



# Audit & Reporting Group Agenda: August 15, 2024

- I. Call to Order**  
Chair Auditor Blaha
- II. Introductions**  
Introductions for members who couldn't attend the last meeting.
- III. Review and Approval of Working Group Meeting Minutes**  
Meeting Minutes August 1, 2024.
- IV. Review Updates to the Minnesota 2023 Audit Requirements**  
Minnesota Local Government 2023 Auditing and Reporting Requirements
- V. Review and Discuss the State of the Shortage**  
Article: There Are 340,000 Fewer Accountants, and Companies Are Paying the Price  
Article: Various Ratings Withdrawn on 91 U.S. Local Governments and Utility Systems  
Article: Accountant Shortage Prompts UA Plan for Quicker Path to Qualification
- VI. Review and Discuss Goals for the AaRG**  
Goals Discussion
- VII. Preview Next Meeting Topics**
  - Actions in Other States
- VIII. Next Meeting**  
Wednesday, August 28, 2024  
2:00 p.m. to 4:00 p.m.  
In-Person/Virtual Hybrid Format
- IX. Adjournment**

The OSA appreciates your participation in the Audit and Reporting Group. Your participation is optional, but without it we would lack your expertise. The Audit and Reporting Group meeting will be recorded, and by participating you consent to being included. The recording will be accessible to the public upon request for a limited time.

Individuals with disabilities who need reasonable accommodation to participate in this event, please contact Nadine Kottom-Dale at (612) 391-7000 or (800) 627-3529 (TTY) by July 30, 2024.



# Meeting Minutes

## 8-1-24 Draft Minutes

### **Members Present**

Julie Blaha, State Auditor  
State Representative Patti Anderson  
Lisa Sova, League of Minnesota Cities  
David Frame, Minnesota Association of Townships  
Joel Stencel, Minnesota School Boards Association  
Kelly Gutierrez, Minnesota Charter Schools Association  
Sharon Provos, Association of Metropolitan Municipalities  
Wilfredo Roman-Catala, Minnesota Inter-County Association  
E.J. Moberg, Minnesota Government Finance Officers Association  
Chris Knopik, Minnesota Government Finance Officers Association  
Andi Johnson, Minnesota Association of School Business Officials  
Jennifer Smith, Minnesota Association of School Business Officials  
Andy Berg, Minnesota Society of CPAs  
Miranda Wendlandt, Minnesota Society of CPAs  
Jamie Fay, CPA, and Stakeholder  
Paul Moore, Department of Management and Budget  
Martha Burton, Department of Revenue  
Cathy Erickson, Department of Education  
Charles Selcer, Minnesota Board of Accountancy  
Jake Rossow, Minnesota Board of Water and Soil Resources

### **Members Excused**

State Senator Heather Gustafson  
State Representative Bjorn Olson  
Cap O'Rourke, Minnesota Association of Small Cities  
Jake Rossow, Minnesota Board of Water and Soil Resources  
Cristen Christensen, Minnesota Inter-County Association

### **Office of the State Auditor and Legislative Support Present**

Chad Struss, Deputy State Auditor  
Nadine Kottom-Dale, Interim Constitution Division Director, and Lead Staffer  
Lisa Young, Director of Standards and Procedures  
Tom Karlson, Audit Manager  
Mark Kerr, Special Investigations Director  
Kathy Docter, Director of Government Information

### **I. Call to Order**

Auditor Blaha called the meeting to order. She explained the meeting structure, shared that the meeting will be recorded but not live streamed. The meeting agenda was accepted with no changes.

### **II. Introductions**

Members who were present at the meeting introduced themselves.

### III. Review Meeting Norms and Expectations

Respectful Workplace Policy – as a participant of this workgroup, the Respectful Workplace policy from MMB covers you in the work you will do here.

Meeting Norms Proposal – Auditor Blaha reviewed the Meeting Norms Proposal document. Two additions were made to the Meeting Norms document that was previously sent out to AaRG members. The updated document will be sent out to members. The meeting norms were accepted with no changes.

