

# VBOA Executive Director Jewell Discusses Changes to Licensure Fees

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The Virginia Board of Accountancy (VBOA) is in the process of updating its CPA licensure fees. Gov. Bob McDonnell approved the revised fee proposal in February, moving it into the public comment stage. The VSCPA spoke with VBOA Executive Director Wade Jewell (right) to shine some light on the potential changes from the Board's perspective.

This interview was conducted via email.

**VSCPA:** In a big-picture sense, what was the decision-making process that led you to decide to increase licensure fees?

**Wade Jewell:** The Virginia Board of Accountancy (VBOA) was re-established as an independent board effective July 1, 2001. As an independent, nongeneral fund agency, fees the VBOA charges for services it provides are its only source of revenues. Penalties assessed by the VBOA for violations of the accountancy statutes and regulations do not provide revenues for the VBOA. Instead, they are deposited into the Commonwealth's Literary Fund. In addition to maintaining an Operating Account, the VBOA is required to maintain a separate Trust Account. The Trust Account (internally referred to as the "Madoff Fund") is primarily designed to have sufficient cash to fund expenses incurred in the study, research, investigation or adjudication of matters involving possible violations of the accountancy statutes or regulations.

Fees the VBOA charges for services it provides must be sufficient to fund both its operating expenses and the needed accumulation of cash in the Trust Account. Virginia CPA licensure fees have not been increased since 1991 (over 20 years). During this time, the profession has continually grown, technology has changed with



significantly increased expenditures as a result of the Virginia Information Technologies Agency (VITA) and Northrop Grumman partnership, overall expenses have risen with inflation, and the need for staff resources has increased. As a result, the VBOA has run an operating deficit for five consecutive years. Projections indicate the VBOA will exhaust all cash balances by early calendar year 2013.

A significant portion of the VBOA expenditures are state-mandated. Excluding salaries and fringe benefits of a lean staff operation, only 6 percent of the VBOA budget is considered "discretionary." Additionally, the process for changing a regulatory agency's fee structure is very time-consuming, often taking up to three years from initial notification to implementation, and regulatory agencies must often wait at least six years between fee increases. Many factors can change during this lengthy process that can affect a nongeneral fund agency's cash position.

**VSCPA:** How do the increased fees compare to licensure fees for other professions in Virginia? How do they compare to individual CPA and firm licensure fees in other states?

**WJ:** Examples of other professional licensure fees in Virginia include:

- **Lawyers** — Original Application: \$375; Annual Dues for Active Members: \$250
- **Landscape Architects** — Original Application: \$125; Annual Renewal: \$55
- **Chiropractors** — Original Application: \$277; Annual Renewal: \$156
- **Licensed Practical Nurses (LPN)** — Original Application: \$170; Annual Renewal: \$60
- **Barbers, Cosmetologists and Nail Technicians** — Original Application: \$70; Annual Renewal: \$70; "Shop" (i.e. firm) license — Original Application: \$112.50; Annual Renewal: \$112.50

Each state board of accountancy has a unique fee structure relative to their specific licensing statuses. Virginia currently ranks the lowest in fees out of 55 jurisdictions, while maintaining the eighth-largest number of individually licensed CPAs.

**VSCPA:** What is the financial situation at the VBOA? What steps has the Board taken to reduce its expenses?

**WJ:** For reasons explained above, the VBOA has run an operating deficit for five consecutive years, projecting that at the current rate of expenditures, it will

exhaust all cash balances by early calendar year 2013 without a fee increase.

The following is a breakdown of the VBOA's current budget:

- **Salaries and benefits:** 65 percent
- **Fixed costs:**
  - **Information technology (IT)-related:** 17 percent
  - **Support services and insurance:** 7 percent
  - **Building/space rental:** 5 percent
  - **Discretionary costs:** 6 percent

While only 6 percent of the VBOA budget is considered "discretionary," the Executive Director continually looks for opportunities to improve efficiencies and to reduce costs.

