



James P. Gero, CPA

Term 1/12/2012—10/20/2018 (licensed since 1987)
Owner, Hobe & Lucas, CPAs Inc., Independence, Ohio.

Accountancy Board of Ohio
Standing Committees (2012)
Margaret Houston, Board Chair
(The Board Chair is an ex-officio member of all committees.)

Executive Committee

- Margaret Houston, Chair
- W. Michael Fritz, Vice Chair
- Robert Fay, Secretary

Nominating Committee

- Greta Russell, Chair
- James Carroll
- James Gero

Education Assistance Committee

- Robert Fay, Chair
- Michael Comer
- Greta Russell

Peer Review Oversight Committee

- W. Michael Fritz, Chair
- James Gero
- Robert Fay
- Thomas Mulligan (Past Board member)

Disciplinary Advisory Committee

- Michael Comer, Chair
- Robert Fay
- Adriana Sfalcin

Licensing Committee

- James Carroll, Chair
- James Gero
- Michael Comer
- Jerry Esselstein (Past Board member)

Office Oversight Committee

- Mark LaPlace, Chair
- James Carroll
- Adriana Sfalcin

Finance and Audit Committee

- W. Michael Fritz, Chair
- Michael Comer
- Greta Russell



Organizational Chart

Governor of Ohio

Board/Commission Member 1

Margaret Houston, Chair
W. Michael Fritz, Vice Chair
Robert Fay, Secretary
Greta Russell, Past Chair
Mark LaPlace, Past Chair

Michael Comer, Member
James Carroll, Member
Adriana Sfalcin, Member
James Gero, Member

Ronald J. Rotaru
Executive Director

Robert D. Joseph PhD CPA
Assistant Director

Tracey F. Fithen
Executive Assistant

Faith A. Ottavi
Investigator

Jesse J. Dixon
Investigator

Vacancy
Investigator Assistant

Luann Rager
Administrative Professional

Karen Salyer
Administrative Professional

Elisabeth Newell
Administrative Professional

Kelly Ann Kelly
Administrative Professional

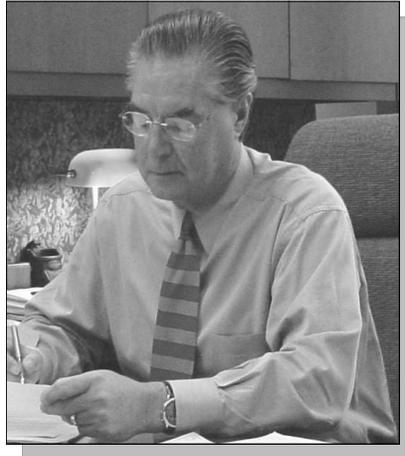
2 Vacancies
Administrative Professional/Clerk

Accountancy Board Staff As of June 30, 2012

EXECUTIVE OFFICE



Robert D. Joseph
Ph.D., CPA
Assistant Executive
Director



Ronald J. Rotaru
Executive Director
(614) 995-0192



Tracey F. Fithen
Executive Assistant
(614) 644-9037



Greta Russell
Past Chair Award



James Landaker
Former ABO Chair

OPERATIONS STAFF



Kelly Ann Kelly
Firm Registration
(614) 752-8249



Elisabeth Newell
Receptionist
(614) 466-4135



Luann Rager
CPA Licensing/ Renewal
(614) 752-8248



Karen Salyer
CPA Certification
(614) 752-7472

ENFORCEMENT & DISCIPLINE



Jesse J. Dixon
Investigator
(614) 728-3004



Faith Ottavi
Investigator
(614) 752-2468

ATTORNEY GENERAL

John E. Patterson
General Counsel, Assistant State Attorney General

Licenses and Renewal Year Ended June 30

Since the Accountancy Board's inception in 1908, a total of 49,271 CPA certificates have been issued. CPAs who perform audits, reviews, compilations, and attestation engagements must hold a **permit**. CPAs who perform tax services, personal financial planning services, and/or consulting services and use the CPA designation must hold a **permit**. CPAs who do not perform those services may hold a **permit** or a **registration**. Ohio permit holders must have 120 credits of continuing professional education in the three-year period covered by the license. Ohio permit holders use the designation "CPA." Ohio registration holders do not have CPE requirements and use the designation "CPA Inactive."