Purpose Statement – Auditor Blaha shared that the purpose of this group is to reduce public workload while fostering public accountability.

AaRG Roadmap – Auditor Blaha reviewed the roadmap with the full group.

### IV. Current Requirements

Auditor Blaha walked through the Minnesota Local Government 2023 Auditing and Reporting Requirements.

No questions or comments in relation to county reporting.

Special district questions: Charles Selcer asked if the \$274,000 threshold could be adjusted, Auditor Blaha answered that threshold numbers and threshold risk will be a larger discussion point. Tom Karlson made a change that Soil and Water needs to be changed to a GAAP Basis.

Cities: There was discussion around the GID pilot program that will try implementing a deadline to June 15<sup>th</sup> to city populations under 2,500 with Combined Clerk and Treasurer. Kathy Docter confirmed that GID does provide a 45-day extension for local governments when they need more time. Charles Selcer inquired about a decision is made on population size, is it determined by census? Chris Knopik confirmed that it is based on the last federal census.

Township questions: David Frame asked if we could start evaluating what brings a higher level of risk with township audits? Kathy Docter answered that GID had a city audit project where they looked at audit comments over a period of time. From that study, the statements of position were initiated from the consistent audit comments. OSA will consider doing a similar study for townships. This group should consider evaluating types of engagement and risk. Kathy stated that out of the 1780 townships that are in the state, only over 30 are doing GAAP base audits. At the next meeting, Kathy Docter will confirm how many are using a cash basis.

- School districts: Cathy Erickson asked for an additional category to be added to the School District - Other Cooperatives, Intermediates and Joint Powers. Audit requirements and deadlines for all three entities are the same. MDE requires all those entities to submit unaudited data by Sept. 15. Final audited data is due Nov. 30 and then all audits are due Dec. 31 for all entities. Cathy Erickson brought up that one thing affecting MDE are entities unable to meet the deadlines, likely because of the shortage.
- Changes that Auditor Blaha will make to the Minnesota Local Government 2023 Auditing and Reporting Requirements document:

- Soil and Water needs to be changed to a GAAP basis.
- Add an occurrence column.
- Change the terminology on the School Districts row from Traditional District to School District.
- Add another category to the School Districts: Other Cooperatives, Intermediates and Joint Powers.
- MDE requires all those entities to submit unaudited data by Sept. 15 but not an audit report. Final audited data is due Nov. 30 and then all audits are due Dec. 31.
- Add a fiscal year column.
- Make a note at the bottom of the document that every entity but charter schools and school districts must submit the special form to the OSA.
- Add how many entities are there?

**V. Preview Next Meeting Topics**

The proposed meeting topics for August 15 meeting are the state of the shortage, and goals for the group. A big question for the state of the shortage: who performs audits during the shortage?

**VI. Other Business**

Auditor Blaha and Nadine Kottom-Dale requested some housekeeping items. A form will be sent over to members for them to give their preferred meeting times, their phone numbers and how they would like to receive information.

**VII. Adjournment**

The meeting was adjourned at 3:49.



