

Governor's Office of Management and Budget

Alexis Sturm

Director



IL Regulatory Sunset Act Review of The Illinois Public Accounting Act

April 14, 2023

**To the Honorable JB Pritzker
Governor of Illinois**

Governor Pritzker:

The Governor's Office of Management and Budget (GOMB), in compliance with the requirements set forth in the Illinois Regulatory Sunset Act (5 ILCS 80), has conducted a review of the Illinois Public Accounting Act (225 ILCS 450), which is scheduled to sunset on January 1, 2024. As a result of this review, GOMB makes the following recommendation:

The Illinois Public Accounting Act (225 ILCS 450) should be continued with the following modifications to its existing statutory and administrative rule framework:

- Implementation of standard language allowing for electronic/paperless communication from IDFPR:
 - Requiring licensees to provide an email address of record with IDFPR (225 ILCS 450/0.03);
 - Updating a cross-reference to the Illinois Administrative Procedure Act regarding email to the email address of record (225 ILCS 450/2.1); and
 - Allowing for notice of hearing to be served by mail or email, rather than registered or certified mail (225 ILCS 450/20.1).
- Either repeal the requirement for social security numbers on applications or allow individuals without a social security number to provide their Individual Taxpayer Identification Number ("ITIN") when applying for licensure (225 ILCS 450/13.5); and
- Repeal of the mandate stating that exhibits shall be certified without cost (225 ILCS 450/21).

GOMB's examination of this act was conducted considering the nine factors set out in Section 6 of the Illinois Regulatory Sunset Act. The following report details the criteria and data utilized to come to the above recommendation.

Very sincerely and respectfully,

Alexis Sturm
Director
Governor's Office of Management and Budget

Criteria (1) “The extent to which the agency or program has permitted qualified applicants to serve the public.”

As of July 2021, there are 4,389 licensed certified public accountants in Illinois.

Table 1: Total Number of Licensees FY2018 – FY2022

License Type	2017	2018	2019	2020	2021	2022
Licensed Certified Public Accountant	23,784	25,657	24,384	26,049	27,526	24,658
Public Accounting Firm	915	1,342	1,178	1,222	1,256	959
Public Accountant Continuing Education Sponsor	379	355	334	320	289	229
Registered Certified Public Accountant	19,315	19,315	16,437	16,435	16,427	12,137

Table 2: New Licenses Issued (based on first effective date within each fiscal year)

Fiscal Year	FY18	FY19	FY20	FY21	FY22
Licensed Certified Public Accountant	1,891	1,890	1,678	1,514	1,216
Public Accountant Firm	432	85	46	35	28
Public Accountant Continuing Education Sponsor	17	18	17	8	8
Registered Certified Public Accountant	0	0	0	0	0

Certified public accountants have the following licensure fee structure:

Table 3: Certified Public Accountants Licensure Fee Structure

License Type	Fee Amount
Initial Application <ul style="list-style-type: none">- Licensed CPA- CPA Firm	\$120 \$120
Examination <ul style="list-style-type: none">- One section- Two sections- Three sections- Four sections	\$40 \$76 \$108 \$120
Renewal Fee <ul style="list-style-type: none">- Licensed CPA- Registered CPA- CPA Firm	\$40 / year \$30 / year \$40 / year
Restoration after Lapse	\$50 fee, plus all lapsed renewal fees (not to exceed \$260)
Continuing Education Sponsor	\$150
Renewal of Continuing Education Sponsor	\$150 / year

Accounting programs necessary for licensure are offered at 49 colleges and universities located throughout the state, including all 12 public universities.

As of June 7, 2022, there are 229 active Public Accountant Continuing Education Sponsors located throughout the

state. Additionally, administrative rules allow for some portions of continuing professional education (CPE) to include internet-based CPE and self-study CPE. To renew a license as a licensed CPA, a licensed CPA must complete 120 hours of CPE every 3-year renewal period.

