

Co-Chairman Bye, Co-Chairman Walker, Ranking Members Kane and Ziobron, members of the Appropriations Committee. My name is John Schuyler. I'm the appointed chair of the State Board of Accountancy. As such, my fellow board members and I, both CPAs and public members, are charged with protecting the public trust placed in the CPA profession to exercise an important independent attest function that is a critical piece in protecting the integrity of financial reporting, which in turn is critical to the integrity of our financial system. State boards are the primary, and some would say only oversight over audits of non-public companies.

I am testifying today in opposition to the proposed transfer of the State Board of Accountancy from the Office of the Secretary of the State to the Department of Consumer Protection. I gave similar testimony this week before the Government Administration and Elections Committee on Governor's Bill No. 6842, "An Act Implementing the Budget Recommendations of the Governor Concerning General Government."

I am very aware that the state needs to reduce expenses and we all must do our share, but I believe that the proposal as presented will not ultimately save money but it will likely emasculate the oversight and enforcement function of the board.

- The budget transfers the function from the Office of the Secretary of the State to the Department of Consumer Protection without transferring the related staff, including the board's staff attorney who also serves as the acting executive director.
- The board does not just supervise licensure in a world of mobility and reciprocity – a total of approximately 9,000 licenses, certificates and firm permits – but oversees continuing education in a fast changing world of accounting and auditing standards, peer review, and ethics and independence, as well as performs valuable work conforming regulations to the intent of the statutes and providing input to the legislature on proposed model regulatory changes at the national level. This requires not only specialized knowledge in a very technical and changing profession, but established working relationships with other organizations, both federal and state, as well as resources such as the National Association of State Boards of Accountancy. This knowledge and these working relationships are developed over time through hard work and accumulated experience. Regulating the accounting profession differs greatly from the important but very different work of regulating the skilled trades that is performed by the consumer protection department.
- The Board has previously briefly been housed under consumer protection. *Briefly... because it did not work.* They didn't have the specific skills in house for this regulatory function. The current proposal is even worse than the previous one because before when the Board was under Consumer Protection, the board at least had its own executive director (One position). I can't understand why the go to position would be a previously demonstrated failure. Repeating a failed action and expecting different results is usually not considered a winning strategy.

- Enforcement actions were seriously delayed and backed up for several years due to previous turnover and organizational moves when the board was without a staff attorney for two years. The Board has now almost caught up, reducing the docket from over 140 to just over 60 cases outstanding, thanks to a knowledgeable, competent, and hardworking staff. Further organizational change and staff turnover at this time could only set the oversight and enforcement function back. Although these cases generate revenue through fines, the primary purpose of enforcement is about getting bad actors who have abused their public trust out of the profession, not to act as a profit center.
- The regulatory and enforcement function has a dedicated revenue source, which is by far the most expensive license fee in the nation, a fee collected to fund the regulatory effort, plus late fees, fines, etc. Connecticut's fee is approximately 2.3 times the next highest state license fee and over 6.5 times the national average. For that fee, the profession expects a professional regulatory function. The combined amount is on track to raise over \$2.9 million, of which we spend less than 10% on its intended purpose, \$155,000 less than that which was spent 5 years ago; this board and staff have consistently worked to economize. 90% of the money raised for this function is turned over to the general fund for other purposes. And yet we could unintentionally end up with the weakest enforcement effort of any state, coupled with a likely reduction in the assessment and collection of fines, which combined with the very real costs of turnover, I believe would end up costing the state more, not less money.

I understand that this proposal is made by good people with a tough job and the best of intentions, who are trying to improve efficiency in state government and improve our finances in very difficult times. I am not opposed to change or smart restructuring, and certainly am not opposed to further efficiencies. But I believe change should bring improvement. I just don't believe this particular proposal meets the standards required to initiate such precipitate change.

As a CPA, I can attest that moving numbers and boxes on paper doesn't change the real world – I don't believe we will save any money – but this proposal can result in bad unintended consequences. The people and costs won't go away, they just won't be properly matched to their higher and best use. We will have sold our regulatory birthright and not even gotten a mess of pottage in return.

The board now has a staff with the skills it should have, the proactive management it should have - all efficiently at a cost of 10% of the revenues collected to fund that regulatory function. It is working, and working well housed where it is with the staff in place - at a bargain price.

I ask you, please don't break it.