# Minnesota Local Government

## 2023 Auditing and Reporting Requirements

Thresholds					Attributes					
Entity Type	Sub Type or Population Size	Sub Type or Revenue	Clerk -Treasurer Structure	Revenue	Accounting Basis	Reporting	Frequency	Deadline	Minnesota Statute	Fiscal Year End
<b>County (87)</b>					GAAP	Financial Audit	Annual	November 1	\$ 375.17, \$ 6.481, \$ 6.74	Varies
<b>Special District (615)</b>	<b>Stand Alone Unit (615*)</b>	Not a watershed district, soil and water conservation district, or management org (448)	Revenues under \$274,000 (137)		Cash	Unaudited financial statements, AUP	Statements: annually AUP: every 5 years	180 days from fiscal year end	\$ 6.756	Varies
			Revenues over \$274,000 (246)		Cash	Financial Audit	Annual	180 days from fiscal year end	\$ 6.756	Varies
		Soil and Water Conservation District (97)		Cash	Financial Audit	Annual	October 31	\$ 103C.325, MOU between OSA & BWSR	Varies	
		Watershed District (45)		Cash	Financial Audit	Annual	120 days from fiscal year end	\$ 103D.355, \$ 6.756, R. 8410.0150	Varies	
		Watershed Management Org (25)		Cash	Financial Audit	Annual	120 days from fiscal year end	\$ 103B.227, \$ 6.756, R. 8410.0150	Varies	
	Component Unit (57)		Based on reporting unit	Based on reporting unit	Based on reporting unit	Based on reporting unit	Based on reporting unit	Based on Reporting Unit		
<b>City (854)</b>	Population under 2500 (617)	Separate Clerk and Treasurer (231)		Cash	Unaudited financial statements	Annual	March 31	\$ 6.74, \$ 471.698	Dec	
		Combined Clerk and Treasurer (386)	Revenues under \$274,000 (70)		Cash	Unaudited financial statements, AUP	Statements: annually AUP: every 5 years	Statements: March 31 AUP: June 30th	\$ 6.74, \$ 471.698, \$ 412.02, \$ 412.591	Dec
			Revenues over \$274,000 (316)		Cash	Financial Audit	Annual	March 31	\$ 6.74, \$ 412.02, \$ 412.591	Dec
	Population over 2500 (236)		GAAP	Financial Audit	Annual	June 30	\$ 471.697	Dec		
<b>Town (1779)</b>	Population under 2500 (1736)	Separate Clerk and Treasurer (1595)		Cash	OSA Reporting Form	Annual	March 31	\$ 6.74	Dec	
		Combined Clerk and Treasurer (141)	Revenues under \$274,000 (90)		Cash	Unaudited financial statements, Financial Audit	Statements: annually Audit: every 5 years	Statements: March 31 Audit: June 30th	\$ 6.74, \$ 367.36	Dec
			Revenues over \$274,000 (28)		Cash	Financial Audit	Annual	March 31	\$ 6.74, \$ 367.36	Dec
	Population over 2500 (43)	Separate Clerk and Treasurer (18)	Revenues under \$1,223,000 (19)		Cash	OSA Reporting Form	Annual	March 31	\$ 6.74	Dec
			Revenues under \$274,000		Cash	Unaudited financial statements, Financial Audit	Statements: annually Audit: every 5 years	Statements: March 31 Audit: June 30th	\$ 6.74, \$ 367.36	Dec
		Combined Clerk and Treasurer (1)	Revenues over \$274,000 (1)		Cash	Financial Audit	Annual	March 31	\$ 6.74, \$ 367.36	Dec
			Revenues over \$1,223,000 (24)		GAAP	Financial Audit	Annual	June 30	\$ 471.697	Dec
<b>Schools (576)</b>	School Districts and Charter Schools (510)		GAAP	Unaudited data, Financial Audit	Annual	Data: September 15 Audit: November 30	\$ 123B.77, \$ 124E.16	June		
	Other Districts (66)		GAAP	Financial Audit	Annual	November 30	\$ 123B.77, \$ 124E.16	June		

**Notes:**

- These are minimum reporting requirements. A local government might be required to do more based on other agreements.
- Cities, counties, special districts, and towns required to have an audit are also required to report data to the OSA.
- These may include, but are not limited to, single audit requirements, grant agreements, bond covenants, and joint powers agreements. Audited financial statements should be submitted when available.
- Local governments that have a minimum reporting requirement of cash basis but choose to report on a GAAP basis must meet all the requirements of a GAAP entity.
- Quantities in red are the number of entities in each category based on 2022 counts
- \* Items are estimates

**Updated:**  
8/15/2024

Work Shift | Technology & Skills

## There Are 340,000 Fewer Accountants, and Companies Are Paying the Price

The dwindling numbers of CPAs is at a crisis level, but starting salaries are still too low to tempt more people into the field



It's a hard sell to fill these seats. *Photographer: Zhihao/Moment/Getty Images*

By Jo Constantz

March 1, 2024 at 9:29 AM CST

Mistakes continued to pile up this earnings season in the wake of [Lyft Inc.](#)'s [market-roiling typo](#): [Planet Fitness Inc.](#), [Mister Car Wash Inc.](#) and [Rivian Automotive Inc.](#) all [had to correct their quarterly earnings](#) statements. These types of errors shake investor confidence and in extreme cases can result in [heavy fines](#) from the US Securities and Exchange Commission.