The Uniform Certified Public Accountant Examination is required by statute and the only examination offered and accepted for licensure. To be approved to take the exam, applications must show proof of completion of 150 college or university semester hours. Beginning on January 1, 2023, applicants must provide proof of 120 semester hours to be eligible for the exam. The statutory citation for this requirement is 225 ILCS 450/3.

The Uniform CPA Examination is developed by the American Institute of Certified Public Accountants (AICPA), while the National Association of State Boards of Accountancy ("NASBA") oversees administration of the exam. Exams are offered continuously throughout the year with batches of exam scores being released 15 times each year by AICPA. The Uniform CPA Exam is administered by Prometric testing centers in partnership with NASBA. The Uniform CPA Examination is used in every state and jurisdiction in the U.S.

All 50 states license CPAs and require 150 semester hours for licensure. Illinois is among many states currently transitioning to only require 120 semester hours to sit for the Uniform Certified Public Accountant Examination.

Criteria (2) "The extent to which the trade, business, profession, occupation, or industry being regulated is being administered in a nondiscriminatory manner both in terms of employment and rendering of services."

IDFPR does not collect information on the gender, race, or ethnicity of licensees. IDFPR has received no complaints citing discrimination in the licensing process, and no external sources have published any information regarding discriminatory practices in licensure. Further, while IDFPR has not received any complaints alleging discrimination by public accountants, one license was revoked in 2018 due to felony conviction of a hate crime unrelated to their work as a licensed public accountant.

Though not administered by IDFPR, the Uniform Certified Public Accountant Examination provided by the AICPA and NASBA is required for licensure. Following a complaint made to the U.S. Department of Justice, AICPA and NASBA entered into a Voluntary Compliance Agreement ("VCA") with the federal government to ensure that blind and low-vision individuals are provided adequate testing accommodations pursuant to Title III of the Americans with Disabilities Act of 1990. This VCA was entered into to rectify instances between January 1, 2016 and January 1, 2019 in which blind and low-vision individuals were not provided adequate accommodations for the exam.¹

While these are not specific to Illinois, discrimination and barriers have been witnessed throughout the industry. As of 2018, CPAs employed by CPA firms are still overwhelmingly white (84 percent), with 91 percent of those in partner positions being white. In 2007, five percent of accounting graduates were Latinx, eight percent were Asian, and seven percent were African American. As of 2018, 16 percent of accounting graduates were Latinx, 13 percent were Asian, and six percent were African American. New graduate hires by CPA firms that same year were 10 percent Latinx, 14 percent Asian, and four percent African American.² This suggests that barriers are still present preventing African Americans from entering the industry and hiring practices have resulted in fewer Latino and African American candidates receiving jobs comparable to their representation of the workforce.

Criteria (3) "The extent to which the regulatory agency or program has operated in the public interest, and the extent to which its operation has been impeded or enhanced by existing statutes, procedures, and practices of

¹ https://www.ada.gov/cpa_exam_sa.html

² <https://www.journalofaccountancy.com/issues/2019/dec/aicpa-anti-discrimination-resolution.html>

any other department of state government, and any other circumstances, including budgetary resources, and personnel matters.”

IDFPR is tasked with processing applications for licenses and renewal licenses for over 1.2 million professionals practicing in the State of Illinois. IDFPR has adopted internal policies, sought legislative and administrative rule changes, and developed enhanced licensing processes to maintain efficiency and efficacy. Implementation of online, paperless licensing is one example of such a policy that has proved to be successful. While some procedures, such as the disciplinary process for licensees, can be lengthy, this is done to ensure thoroughness and proper due process for complaints against regulated professionals.

Criteria (4) “The extent to which the agency running the program has recommended statutory changes to the General Assembly that would benefit the public as opposed to the persons it regulates.”

P.A. 100-872 (SB 2439 Sen. Bennet/Rep. Ammons) amended various acts, including the Illinois Public Accounting Act, to remove provisions allowing or requiring licensing authorities to discipline professional licenses for defaulting on an educational loan provided by or guaranteed by the Illinois Student Assistance Commission. This proposal provided the public with greater access to accounting services by allowing licensees to continue to practice and not face a violation that is not directly related to the practice of their profession.

