



Accountancy Board of Ohio
Annual Report
Fiscal Year Ended June 30, 2014

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.

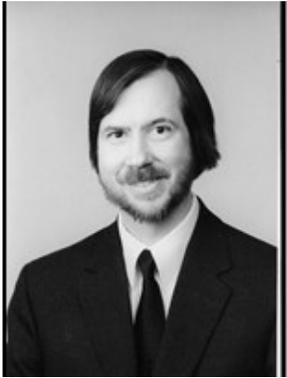
The Ohio Attorney General is the statutory legal counsel to the Board. Rachel Huston, Assistant Attorney General, represents the Board in administrative hearings and court proceedings.

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
Robert Fay, CPA*

It has been the honor of my professional career to have served this year as Chair of the Accountancy Board of Ohio.

As it is clearly stated in our Mission Statement, the Board is responsible for protecting Ohio businesses and citizens by making sure CPAs licensed by the Board performed their services in an ethical and professional manner.

To ensure that mission, the Board and staff are actively engaged in enforcement, discipline, and licensing of all of the CPAs under the Board's authority. We actively investigate all enforcement related claims and public concerns that come before us.

The CPAs licensed by our Board all fall under Continuing Professional Education (CPE) requirements as set out by our rules and regulations. We actively audit CPE reports from our licensees and permit holders on a yearly basis.

The business of public accounting and private company accounting is changing on a constant basis. In recognition of these changes the Board, this year, approved the most significant changes in CPE rules and regulations in a long time. Ohio became the first state in the nation to approve the concept of Nano Learning which many believe is a large part of the future of learning in America. Also in the CPE rule changes were expanded minute requirements for class room learning as well as a 20 hour minimum per year requirement for all CPAs licensed by the Board.

These CPE changes keep Ohio in the leadership role in America in the CPA regulatory arena.

In the area of Peer Review and Firm Registration, the Board was actively engaged in an extensive review and analysis of the peer review process in Ohio this year. The Board and staff, along with the administrating entity for this program the Ohio Society of CPAs, are engaged with national leaders in various organizations and agencies to make the peer review process more transparent and effective for Ohio businesses and citizens. This is a multiyear year process but the Board, staff, and the administrating entity the Ohio Society of CPAs are committed to strengthening the peer review program. Look for more changes to come.

I encourage you to read the enclosed report for the year. It reports on all areas of Board activity from Permits and Licenses issued to an overview of the CPA Examination process and candidate performance in Ohio to Educational Assistance grant payments to eligible students to our very strong financial results for the year. The Board operates with no tax dollars from the citizens of Ohio and we are solely self-sustaining in our financial activities.

The entire 9 member Board, the staff, and legal counsel all take our mission and responsibly very seriously. I can speak for the entire Board to report to you that we all are proud to represent the CPA profession and work to ensure our mission statement is realized every day of the year.

I want to personally thank our legal counsel, the entire staff, and the entire Board for their support this past year. I sincerely appreciate it.

With great confidence, I pass the gavel to the incoming Chair of the Board, Mr. Michael Comer.

Sincerely,

Robert F Fay, 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



Robert F. Fay, CPA

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

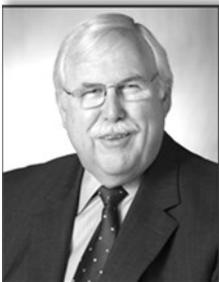
Vice Chair



Michael S. Comer, CPA

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

Secretary



James J. Carroll, CPA

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

Past Chair



W. Michael Fritz, CPA

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

Past 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.

Member



Adriana Sfalcin (Public Member)

Term 12/6/2010—10/20/2017
Executive Director—Ohio Jewelers Education Foundation and Mid
America Jewelers Association, Columbus, Ohio.

Member



James P. Gero, CPA

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

Member



James D. Gottfried, CPA

Term 10/21/2012—10/20/2019 (licensed since 1979)
Retired Partner — Ernst & Young, Westlake, Ohio.

Member



Mike M. Guinigundo, CPA

Term 10/21/2013—10/20/2020 (licensed since 1997)
Owner, Guinigundo & Guinigundo CPAs Inc., Fairfield, Ohio.

Accountancy Board of Ohio
Standing Committees (2014)
Robert Fay, Board Chair
(The Board Chair is an ex-officio member of all committees.)

