

NARRATIVE INFORMATION FOR BIENNIAL AGENCIES – DA 400		Agency:	Board of Accountancy
Division of the Budget		Program:	Agency Operations
State of Kansas			

Operations Program

Goals:

The Board of Accountancy has 4 basic goals:

1. To approve applications for certificates by exam and reciprocity to those who meet minimum qualifying requirements.
2. To approve applications for permits to practice who meet an experience requirement and to reinstate permits to practice to those who meet certain CPE requirements.
3. To register in state and out of state CPA firms practicing in the state of Kansas.
4. Regulate CPAs and the practice of certified public accountancy work performed.

Objective 1.1

To issue Kansas CPA certificates only to applicants meeting statutory qualifying requirements.

Strategies for Objective 1.1

1. Require those applying for certificates to pass a national uniform qualifying examination.
2. Require successful completion of a course/exam in professional ethics, as well as a signed Oath witnessed by another licensed CPA for issuance of a certificate.
3. Review applications from out-of-state CPAs to ensure they meet statutory qualifications for reciprocity.

Performance Measures for Objective 1.1

Outcome Measures:

1. Percent of certificates by reciprocity applicants not eligible/rejected:

FY2023	FY2024	FY2025	FY 2026	FY2027
Actual	Actual	Base Budget	Base Budget	Base Budget
0%	0%	0%	0%	0%

Output Measures:

1. Number of CPA certificates issued to Kansas exam candidates:

FY2023 <u>Actual</u>	FY 2024 <u>Actual</u>	FY 2025 <u>Actual</u>	FY2026 <u>Base Budget</u>	FY2027 <u>Base Budget</u>
71	56	44	52	52

2. Number of reciprocity CPA certificates issued:

FY2023 <u>Actual</u>	FY2024 <u>Actual</u>	FY2025 <u>Actual</u>	FY 2026 <u>Base Budget</u>	FY 2027 <u>Base Budget</u>
101	63	82	51	51

3. Total number of certificate holders:

FY2023 <u>Actual</u>	FY2024 <u>Actual</u>	FY2025 <u>Actual</u>	FY 2026 <u>Base Budget</u>	FY 2027 <u>Base Budget</u>
13,347	13,482	13,384	13,701	13,804

Objective 2.2

To issue initial, renewed and reinstated permits to practice only to CPAs meeting statutory and regulatory requirements. Permits are renewed on a biennial basis.

Strategies for Objective 2.2

1. Require verification by a licensed CPA of at least one year of accounting experience for issuance of permit to practice.
2. Require verification on a random audit basis of continuing professional education (required to be submitted biennially) for renewal of permits to practice.

Performance Measures for Objective 2.2

Outcome Measures:

1. Percent of initial applicants denied:

FY2023 <u>Actual</u>	FY2024 <u>Actual</u>	FY2025 <u>Base Budget</u>	FY 2026 <u>Base Budget</u>	FY 2027 <u>Base Budget</u>
0%	0%	0%	0%	0%

Output Measures:

1. Number of CPAs holding permits at FY end:

FY2023 <u>Actual</u>	FY2024 <u>Actual</u>	FY2025 <u>Base Budget</u>	FY 2026 <u>Base Budget</u>	FY 2027 <u>Base Budget</u>
3,760	3,745	3,833	3,800	3,700

2. Number of renewed permits:

FY 2023 <u>Actual</u>	FY 2024 <u>Actual</u>	FY 2025 <u>Base Budget</u>	FY 2026 <u>Base Budget</u>	FY 2027 <u>Base Budget</u>
1,819	1,640	1952	1,850	1,890

3. Number of new permits issued:

FY2023 <u>Actual</u>	FY2024 <u>Actual</u>	FY2025 <u>Actual</u>	FY 2026 <u>Base Budget</u>	FY 2027 <u>Base Budget</u>
172	119	121	91	95

4. Number of reinstated permits issued:

FY2023 <u>Actual</u>	FY2024 <u>Actual</u>	FY2025 <u>Actual</u>	FY 2026 <u>Base Budget</u>	FY 2027 <u>Base Budget</u>
37	28	30	25	24

5. Number of permit holders not renewing:

FY2023 <u>Actual</u>	FY2024 <u>Actual</u>	FY2025 <u>Actual</u>	FY 2026 <u>Base Budget</u>	FY 2027 <u>Base Budget</u>
185	173	103	100	100

Objective 3.3

To register firms, both in state and out of state, practicing in Kansas.

Strategies for Objective 3.3

1. Require CPA firms, both in state and out of state, and sole practitioners with an office in Kansas who are subject to Peer Review, to register as a firm on an annual basis.
2. Verification of proof of Peer Review for in-state and out-of-state firms that perform audits, reviews, agreed upon procedures and forecasts.