Between 1959 and 1993, a total of 6,842 Public Accountant (PA) registrations were issued. Currently there are 99 registered PAs. The Board no longer registers new public accountants.

Total Active Ohio Permits

Year Ended June 30	CPA Permits	PA Permits	Total
2012	21,215	13	21,228
2011	20,672	11	20,683
2010	20,201	12	20,213
2009	19,937	10	19,947
2008	19,563	12	19,575
2007	19,140	18	19,158
2006	18,980	21	19,001
2005	18,766	26	18,792

Total Licenses Renewed—Permits & Registrations

Year Ended June 30	Permit 1-year	Permit 2-year	Permit 3-year	Total Permits	Reg 1-Year	Reg 2-year	Reg 3-year	Total Reg	Grand Total
2012	62	944	6,413	7,416	56	92	2,809	2,957	10,373
2011	60	1,038	6,692	7,790	61	99	2,966	3,126	10,916
2010	41	927	6,506	7,474	24	80	3,229	3,333	10,807
2009	58	902	5,965	6,925	34	100	3,062	3,196	10,121
2008	58	959	6,159	7,176	30	90	3,103	3,223	10,399
2007	60	872	5,990	6,922	46	96	3,757	3,899	10,821
2006	53	809	5,740	6,602	26	74	3,265	3,365	9,967
2005	51	825	5,829	6,705	47	75	3,669	3,791	10,496

Permit holders sign "CPA."

Registration holders sign "CPA inactive."

1-year, 2-year, 3-year represents the number of years for which the permit or registration is issued.

FIRM REGISTRATION AND PEER REVIEW

The State of Ohio requires all public accounting firms practicing in Ohio to register with the Board. In addition, firms that perform financial reporting services (attest firms) are required to undergo a comprehensive peer review every three years. The peer review program is designed to assess the quality of the firm's work, its professional staff, and its overall performance in the delivery of services to its clients. Proof of successful completion of a peer review is required before an attest firm can renew its firm registration.

The Ohio Society of Certified Public Accountants (OSCPA) is the Board's agent for the peer review program and administers the peer review process. The Board and the OSCPAs work together to assure that the objectives of the peer review program are achieved.

There are 1,629 peer review public accounting firms and 1,600 tax/consulting firms registered in Ohio. Firms register every three years.

Firm Registrations by Fiscal Year		
Year Ended June 30	Peer Review	Tax/Consulting
2012	578	639
2011	509	469
2010	510	570
2009	694	601
2008	537	545
2007	584	574
2006	587	580

CPA CERTIFICATE AND EXAMINATION

In order to obtain the CPA certificate, a candidate needs to complete the three “E’s” of education, examination, and experience.

Since January 1, 2000, the education and experience requirements for the CPA certificate are:

Education

A baccalaureate degree and 150 semester hours of college credit including 30 semester hours in accounting and 24 semester hours in business courses other than accounting courses.

OR

An associates or baccalaureate degree and a minimum 620 score on the Graduate Management Admission Test.

Examination

Successful completion of the CPA examination.

Experience

One year of experience performing accounting or accounting-related duties acceptable to the Board.

Since 2004 the CPA examination is computer-based. The exam is available during the first two months of each calendar quarter. There are four sections to the CPA examination: Auditing, Business Environment and Concepts, Financial Accounting and Reporting, and Regulation. They may be taken in any order.

For more information about the CPA exam, go to <http://acc.ohio.gov/CPAExam.aspx>.