While it's unclear what exactly led to the mistakes in each of these cases, one major risk factor has reached crisis levels: a shortage of certified public accountants.

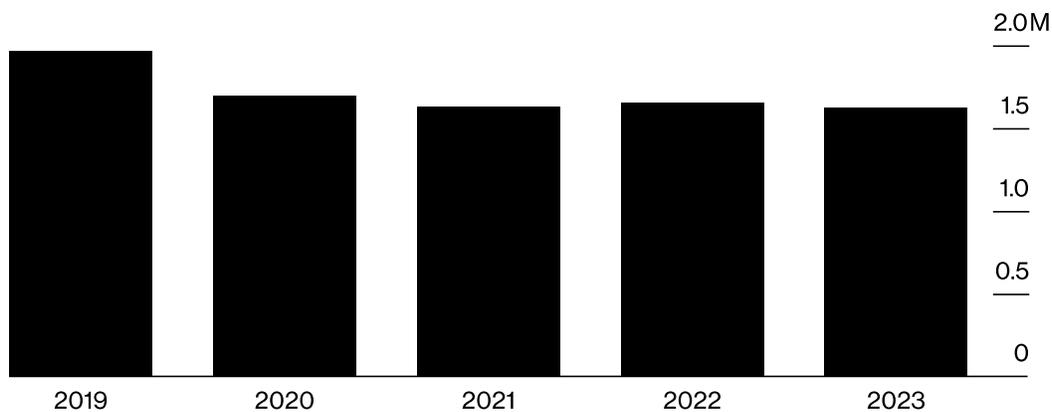
Seasoned practitioners are retiring while the profession isn't drawing the next generation of workers entering the labor market. The lack of help means current accountants' hours and workloads can be grueling, upping the odds of mistakes and burnout.

"If the people preparing the financials are overworked, or there's not enough of them, you will have errors," said Joshua Khavis, assistant professor of accounting and law at the University at Buffalo School of Management, whose research has documented links between [auditor turnover](#), [long working hours](#) and mistakes.

Last year more than 720 companies, from [Advance Auto Parts Inc.](#) to online legal services provider [LegalZoom.com Inc.](#), cited insufficient staff in accounting and other departments as a reason for potential errors. That's up 30% from 2019, according to an analysis by equity research firm [Hudson Labs](#) for Bloomberg News.

## Number Cruncher Ranks Fade

Number of accountants and auditors employed in the US



Source: Bureau of Labor Statistics

Yet despite the plentiful job openings, students aren't racing to major in accounting. For many, the typical entry-level job doesn't pay enough to make the needed fifth year of college tuition worth it.

Accountant jobs are now the second-most posted on student placement site Handshake, doubling since 2020 and outnumbered only by general administrative support positions, according to a new report shared exclusively with Bloomberg News. While the share of accounting majors on the platform has ticked up recently after several years of declines, experts say this won't be enough to solve a worsening shortage.

This could come down to simple cost-benefit analyses: Aspiring accountants essentially need five years of college to earn a Certified Public Accountant license. That requirement, the "150-hour rule," has become increasingly expensive to satisfy given steadily rising tuition costs.

For many 22- to 27-year-olds, known as Generation Z, their average student debt of more than \$20,000 and the lure of higher-paying Wall Street and Silicon Valley firms means the time and effort required to become a CPA doesn't pencil out.