Criteria (5) “The extent to which the agency or program has required the persons it regulates to report to it concerning the impact of rules and decisions of the agency or the impact of the program on the public regarding improved service, economy of service, and availability of service.”

IDFPR promulgates rules through the process established by the Joint Committee on Administrative Rules (“JCAR”), the administrative body responsible for approving rule proposals by state agencies. Rules may be shared with the professional boards, associations, and industry prior to being filed. The rulemaking process includes a public comment period after which IDFPR responds to the comments received during that period. This process allows for input from industry and community stakeholders impacted by IDFPR’s proposed changes. IDFPR works with lawmakers, community stakeholders and members of industry to ensure that regulations effectively protect Illinois’ citizens.

Additionally, IDFPR works with lawmakers, community stakeholders, and members of industry to ensure that regulations effectively protect Illinois citizens. While this is not codified in statute, such informal approaches have been shown to strengthen the relationships between various stakeholders, including regulators, legislators, industry, and consumer advocates.³

Criteria (6) “The extent to which persons regulated by the agency or under the program have been required to assess the problems in their industry that affect the public.”

The public accounting industry has three distinct statutory provisions through which they assess the impact of the regulations.

The Illinois Board of Examiners is an independent state board comprised of 11 members appointed by the Governor: two public members and nine CPAs who have been residents of Illinois for at least five years prior to appointment, one of which is also a licensed attorney and one of which is an educator. Staff and administrative support for the Board are provided by Northern Illinois University. The Board certifies completion of all educational and examination requirements for CPA candidates

³ https://documents.ncsl.org/wwwncsl/Labor/NCSL_DOL_Report_05_web_REVISED.pdf

The Public Accountant Registration and Licensure Committee is an advisory board within IDFPR that is composed of seven members and appointed by the Secretary: one public member and six individuals licensed under the act (four of which must be Licensed CPAs, the other two may be Licensed or Registered CPAs). The board hears disciplinary matters and makes recommendations to the Secretary. The Secretary considers the recommendations of the board on questions of standards of professional conduct, discipline, and qualifications of candidates or licensees under this act. IDFPR may also solicit the advice and expertise of the board on matters relating to administration and enforcement of the act.

The CPA coordinator is a position within IDFPR for an individual who holds a license but is not practicing privately during their term of appointment. The coordinator serves as ex-officio chair of the committee, liaison to the profession and its organizations and associations, and provided educational and informational material providing guidance and assistance to licensees.

Criteria (7) "The extent to which the agency or program has encouraged participation by the public in making its rules and decisions as opposed to participation solely by the persons it regulates and the extent to which such rules and decisions are consistent with statutory authority."

IDFPR adheres to the guidelines and requirements established by the Joint Committee on Administrative Rules ("JCAR") and the Illinois General Assembly ("ILGA") for approving rule proposals, legislative changes, and internal policies. Promulgated rules are consistent with agency acts and statutory changes. Decisions made by the agency are based on the Acts and Rules and legislative intent. JCAR reviews rules to ensure that the agency does not exceed their rule-making authority granted to them by the General Assembly. Additionally, both the Board of Examiners and the Registration and Licensure Committee adhere to the requirements established in the Illinois Open Meetings Act (5 ILCS 120) for all public meetings.

Criteria (8) "The efficiency with which formal public complaints filed with the regulatory agency or under the program concerning persons subject to regulation have been processed to completion, by the executive director of the regulatory agencies or programs, by the Attorney General and by any other applicable department of the State government."

Over the past five fiscal years (FY2018 through FY2022), the Division of Professional Regulation's Complaint Intake Unit (CIU) opened 1025 complaints against licensees under the under the Illinois Public Accounting Act. Please note these are the numbers for complaints opened not received by CIU. CIU receives complaints that are not opened because the complaint is incomplete, or there is no jurisdiction, for example. Of these complaints, 115 cases resulted in public disciplines being issued.