Outcome Measures:

1. Number of CPA firms registered to practice:

FY2023 <u>Actual</u>	FY2024 <u>Actual</u>	FY2025 <u>Actual</u>	FY 2026 <u>Base Budget</u>	FY 2027 <u>Base Budget</u>
810	820	825	849	827

2. Number of firms renewed:

FY2023 <u>Actual</u>	FY2024 <u>Actual</u>	FY2025 <u>Actual</u>	FY2026 <u>Base Budget</u>	FY2027 <u>Base Budget</u>
779	777	793	781	782

3. Number of new firms registered:

FY2023 <u>Actual</u>	FY2024 <u>Actual</u>	FY2025 <u>Actual</u>	FY2026 <u>Base Budget</u>	FY2027 <u>Base Budget</u>
44	63	44	45	45

4. Number of firms not renewed:

FY2023 <u>Actual</u>	FY2024 <u>Actual</u>	FY2025 <u>Actual</u>	FY2026 <u>Base Budget</u>	FY2027 <u>Base Budget</u>
25	20	17	27	27

Objective 4.4

Regulate CPAs and the services provided relating to the practice of certified public accountancy.

Strategies for Objective 4.4

1. Promptly investigate all complaints and referrals filed with the Board.
2. Resolve as many complaints as possible by Stipulation and Consent Orders requesting specific action.
3. Hold administrative hearings where warranted, and take appropriate disciplinary actions (censure, suspension or revocation of CPA certificate and/or permit to practice and/or the imposition of an administrative fine) against CPAs or CPA firms found in violation of the accountancy laws and regulations.

Performance Measures for Objective 4.4

Outcome Measures

1. Percent of complaints resolved by Consent Orders requesting specific action:

FY2023 Actual	FY2024 Actual	FY2025 Base Budget	FY2026 Base Budget	FY2027 Base Budget
85%	98%	90%	98%	98%

2. Percent of complaints dismissed for lack of probable cause or no jurisdiction:

FY2023 Actual	FY2024 Actual	FY2025 Base Budget	FY2026 Base Budget	FY2027 Base Budget
1%	1%	1%	1%	1%

Output Measures:

1. Complaints/referrals received and investigated:

FY2023 Actual	FY2024 Actual	FY2025 Actual	FY2026 Base Budget	FY2027 Base Budget
105	83	81	90	90

2. Hearings, Stipulations and Consent Orders:

FY2023 Actual	FY2024 Actual	FY2025 Actual	FY2026 Base Budget	FY2027 Base Budget
65	37	40	65	65

Overview of Agency Budget at Each Request Level:

2019:

In 2005, the legislature approved a special litigation reserve fund for the Board to use for unforeseen litigation expenses incurred that were not included in the budget. The Board will transfer monies from its fee fund to the special litigation reserve fund in an amount of \$20,000 for the years ended June 30, 2025, 2026 and 2027.

Expenditure Justification:

Object Code 100-Salaries and Wages:

The agency currently has 3 FTE positions, to include the Executive Director, an Administrative Officer and an Administrative Professional position.

Current Year: \$230,305 represented the amount needed to maintain current staff. Additional salary increases are not included. The former Executive Director retired on December 31, 2024. It was anticipated there would be four months of overlap in salaries for the former Executive Director to train the incoming Director, however, this transition occurred over only one month's time span. As a result, salaries and wages were lower than anticipated for Fiscal year 2025. In addition, one office staff on intermittent leave ran out of accrued paid time off and utilized approximately two months of unpaid time off cumulatively throughout FY 2025. This office staff's appointment ended just after the end of FY 2025.

FY 2026 Current Resources: \$257,890 represents the amount needed to maintain current staff. Additional salary increases are not included.

FY 2027 Current Resources: \$261,508 represents the amount needed to maintain current staff. Additional salary increases are not included.

Object Codes 200-290 Contractual Services: The agency's major expenditures in this category are for rent, communication expenses; in-state travel for Board members to attend meetings; out-of-state travel to attend conferences during the year; computer services; credit card fees; and professional services fees to contractually engage qualified persons or firms for legal services and to conduct investigations of complaints received by the agency; and to pay fees incurred in disciplinary proceedings. In 2024, the budget for FY 2025 was submitted with the anticipation that the agency would be completing a database conversion, resulting in a reduction in computer services fees. This has not occurred, and the agency has been advised that it will not occur before sometime in FY 2027, so current and increased costs for computer services are reinstated for all of FY 2025, and carried through in FY 2026 and 2027. Increases for FY 2025 are also added for increase in rent, staffing & recruiting services, dues and subscriptions.

Current Year: \$253,566 represents the amount needed to maintain current service levels, which includes \$1,800 for official hospitality. Hospitality is increased for FY2025 in anticipation of a reception for the departing Executive Director. The budget includes change packages for increases due to the delay in the agency's database conversion and maintaining the current database; increase in rent not previously included in the budget; additional cost for staffing & recruiting services and an increase in dues and subscriptions.

