



Thomas A. Schweich
Missouri State Auditor

INSURANCE, FINANCIAL INSTITUTIONS, AND PROFESSIONAL REGISTRATION

Division of Professional Registration

State Board of Accountancy



December 2014

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CITIZENS SUMMARY

Findings in the audit of the Division of Professional Registration, State Board of Accountancy

License Fees	The Board did not document the vote and outcome of the vote for its approval of a \$10 decrease in initial and renewal fees charged, so there is no assurance the fee change was approved by the majority of the Board.
Closed Meetings	The Board did not motion to close, cite the reasons for closing, or document the vote of each member to close 10 of the 13 closed Board meetings held during the 2 years ended June 30, 2014, and several committee meeting minutes did not cite the specific reasons for closing the meeting. In addition, the Board did not limit discussions in closed meetings to the reasons cited in the open meetings.

In the areas audited, the overall performance of this entity was **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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Division of Professional Registration

State Board of Accountancy

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THOMAS A. SCHWEICH

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
John M. Huff, Director
Department of Insurance, Financial Institutions, and Professional Registration
and
Jane A. Rackers, Director
Division of Professional Registration
and
State Board of Accountancy
Jefferson City, Missouri

We have audited certain operations of the Department of Insurance, Financial Institutions, and Professional Registration, Division of Professional Registration, State Board of Accountancy, in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2014 and 2013. The objectives of our audit were to:

1. Evaluate the board's internal controls over significant management and financial functions.
2. Evaluate the board's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the Board, and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the board's management and was not subjected to the procedures applied in our audit of the board.

For the areas audited, we identified (1) no significant deficiencies in internal control, (2) noncompliance with legal provisions, and (3) no significant deficiencies in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Department of Insurance, Financial Institutions, and Professional Registration, Division of Professional Registration, State Board of Accountancy.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible, and a middle initial "A" in between.

Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Keriann Wright, MBA, CPA
In-Charge Auditor:	Joyce Thomson
Audit Staff:	Nicholas Schafer, MBA

Division of Professional Registration

State Board of Accountancy

Management Advisory Report - State Auditor's Findings

1. License Fees

The State Board of Accountancy (Board) did not document its approval of a \$10 decrease in initial and renewal fees charged for individual licensing of certified public accountants. The Executive Director indicated the Board approved the fee change during the August 17, 2012 Board meeting; however, meeting minutes only indicate a motion was made and the outcome of the vote was not documented. As a result, there is no assurance the fee change was approved by the majority of the Board.

Section 326.286.2, RSMo, requires application and renewal fees be determined by the Board by rule.

Recommendation

The State Board of Accountancy ensure fee changes are approved and documented in the Board meeting minutes.

Auditee's Response

The Missouri State Board of Accountancy agrees with this finding and recommendation.

2. Closed Meetings

The Board did not always comply with the Sunshine Law for closed meetings. The Board held 13 closed meetings and various closed committee meetings during the 2 years ended June 30, 2014.

The Board did not motion to close, cite the reasons for closing, or document the vote of each member to close 10 of the 13 closed Board meetings held, and several committee meeting minutes did not cite the specific reasons for closing the meeting. In addition, the Board did not limit discussion in closed meeting minutes to the reasons cited in the open meeting. For example, the January 22, 2013, open meeting minutes indicate the reason for closing the meeting was to discuss complaints, investigations, and disciplinary action; however, the Board also discussed applications, continuing professional education audits, and an exam issue.

Section 610.022, RSMo, provides that the public governmental body planning to hold a closed meeting should follow the notice procedures for an open meeting and include there will be a closed meeting and cite the specific provision of the law that allows the meeting to be closed. Before any meeting may be closed, the question of holding the closed meeting and the reason for the closed meeting shall be voted on during open meeting. A record of the vote of each member should be documented. In addition, public governmental bodies shall not discuss any business during a closed meeting that does not directly relate to the specific reasons announced to justify such meeting.

Recommendation

The State Board of Accountancy comply with state law before closing a meeting and limit issues discussed in closed meetings to only those specific reasons cited to justify the closed meeting.



Division of Professional Registration
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Management Advisory Report - State Auditor's Finding

Auditee's Response

The Missouri State Board of Accountancy remains committed to compliance with the Sunshine Law. The Board will continue our ongoing efforts to ensure that its meeting minutes are well documented.