Last year, the median salary for full-time entry-level accounting jobs was roughly \$62,500, up from about \$50,000 in 2020, according to Handshake data. The median pay advertised for entry-level management consulting and financial analyst roles, by contrast, was \$70,000 and \$75,000, respectively. For software engineers, the median entry-level pay was \$93,000.

To attract people to accounting, the profession must "own up" to stagnant wages, Paul Munter, chief accountant to the SEC, told an American Institute of CPAs conference in December.

### **The strain on CPAs**

The demand for fresh talent has become so intense that Jacqueline Burke, a professor of accounting at Hofstra University's Zarb School of Business, says more and more firms are turning to undergraduates to bridge gaps, leading to many students taking on full-time internships on top of their full-time studies. "The number of students doing that – it's unheard of," she said.

Burke said employers constantly email her for guidance on how to fill their open roles. Her first piece of advice: raise starting salaries. "I tell them, 'You're just not going to compete with what you're offering,'" she said.

Companies have also experimented with other ways to defray certification costs. Consulting firm PricewaterhouseCoopers LLP, for example, is piloting a program with Saint Peter's University in New Jersey to allow students to count full-time, paid work at the firm toward their credit hours. Isainay Richardson, a participant in the pilot and a first-generation college graduate, said the opportunity to save money and start her career right away was a definite draw.

Though Richardson is passionate about film and art, she was drawn to accounting as a way to maximize her future career opportunities. Stability and the ability to give back to her family and community were important considerations. “Almost every company or organization needs someone with financial skills, so I know that my accounting background can help me if I ever want to explore a career in the creative industry,” she said.

More students are drawn to the profession’s reputation of stability, especially as half of US college graduates struggle to find suitable jobs. And more tech majors are now applying for accounting roles as layoffs continue to dominate headlines in that field, according to Handshake data.

But some employers are looking for other ways to broaden their appeal to Gen Z. A growing share of job openings emphasize the positive social impact accountants can make, from supporting sustainability efforts to engaging with local communities, according to Handshake. The tactic is effective: listings that do so draw 80% more applications, on average.

Recent graduate and career-changer Melinda Barnes was excited to get an offer from AT&T Inc. to join its newly created Accounting Leadership Development Program. The flexibility to work while continuing to study for her CPA exams was appealing. Barnes also liked the idea of having the chance to network and explore contributions she could make in different kinds of roles. “I want to be able to make some sort of impact,” she said.

Ultimately, though, some experts argue the best way to get more young people into the profession is to drop the 150-hour requirement entirely, especially since research has shown the requirement doesn’t necessarily lead to better accountants.

“You’re talking about the opportunity cost of working full-time for a year and the cost of tuition,” said Ralph Polimeni, an accounting professor at Hofstra. “If I were entering now into the profession, I don’t think I would’ve gone into accounting.”

08-Apr-2024 | 18:56 EDT

# Various Ratings Withdrawn On 91 U.S. Local Governments And Utility Systems

ENGLEWOOD (S&P Global Ratings) April 8, 2024--S&P Global Ratings withdrew its ratings on 91 U.S. local governments and utility systems identified in the list below. The withdrawals reflect our inability to obtain adequate and timely financial information necessary to maintain surveillance of the ratings in accordance with our applicable criteria and policies. Such financial information includes 2022 audited financial statements.

For ratings listed in the table that involve debt structures where there are multiple revenue streams, appropriation debt, or debt that we consider under our [priority-lien tax revenue debt criteria](#), we have withdrawn our ratings if we did not receive timely financial information from an obligor that we consider to be a key component of the rating.

