Statement to the General Law Committee Regarding the Proposal to Consolidate the State Board of Accountancy with the Department of Consumer Protection

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My name is Andrew Rosman. I am a CPA and an associate professor of Accounting at the University of Connecticut. I am writing to address the proposed recommendation that the Connecticut State Board of Accountancy be consolidated with the Department of Consumer Protection (DCP) as part of a proposal to reduce the number of agencies and reduce costs. Because the change is being made to streamline government it is worthwhile to focus on the likelihood of any significant or meaningful cuts. But, it also is important to understand the impact of those changes on the ability of the Board to continue to protect the public interest. In other words, the Legislature needs to consider both the benefits and the costs.
The State Board collects fees from CPAs and engages in enforcement actions. Its total revenue for 2010 was approximately $2,723,000. Compare that amount of revenue with what it costs to run the Board, which is approximately $338,000 per year shows that the Board generates an annual net profit of approximately $2,385,000 each year. Put differently, the Board brings in over eight times what it costs to run its operations.

What are the operational ramifications of moving the Board to DCP? The simple answer is that the Board will be less effective. The rules and regulations that are enforced by the Board are not the same as typically encountered when dealing with consumer protection. And, the Board's role in interfacing with the American Institute of Certified Public Accountants (AICPA) and the National Association of State Boards of Accountancy (NASBA) to administer the CPA exam are specialized activities that cannot be passed off to DCP. If someone at DCP is put in charge of handling these specialized issues then what that person normally does at DCP will not get done or the State Board's enforcement and CPA exam responsibilities will not be done. More importantly, would it be wise for Connecticut to be the only state without an executive director as the point person with NASBA? Ultimately, Idaho, Tennessee, and other states would set Connecticut policy regarding the CPA exam and licensing because Connecticut would have limited representation and impact on NASBA. Ironically, the proposal would mean less oversight of fee collection and enforcement activities. So, very quickly the anticipated savings would be offset by the reduced revenue, which means there would be no net savings. Perhaps more importantly, the public would be put at risk as the Board is left unable to pursue enforcement activities and collect fees, both of which not only bring in revenue, but ultimately protect the public.

Ideally, the public is best served by a standalone State Board of Accountancy. However, I propose an alternative that is not as good as the ideal situation but is better than the proposal currently under consideration. Assuming that a certain number of agencies must be cut and the State Board is folded into DCP, then keep the staff positions that are dedicated to the Board but increase the fee on the 9000 CPAs in Connecticut by a mere $40 per person to cover the cost of the Board's operations. That is, specifically designate the new incremental revenue to cover the operating costs of the Board. In this way, the Board will continue with its staff to serve the public and return income of eight times its cost, an agency would have been eliminated, and the increase in fees would mean that savings would have been realized.

In short, the ultimate goal of moving the State Board of Accountancy to the DCP is to save money by eliminating an agency. It is assumed that this can only be accomplished by cutting the Board's staff when it is consolidated with DCP. Doing so would provide short-term savings that very quickly would be offset by reduced revenue from fee collection and enforcement action. All that Connecticut would be left with is the "perfect storm": less revenue not more, regulations imposed on us by other states, and less enforcement to protect the public interest. Instead, the State can still accomplish its goals of eliminating an agency and saving money by keeping the Board's staff and offsetting those costs with an increase in the fee paid by CPAs by a very small amount.