The computer-based CPA examination is held at the following sites:

- Akron-Stow – (3500 Hudson Drive, Suite 4)
- Cincinnati – (11353 Reed Hartman Highway, Suite LL50)
- Cleveland-Case Western Reserve University (10900 Euclid Avenue, Sears Building 440)
- Cleveland-Strongsville – (15201 Pearl Road)
- Columbus-Worthington – (933 High Street, Suite 130B)
- Dayton-Beavercreek – (2365 Dayton-Xenia Road)
- Mentor – (8880 Mentor Avenue)
- Toledo-Maumee (1745 Indian Wood Circle, Suite 110)
- Youngstown-Niles – (Square 1 Center, 950A Youngstown-Warren Road, Suite D)

CANDIDATE PERFORMANCE

July-August 2011

SECTION	TAKING	PASSING	PASS %	SCORE ¹
Auditing	649	322	49.6	73.7
BEC ²	496	316	63.7	75.4
FAR ³	595	319	53.6	72.3
Regulation	580	305	52.6	72.7
Total	2,320	1,262	54.4	***

October-November 2011

SECTION	TAKING	PASSING	PASS %	SCORE ¹
Auditing	485	220	45.4	71.7
BEC ²	407	221	54.3	72.9
FAR ³	459	228	49.7	70.0
Regulation	462	187	40.5	68.9
Total	1,813	856	47.2	***

January-February 2012

SECTION	TAKING	PASSING	PASS %	SCORE ¹
Auditing	373	162	43.4	71.7
BEC ²	267	137	51.3	73.4
FAR ³	350	145	41.4	68.7
Regulation	356	156	43.8	69.6
Total	1,346	600	44.6	***

April-May 2012

SECTION	TAKING	PASSING	PASS %	SCORE ¹
Auditing	392	189	48.2	73.3
BEC ²	362	225	62.2	75.3
FAR ³	315	138	43.8	68.7
Regulation	394	183	46.5	71.1
Total	1,463	735	50.2	***

Fiscal Year 2012 Totals

SECTION	TAKING	PASSING	PASS %	SCORE ¹
Auditing	1,899	893	47.0	72.7
BEC ²	1,532	899	58.7	74.4
FAR ³	1,719	830	48.3	70.3
Regulation	1,792	831	46.4	70.8
Total	6,942	3,453	49.7	***

¹Average Score

²Business Environment and Concepts

³Financial Accounting and Reporting

NOTE: Prior to the computer-based exam, the passing percentage was under 30%

EDUCATION ASSISTANCE GRANT PAYMENTS BY FISCAL YEAR

In 1992, the Ohio General Assembly passed legislation authorizing an education assistance program for students enrolled in the fifth year of study needed to take the CPA examination. Since its inception in 1996, grant payments total \$2,420,386.

Education Assistance Grant Payments by Fiscal Year	
Year Ended June 30	
2012	\$240,000
2011	210,000
2010	101,502
2009	116,137
2008	62,233

INVESTIGATIONS SUMMARY

The Board has two full-time investigators who examine complaints about unlicensed practice and firm registration. During the year, the investigators made 212 field calls.

At the beginning of the year, there were 22 open cases. During the year 17 of these were closed. The 5 cases that are still open involve litigation. During the year 68 cases were opened, 36 closed and 37 remain open.

Accountancy Board of Ohio
Statement of Revenues and Expenditures
Fiscal Year Ended June 30

	2012	2011
REVENUE		
Operational Fees		
Individual License Fees	\$ 1,219,554	1,279,170
Firm License Fees	37,300	30,280
Certification Fees	28,540	28,285
Total Operational Fees	\$ 1,285,394	\$ 1,337,735
Other Fees		
Individual Late Fees	179,573	239,753
Firm Late Fees	18,810	18,060
Disciplinary Fees & Fines	23,950	14,640
Miscellaneous Income	1,023	1,393
Total Other Fees	\$ 223,356	\$ 273,846
Total Revenue	\$ 1,508,750	\$ 1,611,581
Office Expenditures		
Payroll	\$ 736,548	\$ 709,792
Building Rent	31,396	48,132
Central Service Agency	27,670	26,596
Online Renewal Fees	27,524	25,136
NASBA Dues and Travel	23,205	22,197
State IT Services	18,860	32,535
State Mail Service	18,356	12,803
Intrastate Agency Fees	17,004	12,773
Telecommunications	10,131	7,006
State Auditor Fees	6,062	12,375
Board Travel Expense	4,585	5,771
Office Supplies	4,147	4,038
Investigator Travel	3,288	2,226
New Computer Equipment	2,433	4,720
Other Expenses	5,255	7,574
Total Office Expenditures	\$ 936,464	\$ 933,674
Educational Assistance	240,000	210,000
Total Expenditures	\$ 1,176,464	\$ 1,143,674
Excess of Revenue Over Expenditures	\$ 332,286	\$ 467,907