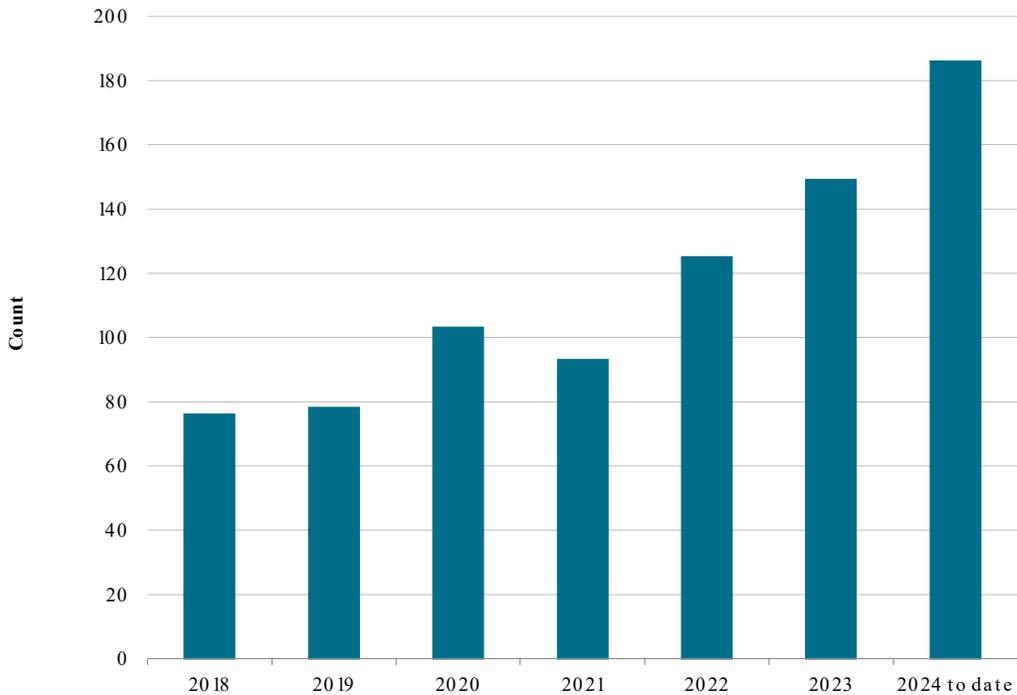
These withdrawals follow our placement of the ratings on CreditWatch with negative implications (see "[Various U.S. Local Government, Public Power, Utility, And Transportation Ratings Placed On CreditWatch Negative](#)," published March 6, 2024, on RatingsDirect).

In order to maintain our ratings, we rely on timely financial and related information relevant to our credit analysis. For U.S. public finance issuers and obligors, we view proactive disclosure and dissemination of information as a positive management

characteristic. Conversely, we view the lack of timely disclosure and information flow negatively. For further details on timely information, please see "[How Quality And Timeliness Of Information Are Incorporated Into U.S. Public Finance's Rating Process](#)," published Dec. 6, 2021.

"On a year-over-year basis, we have recorded a notable increase in negative rating actions, including CreditWatch placements, due to information sufficiency and quality considerations," said S&P Global Ratings credit analyst Jaime Blansit. Several factors could be influencing this trend. For example, it is our understanding, based on our outreach on this topic to issuers and their agents, that auditing firms continue to see a marked increase in staffing shortages, resulting in significant setbacks to complete issuers' financial disclosures in a timely manner. In addition, we understand that many issuers experienced difficulties in retaining auditors, with a number reporting auditing firms have exited service mid-audit preparation. Issuers also report that they have faced staffing turnover in key reporting departments as well, which has further contributed to delayed reporting.

**Rating actions due to lack of timely information by year**



Source: S&P Global Ratings.  
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**Ratings withdrawn as of April 8, 2024**

<b>ISSUER</b>	<b>STATE</b>
Andrews County, TX Limited Tax General Obligating Pledge	TX
Aransas Cnty Navig Dist #1, TX Unlimited Tax General Obligation	TX
Austin Cnty, TX Unlimited Tax General Obligation	TX
Bastrop, LA Sewer System	LA
Benson, AZ Sales Tax	AZ
Berkeley, MO Unlimited Tax General Obligation	MO
Blue Mound TX Limited Tax General Obligation, Subordinate Water and Sewer Pledge	TX
Bonham, TX Limited Tax General Operating Pledge	TX
Bosque Cnty, TX Limited Tax General Operating Pledge	TX
Butts Cnty, City of Flovilla, City of Jackson & City of Jenkinsburg Wtr & Swr Auth, GA Water and Sewer System	GA