Division of Professional Registration

State Board of Accountancy

Organization and Statistical Information

The State Board of Accountancy was established in 1909 under Senate Bill 112 by an act of the 44th Missouri General Assembly. By Executive Order 06-04, the division moved from the Department of Economic Development to the reorganized Department of Insurance, Financial Institutions, and Professional Registration on August 28, 2006.

The Board is responsible for the examining, licensing, and regulation of certified public accountants, and licensing and regulation of certified public accounting firms. At June 30, 2014, there were approximately 12,855 licensed certified public accountants and firms. An individual license fee was \$65 with a biennial renewal fee of \$80, and a certified public accounting firm permit fee was \$90 annually.

The Board consists of seven members, with six members possessing a license to practice in the state of Missouri and one voting public member. Board members are appointed by the Governor with the advice and consent of the senate and serve a term of 5 years. Members serve no more than 2 consecutive terms, or 11 years, except that members whose terms expire may continue to serve until a replacement is appointed. The Board members at June 30, 2014, were:

Member	Term Expires
Robert Helm, President	July 1, 2016
Ryan Cook, Vice-President	July 1, 2015
James Mintert, Treasurer	July 1, 2016
Jeanne Dee, Secretary	July 1, 2013
John Sheehan, Member	July 1, 2017
Sandra Wedewer, Member	July 1, 2018
Travis Ford, Public Member	July 1, 2017

Board members receive a \$70 per diem compensation and expenses while performing their duties. The Board appoints an executive director to perform the administrative duties of the Board. Thomas DeGroot serves as Executive Director. Seven other employees perform administrative duties and responsibilities.

Appendix A

Division of Professional Registration

State Board of Accountancy

Board of Accountancy Fund

Comparative Statement of Receipts, Disbursements, and Changes in Cash and Investments

	Year Ended June 30,	
	2014	2013
RECEIPTS		
Professional license or permit fees	\$ 577,040	628,265
Penalties	33,085	41,775
Other fees	16,090	21,580
Overpayments	2,710	3,229
Total Receipts	628,925	694,849
DISBURSEMENTS		
Personal services	263,666	251,075
Employee fringe benefits	113,264	114,342
Expense and equipment	149,658	147,465
Licensure replacement system expense and equipment	47,700	0
State Central Services cost allocation	6,202	7,579
Total Disbursements	580,490	520,461
RECEIPTS OVER (UNDER) DISBURSEMENTS	48,435	174,388
TRANSFERS		
To Professional Registration Fees Fund (1)	141,565	117,472
To General Revenue Fund (2)	2,777	1,664
Total Transfers	144,342	119,136
RECEIPTS OVER (UNDER) DISBURSEMENTS AND TRANSFERS	(95,907)	55,252
CASH AND INVESTMENTS, JULY 1	2,336,719	2,281,467
CASH AND INVESTMENTS, JUNE 30	\$ 2,240,812	2,336,719

- (1) For reimbursement of personal services, employee benefits, and operating expenses paid from the Professional Registration Fees Fund.
- (2) For reimbursement of services provided by the Administrative Hearing Commission and the Attorney General's office paid from the General Revenue Fund.

Appendix B

Division of Professional Registration

State Board of Accountancy

Comparative Statement of Appropriations and Expenditures

Year Ended June 30,						
2014			2013			
Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances	
BOARD OF ACCOUNTANCY FUND						
Personal service	\$ 284,857	263,666	21,191	282,933	251,075	31,858
Expense and equipment	171,991	149,658	22,333	177,972	147,465	30,507
For a Professional Registration licensure system replacement from						
Professional Registration board funds	47,700	47,700	0	0	0	0
Total Board of Accountancy Fund	\$ 504,548	461,024	43,524	460,905	398,540	62,365

Appendix C

Division of Professional Registration State Board of Accountancy Comparative Statement of Expenditures (From Appropriations)

	Year Ended June 30,				
	2014	2013	2012	2011	2010
Salaries and wages	\$ 263,666	251,075	274,060	273,800	264,217
Travel, in-state	11,788	9,606	13,200	11,864	14,483
Travel, out-of-state	546	2,915	1,719	0	4,592
Supplies	17,438	16,706	17,193	15,721	21,711
Professional development	11,607	8,873	8,886	8,392	8,282
Communication services and supplies	3,037	3,317	3,787	4,227	4,142
Services					
Professional	146,217	95,703	113,756	103,616	104,712
Maintenance and repair	702	1,014	317	2,759	2,743
Office equipment	523	4,553	476	2,718	742
Miscellaneous expenses	5,500	4,778	3,283	5,378	6,276
Total Expenditures	\$ 461,024	398,540	436,677	428,475	431,900