FY 2026 Current Resources: \$222,645 represents the amount needed to maintain current service levels, which includes \$1,600 for official hospitality.

FY 2027 Current Resources: \$222,416 represents the amount needed to maintain current service levels, which includes \$1,600 for official hospitality. Increases from FY 2026 to FY2027 are mainly for rent and postage.

The following language needs to be included in the appropriation bill: "And provided further, that expenditures from this account for hospitality shall not exceed \$1,800 for FY 2025; \$1,600 for FY2026 and 2027.

For the special litigation reserve fund, the following language needs to be included in the appropriation bill: "Provided, That no expenditures shall be made from the special litigation reserve fund for the fiscal year ending June 30, 2025, 2026 and 2027, except upon the approval of the director of the budget after ascertaining that: (1) Unforeseeable occurrence or unascertainable effects of a foreseeable occurrence characterize the need for the requested expenditure, and delay until the next legislative session on the requested action would be contrary to clause (3) of this proviso, (2) the requested expenditure is not one that was rejected in the next preceding session of the legislature and is not contrary to known legislative policy; and (3) the requested action will assist the above agency in attaining an objective or goal which bears a valid relationship to powers and functions of the above agency. During the fiscal year ending June 30, 2025, 2026 and 2027, the Executive Director of the Board of Accountancy, with the approval of the Director of the Budget, may transfer moneys from the Board of Accountancy fee fund to the special litigation reserve fund of the board of accountancy; provided, that the aggregate of such transfer for the fiscal year ending June 30, 2025, 2026 and 2027 shall not exceed \$20,000; and provided further, that the Executive Director of the board of accountancy shall certify each such transfer of moneys to the director of accounts and reports and shall transmit a copy of each such certification to the director of the budget and the director of the legislative research department.

Object Codes 300-390 Commodities:

The agency has expenditures in this category for supplies related to the operation of agency functions, the majority of which are related to certificates, licenses, and firm registrations.

Current Year: \$6,747 represented the actual amount needed to maintain current service levels.

FY 2026 Current Resources: \$5,750 represents the amount needed to maintain current service levels to include increases for replenishing computer cartridges, and stock for stationery and licensing.

FY 2027 Current Resources: \$5,950 represents the amount needed to maintain current service levels to include increases for replenishing computer cartridges, and stock for stationery and licensing.

Object Code 400 Capital Outlay:

FY2025 Current Resources: No capital outlay expenditures are anticipated.

FY2026 Current Resources: The Board Room desktop PC and Executive Director PC are at end-of-life expectancy and were slated to be replaced in 2025 but were not due to delay in order

process from Vendor; these are not leases but purchased IT items. 3 desktop scanners and printers are near end-of-life expectancy and anticipated to be replaced.

FY2027 Current Resources: No capital outlay expenditures are anticipated.

Receipt Estimates:

The Board receives revenues from four sources: (1) issuance of certificates (both Kansas and reciprocity); (2) issuance of permits to practice; (3) fines; and (4) firm registrations.

1. Total Certificate Receipts:

The Board issues a CPA certificate to all Kansas CPA exam candidates who pass all 4 parts of the CPA exam and the AICPA's ethics exam. Certificates by reciprocity are issued to CPAs who are physically located and work in Kansas, but whose initial certificate was issued from another state. Certificates issued to Kansas CPA exam candidates @ \$50 per certificate, and certificates by reciprocity at \$250 per certificate:

FY2023 Actual	FY2024 Actual	FY2025 Actual	FY2026 Base Budget	FY2027 Base Budget
\$29,250	\$18,550	\$19,620	\$15,350	\$15,350

2. Total Permit to Practice Receipts:

The Board requires a permit to practice in order to use the CPA designation in the practice of certified public accountancy. Permits are issued and renewed at a cost of \$165 per biennial period. Permits are reinstated at a cost of \$247.50.

FY2023 Actual	FY2024 Actual	FY2025 Actual	FY2026 Base Budget	FY2027 Base Budget
\$335,470	\$297,158	\$258,687	\$326,783	\$329,835

3. Total Fines and Miscellaneous Receipts:

The Board has statutory authority to impose an administrative fine against CPAs and CPA firms that are not complying with the laws and regulations. Fees also are charged for Open Records requests.

FY 2023 Actual	FY2024 Actual	FY2025 Actual	FY2026 Base Budget	FY2027 Base Budget
\$65,741	\$41,171	\$76,817	\$20,000	\$20,000

4. Total Firm Registration Receipts:

The Board requires firms, both in state and out of state who practice in this state, along with sole practitioners who are unincorporated with an office in Kansas and are subject to peer review, to register as a firm on an annual basis.

FY 2023	FY2024	FY2025	FY2026	FY2027
Actual	Actual	Actual	Base Budget	Base Budget
\$83,700	\$85,650	\$78,474	\$82,600	\$82,700