The VBOA has reduced expenditures where appropriate, to include information technology expenses associated with hardware and telecommunications (fixed costs). Day-to-day operating expenses are monitored frequently, with monthly financial reports reviewed by the Executive Director and Board members to ensure resources are effectively utilized while ensuring the VBOA mission to protect the citizens of the Commonwealth is not compromised.

In conclusion, the VBOA takes its fiduciary responsibilities seriously and must balance the need to provide outstanding customer service, processes and products with associated costs.

**VSCPA:** Virginia licensure fees have not been increased since 1991. What was the VBOA's reasoning behind keeping them the same for so long?

**WJ:** The fact that licensure fees have not been increased for such a long period of time has been intentional. The VBOA remains prudent with regard to all expenditures, believing that fees should only be changed when absolutely necessary.

**VSCPA:** How have state-mandated expenses affected the VBOA's financial status?

**WJ:** As an independent, nongeneral fund agency, fees the VBOA charges for services it provides are its only

source of revenues. All increases in expenditures must be absorbed by the existing fee structure (revenues). Comparing fiscal year 2003 expenditures to the fiscal year 2012 budget, the following are highlights of significant increases in state mandated expenditures during this time:

- Nearly 800 percent increase in information technology-related expenses paid to the Virginia Information Technologies Agency (VITA) and a partnership with Northrop Grumman
- Nearly 200 percent increase in building rental expenses (2007 consolidation with other state agencies).
- State-mandated employee salary increases and bonuses approved by the General Assembly and the Governor
- Compliance with new internal control requirements as a result of the Sarbanes-Oxley Act (Agency Risk Management and Internal Control Standards)

Rising or new costs relative to state-mandated expenditures, coupled with no fee increase for over 20 years, have led to the VBOA's current financial status.

**VSCPA:** Under the proposal, the additional fee for processing an application of a license renewal that is not timely would quadruple to \$100. What is the reason for such a dramatic increase?

**WJ:** The VBOA mission is to protect the citizens of the Commonwealth through a regulatory program of licensure and compliance of CPAs and CPA firms. A key component of this mission is to ensure that Virginia CPAs maintain or renew their license on an annual basis. Failure to renew a license and to continue practicing and/or using the CPA title may result in disciplinary action. The increased fee for the late renewal of a license is meant to encourage compliance to avoid further potential disciplinary action and to protect the citizens of the Commonwealth of Virginia from unlicensed activity. It is the goal of the VBOA to have no late renewals.

**VSCPA:** There are several new fees being instituted, such as those for official licensure verification and transcript

evaluations. Could you provide some information about the reasoning for instituting these fees?

**WJ:** This fee package does not in any way affect an individual's ability to verify an individual or firm's licensure status in Virginia, for no fee. The VBOA provides that ability on its website [in a section] called "Licensee Search." This is a free service to anyone. In addition, the National Association of State Boards of Accountancy (NASBA) has launched a new website called CPAVerify. This website allows consumers to search a national database for CPAs and CPA Firms for participating states. Virginia is one of 24 states and jurisdictions currently participating in CPAVerify. The VBOA also provides a link on its website homepage to this national database.

The proposed fee for verification of licensure is for requests we receive from currently licensed CPAs, firms and businesses that seek an "official letter of verification" from the VBOA to be sent to other individuals or organizations, and often request more detailed information than the general licensure status of individuals and firms found on our website. This information is often sent to employers, other state boards of accountancy, various societies and even other countries. These requests require staff research, preparation of a letter and mailing costs.

A new fee has also been proposed for a preliminary evaluation of "unofficial" transcripts. Students often request that VBOA staff perform an evaluation of [their] current transcripts, prior to their graduation, to ensure they will meet VBOA requirements to sit for the CPA exam upon graduation and/or become licensed in Virginia. The VBOA publishes these requirements on our website and in a student handbook. Therefore, the request for a "pre-evaluation" is an interim, non-required step in the application process. Upon graduation, students must submit an "official" transcript(s) that must be evaluated once again. The pre-evaluation of a transcript is time consuming and duplicates the work of VBOA staff. The proposed fee for a preliminary evaluation of transcripts has been set to cover administrative costs incurred to perform this service.