Executive Committee

- Robert Fay, Chair
- Michael Comer, Vice Chair
- James Carroll, Secretary

Nominating Committee

- Mike Fritz, Chair
- Maggie Houston
- Mike Guinigundo

Education Assistance Committee

- Margaret Houston, Chair
- James Gero
- Mike Guinigundo
- Greta Russell (Past Board Member)

Peer Review Oversight Committee

- James Gero, Chair
- James Gottfried
- Mike Guinigundo

Disciplinary Advisory Committee

- James Gottfried, Chair
- Maggie Houston
- Adriana Sfalcin

Licensing Committee

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

Office Oversight Committee

- Mike Fritz, Chair
- James Carroll
- Adriana Sfalcin

Finance and Audit Committee

- Michael Comer, Chair
- James Gottfried
- James Gero



Greta Russell, CPA
Distinguished Service Award

Presented by Chair, Robert F. Fay, CPA

John R. Kasich
Governor

Board/Commission Member 1
Robert Fay, Chair (20070606) Adriana Sfalcin, Member (20070605)
Michael Comer, Vice Chair (20070608) James Gero, Member (20070604)
James Carroll, Secretary (20070607) James Gottfried, Member (20070609)
Maggie Houston, Past Chair (20070603) Michael Guinigundo, Member (20070611)
W. Michael Fritz, Immediate Past Chair (20070610)

John E. Patterson
Executive Director
20070621

Tracey F. Fithen
Program Admin 3
20070623

VACANCY
Admin Prof 4
20070619

Vacancy
Admin Prof 1
20070616

Kelly Kelly
Certif/Exam Secy
2070614

Elisabeth Newell
Admin Prof 1
20070613

Luann Rager
Admin Prof 1
20070618

Karen Salyer
Certif/Exam Secy
20070617

Jesse D. Dixon
Enforcement Officer
20070622

Jenny Kochensparger
Investigator
20070615

Faith Ottavi
Investigator
20070612

ACCOUNTANCY BOARD OF OHIO
77 S HIGH STREET—SUITE 1802
COLUMBUS OHIO 43215-6128
WWW.ACC.OHIO.GOV

Accountancy Board Staff As of June 30, 2014

EXECUTIVE OFFICE



John E. Patterson
Executive Director
(614) 995-0192



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



Michael Fritz
Past Chair Award



Greta Russell
Service Award

OPERATIONS STAFF



Beatrice Johnson
Information
Secretary
(614) 466-4135



Kelly Ann Kelly
Firm Registration
(614) 752-8249



Elisabeth Newell
Education Assistance
Program
(614) 728-6764



Luann Rager
Revenue & Deposits
(614) 752-8248



Karen Salyer
CPA Certification/Licensing
(614) 752-7472

ENFORCEMENT & DISCIPLINE



Jesse F. Dixon
Investigations Supervisor
(614) 728-3004



Jenny Kochensparger
Investigator
(614) 466-1660



Faith Ottavi
Investigator

ATTORNEY GENERAL

Rachel Huston
General Counsel, Assistant State Attorney General

Licenses and Renewal Year Ended June 30

Since the Accountancy Board’s inception in 1908, a total of 51,058 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, with a minimum of 20 hours per year, 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 80 registered PAs. The Board no longer registers new public accountants.

Total Active Ohio Permits

Year Ended June 30	CPA Permits	PA Permits	Total
2014	23,465	9	23,474
2013	21,636	14	21,650
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

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
2014	35	951	7,129	8,115	19	47	2,721	2,787	10,902
2013	68	916	6,917	7,901	26	51	2,964	3,041	10,942
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

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 OSCP A work together to assure that the objectives of the peer review program are achieved.

There are 1,573 peer review public accounting firms and 1,553 tax/consulting firms registered in Ohio. Firms register every three years.

Firm Registrations by Fiscal Year		
Year Ended June 30	Peer Review	Tax/Consulting
2014	468	455
2013	494	525
2012	578	639
2011	509	469
2010	510	570
2009	694	601
2008	537	545

Jesse Dixon, Enforcement Officer, and Karen Salyer, Certification Secretary, represented the Accountancy Board of Ohio at the Ohio Society of CPA's Accounting Show in Columbus, Ohio



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)

Seth Goodowens, NASBA’s Ohio Coordinator and
John E. Patterson, Executive Director, Accountancy
Board of Ohio.



CANDIDATE PERFORMANCE

July-September 2013

SECTION	TAKING	PASSING	PASS %	SCORE ¹
Auditing	628	317	50.5	75.1
BEC ²	470	289	61.5	75.8
FAR ³	659	343	52.1	72.2
Regulation	665	336	50.5	72.8
Total	2422	1299	53.6	74.0

October-December 2013

SECTION	TAKING	PASSING	PASS %	SCORE ¹
Auditing	505	222	44.0	72.2
BEC ²	407	237	58.2	74.1
FAR ³	504	221	43.9	69.0
Regulation	511	246	48.1	70.9
Total	1927	935	48.5	71.6

January-March 2014

SECTION	TAKING	PASSING	PASS %	SCORE ¹
Auditing	336	160	47.6	72.6
BEC ²	266	148	55.6	74.5
FAR ³	310	128	41.3	69.1
Regulation	331	164	49.6	71.3
Total	1243	603	48.5	71.9

April-June 2014

SECTION	TAKING	PASSING	PASS %	SCORE ¹
Auditing	404	185	45.8	73.0
BEC ²	343	218	63.6	76.1
FAR ³	317	160	50.5	71.0
Regulation	352	183	52.0	72.1
Total	1416	750	53.0	73.1

Fiscal Year 2014 Totals

SECTION	TAKING	PASSING	PASS %	SCORE ¹
Auditing	1873	1184	63.2	73.2
BEC ²	1486	892	60.0	75.1
FAR ³	1790	852	47.6	70.3
Regulation	1859	929	50.0	71.8
Total	7008	3857	55.0	72.6

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	
2014	\$222,088
2013	\$294,234
2012	\$240,000
2011	\$210,000
2010	\$101,502
2009	\$116,137

INVESTIGATIONS SUMMARY

The Board has two full-time investigators who examine complaints about unlicensed practice and firm registration. During the year, the investigators made 72 field calls.