BOARD ACTIVITIES

During fiscal year 2012, there were seven Board meetings, which include an annual meeting, and a retreat. NASBA activities, the budget, investigations and education assistance funds are reviewed at every meeting. During the year the Board held 26 hearings and 12 reinstatement hearings (see table on page 17).

November 4, 2011. At the annual meeting, the nominating committee recommended a slate of offers for the 2011-2012 Board term. The Board unanimously approved the nominating committee's recommendations and elected Margaret Houston as Chair, W. Michael Fritz as Vice Chair and Robert Fay as Secretary.

December 12, 2011. At the Board retreat, the discussion included responses to National Association of State Boards of Accountancy (NASBA) questions, procedures for reinstatement hearings and for retired CPAs reentering the profession, proposed rules, the budget and NASBA leadership positions.

December 13, 2011. Three NASBA leaders, David Costello, retiring CEO, Ken Bishop, incoming CEO, and Mark Harris, Chair, attended the Board meeting. Their presentation covered the Accountancy Licensing Database, Board independence and associated effective enforcement programs, accounting standards for small and medium-size businesses, auditor rotation, educational requirements for CPA certification, and NASBA relations with state boards. Chairs for the eight ABO standing committees were named (see page 6).

February 3, 2012. The Board discussed the Open Meetings law. The Board decided to publish a newsletter which will appear on the Board's website. In 2010 and 2011, 97.2 percent of Ohio CPAs and PAs renewed online.

June 11, 2012. The State Controlling Board approved the Board's request for an additional \$125,000 in appropriation authority for fiscal year 2013 to accommodate the increase in requests for education assistance. The Board's education assistance funds were depleted for the second consecutive fiscal year, and the Board agreed to petition the Controlling Board for a total of \$325,000 in appropriation authority to fund the education reimbursement program through the end of fiscal year 2013.

BOARD HEARING SUMMARY

Board Meeting			Type of Disciplinary Hearing						Board Sanctions		
Date	D. Hearings	R. Hearings	Firm	CPE	Complaint	Other	Referral	Court	CPA-Rev.	Firm Rev.	Fine
Jul 2011	7	2	2	5	0	0	0	0	5	1	2
Sep 2011	3	3	0	1	0	1	1	0	2	0	1
Nov 2011	4	1	0	0	3	0	0	1	4	0	0
Dec 2011	2	2	1	0	0	0	0	1	1	0	1
Feb 2012	1	1	0	0	1	0	0	0	0	0	1
Apr 2012	5	2	4	0	1	0	0	0	3	1	2
Jun 2012	4	1	1	1	1	0	0	1	3	1	1
Totals	26	12	8	7	6	1	1	3	18	3	8

D. Hearings: Disciplinary hearings

R. Hearings: Reinstatement hearings

Firm: Firm registration/peer review violation

CPE: Continuing education verification violation

Complaint: Hearing as a result of a consumer complaint

Other: Hearing as a result of an accountancy law violation other than firm, CPE, or complaint

Referral: Referral from SEC, IRS, other state agency, etc., for violation

Court: Court convictions

CPA-Rev means CPA certificates revoked

Firm-Rev means firm registrations revoked

Fine means Board-assessed fine

NOTE: Sanctions add up to more than the total disciplinary hearings due to a CPA certificate and firm registration being revoked.