Complaints made against licensees of IDFPR's Division of Professional Regulation may be filed via U.S. postal mail, e-mail, or phone to IDPR's Complaint Intake Unit, in the Statewide Enforcement Section.

After processing, a complaint is referred to the Investigations Unit and assigned to an investigator. An investigator may collect documents, interview witnesses, conduct inspections, and gather information to review the complaint for potential licensing law violations. Investigations may close a complaint for various reasons. Investigations may refer the case to the Prosecutions Unit for further review.

When a complaint is referred to the Prosecutions Unit, it is referred to as a "case." Cases are assigned to a prosecuting attorney who may seek additional information and/or pursue non-disciplinary or disciplinary action. Disciplinary action includes revocation, suspension, probation, and reprimand of a license. Illinois law also allows for the imposition of disciplinary fines. Non-disciplinary action includes administrative fees, the completion of

continuing education, and other similar activities. Prosecutions may take a variety of steps, such as filing a formal pleading and/or conducting an informal settlement conference. The department and the licensee may enter into a negotiated written agreement regarding the case. Alternatively, prosecutions may close the case due to various reasons, such as insufficient evidence, the allegations are not a violation or are unfounded, or an expiration of the statute of limitations. If needed, a formal hearing is held before an administrative law judge, where evidence may be submitted and where witnesses may testify. After the hearing, the administrative law judge submits a recommendation to a professional board or committee, if applicable. The board or committee then delivers its recommendation to the director of the Division of Professional Regulation. The director then issues a final administrative order. Following the director's order, the licensee may appeal the decision in circuit court under the Illinois Administrative Review Act. When applicable, the division works with outside entities such as state's attorneys, the Illinois Attorney General, other states, and federal and state governmental agencies to pursue further action, such as criminal or civil action.

Criteria (9) "The extent to which changes are necessary in the enabling laws of the agency or program to adequately comply with the factors listed in this section."

IDFPR recommends the sunset of the act be extended and that statutory language be modernized to implement more streamlined and efficient regulation of this profession, which will ensure safety and welfare of the public and ease the burden of regulatory compliance by:

- Implementation of standard language allowing for electronic/paperless communication from IDFPR:
 - Requiring licensees to provide an email address of record with IDFPR (225 ILCS 450/0.03);
 - Updating a cross-reference to the Illinois Administrative Procedure Act regarding email to the email address of record (225 ILCS 450/2.1); and
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- Either repeal the requirement for Social Security Numbers on applications or allow individuals without a Social Security Number to provide their Individual Taxpayer Identification Number ("ITIN") when applying for licensure (225 ILCS 450/13.5); and
- Repeal of the mandate stating that exhibits shall be certified without cost (225 ILCS 450/21).

Conclusion:

The Illinois Public Accounting Act governs the licensure of public accountants in the State of Illinois. Licensure for public accountancy is necessary to protect the financial welfare of the public. Certified public accountants are licensed to provide accounting services to the public, including individuals and small businesses. The licensing process ensures that practitioners meet the qualifications necessary to competently serve the public and continue to practice in competent manner. Such regulations have been in place in Illinois for over a century. Licensing qualifications and standards for public accountants are largely uniform across every licensing jurisdiction in the United States. Lack of regulations would pose a direct risk and probable harm to the financial wellbeing of residents and small businesses throughout the State. Without regulation and licensure, there is a significant risk associated with seeking accounting services. Consumers would have no knowledge of the competency of the individual providing such services. The number of complaints received and of public disciplines issued under the Illinois Public Accounting Act further illustrates the need for continued regulation of this critical industry.

IDFPR recommends and GOMB concurs that the sunset of the act be extended, and the statutory language be modernized, to implement more streamlined and efficient regulation of this profession, which will ensure safety and welfare of the public and ease the burden of regulatory compliance. Additionally, IDFPR recommends several revisions to the act to reduce unnecessary administrative mandates, provide for more efficient administration of the act, and allow for more equitable access to licensure for all qualified individuals.