At the beginning of the year, there were 3 cases and an added 6 (prior fiscal year) that are still open and involve litigation. During the year 15 cases were opened, 29 closed and 79 remain open.

Accountancy Board of Ohio
Statement of Revenues and Expenditures
Fiscal Year Ended June 30, 2014

	2014	2013
REVENUE		
Operational Fees		
Individual License Fees	1,337,794	\$ 1,299,674
Firm License Fees	28,330	31,175
Certification Fees	29,120	28,040
Total Operational Fees	1,395,244	\$ 1,358,889
Other Fees		
Individual Late Fees	123,413	137,786
Firm Late Fees	11,310	15,930
Disciplinary Fees & Fines	35,000	27,890
Miscellaneous Income	0	0
Total Other Fees	\$ 169,723	\$ 181,606
Total Revenue	\$ 1,564,967	\$ 1,540,495
Office Expenditures		
Payroll	\$ 772,792	\$ 659,299
Building Rent	49,144	31,396
Central Service Agency	26,513	33,038
Online Renewal Fees	24,845	23,942
NASBA Dues and Travel	6,600	6,600
State IT Services	22,281	23,155
State Mail Service	16,321	16,321
Intrastate Agency Fees	-	-
Telecommunications	6,643	9,927
State Auditor Fees	8,916	447
Board Travel Expense	18,797	20,296
Office Supplies	3,175	5,197
Investigator Travel	2075	2075
New Computer Equipment	-	-
Other Expenses	-	-
Total Office Expenditures	\$ 958,102	\$ 831,693
Educational Assistance	222,088	294,234
Total Expenditures	\$ 1,181,029	\$ 1,125,927
Excess of Revenue Over Expenditures	\$ 383,938	\$ 414,568

BOARD ACTIVITIES

During fiscal year 2014, there were six 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 7 reinstatement hearings (see table on page 17).

November 8, 2013. At the annual meeting, the nominating committee recommended a slate of offers for the 2013-2014 Board term. The Board unanimously approved the nominating committee's recommendations and elected Robert Fay as Chair, Michael Comer as Vice Chair and James Carroll as Secretary.

Also, a new statute was presented to the regulatory/licensing boards in regards to human trafficking. The General Assembly strongly recommended that regulatory/licensing boards include continuing education in human trafficking if the licensees regulated encounter human trafficking victims in the regular course of their work.

December 9, 2013. At the Board retreat, the Board members were presented the Ohio ethics training entitled "The Ohio Ethics Law." All Board members present completed the training. Mr. Patterson reviewed the Open Meetings Act and noted that a respondent may request the Board to deliberate on potential action resulting from a Board hearing.

December 10, 2013. Carlos Johnson, NASBA's Chair for 2012-13 was in attendance to thank the Accountancy Board for their support and great involvement with NASBA. The Board discussed rules changes for most all the current rules under Chapter 4701. The Board welcomed Mr. Guinigundo as a new board member.

February 21, 2014. The Board had a presentation given by the Ohio Society of CPAs' (OSCPA) Laura Hay and Lisa Brown, regarding the Peer Review Program procedures administered by the OSCP. Board committees were assigned.

April 25, 2014. The Education Assistance Committee met prior to the scheduled meeting to discuss changing many of the Accountancy Board's education assistance rules and reviewing and updating the necessary five year rule review. The Executive committee met to approve travel approval prior to the scheduled board meeting as well.

June 13, 2014. The Board discussed the budget for the past fiscal year as well as the upcoming fiscal year and that the allotted amount of appropriations were the same as the prior year. The board will begin the process of doing their fiscal year 2016 and 2017 budget requests within the next few months.

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 2013	4	2	0	2	0	0	0	2	3	0	3
Sep 2013	7	1	0	3	0	0	1	3	3	0	4
Nov 2013	3	0	0	1	1	0	0	1	1	0	1
Dec 2013	1	0	0	0	1	0	0	0	1	0	0
Feb 2014	2	1	0	0	0	0	0	1	2	0	1
Apr 2014	6	3	3	0	0	0	0	0	1	0	6
Jun 2014	3	0	4	1	1	0	0	1	0	0	3
Totals	26	7	4	7	3	0	1	8	11	0	18

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.