Caldwell Cnty, TX Limited Tax General Operating Pledge	TX
City of Marlin, TX Limited Tax General Obligation	TX
City of North Plains OR, Limited Tax General Obligation	OR
City of Wilmer TX Limited Tax Pledge	TX
Cleveland Cnty OK SalesTax and Approp	OK
Columbia River Fire & Rescue Dist, OR Limited Tax General Operating Pledge	OR
Concordiia Parish Sales Tax District No 1, LA Sales Tax	LA
Crenshaw Cnty, AL Lease Appropriation	AL
Crestline Exempted Vill Sch Dist, OH Unlimited Tax General Obligation	OH
Davis, CA Water System 2nd Lien	CA
Dayton Twn, ME Limited Tax General Obligating Pledge	ME
Deming, NM Unlimited Tax General Obligation	NM

Dixfield Twn, ME Limited Tax General Operating Pledge	ME
Drew Cnty, AR Sales Tax	AR
Duncanville, TX Limited Tax General Operating Pledge	TX
East Jasper Sch Dist, MS Unlimited Tax General Obligation	MS
Elba, AL Limited Tax General Operating Pledge	AL
Elba, AL Limited Tax General Operating Pledge and Water and Retail Electric System 2nd Lien	AL
Farmington Village Corporation, ME Water System	ME
Franklin Pk Vill, IL Unlimited Tax General Obligation	IL
Fremont Cnty, CO Lease Appropriation	CO
German Township Sewer Authority, PA Sewer System Revenues	PA
Haleyville City Board of Education, AL Special Sales and Use Tax 2% and Special Ad Valorem Tax 3 millage	AL
Henry County, AL State Shared Gas Tax Revenues	AL

Hollister, CA Sewer System	CA
Humboldt Comnty Svcs Dist, CA Sewer System	CA
Imperial, CA Sewer System	CA
Imperial, CA Water System	CA
Jackson Cnty Fire Dist No. 5 Phoenix, OR Limited Tax General Operating Pledge	OR
Jennings, MO Lease Appropriation	MO
Jones Cnty, MS Unlimited Tax General Obligation	MS
Jourdanton, TX Limited Tax General Operating Pledge	TX
King County Water District No. 90 WA, Water System Net Revenues	WA
Kleberg Cnty, TX Limited Tax General Operating Pledge	TX
Lake Whatcom Wtr & Swr Dist, WA Water and Sewer System	WA
Lake Worth, FL Unlimited Tax General Obligation	FL

Latrobe, PA Unlimited Tax General Obligation	PA
Lawton, OK Unlimited Tax General Obligation	OK
Little Egg Harbor Twp, NJ Unlimited Tax General Obligation	NJ
Lycoming Cnty, PA Unlimited Tax General Obligation	PA
Lyons Vill, IL Unlimited Tax General Obligation	IL
Manheim Twp, PA Unlimited Tax General Obligation	PA
Marion, AR Sales Tax	AR
Marshall Cnty, AL Limited Tax General Operating Pledge	AL
McCulloch Cnty, TX Limited Tax General Operating Pledge	TX
Mid Cameron Auth, PA Sewer System	PA
Midd-West Sch Dist, PA Limited Tax General Operating Pledge	PA
Millcreek-Richland Jt Auth, PA Sewer System and Richland Boro, PA and Millcreek, PA Unlimited Tax General Obligations	PA

Montecito San Dist, CA Sewer System	CA
Moses Lake, WA Water and Sewer System	WA
Mulvane, KS Unlimited Tax General Obligation	KS
North Bend, WA Unlimited Tax General Obligation	WA
North Bend, WA Water, Sewer, and Stormwater System	WA
Northwoods, MO Unlimited Tax General Obligation	MO
Olney TX, Net Revenues of Waterworks and Sewerage System	TX
Pharr Economic Development Corporation, TX Sales Tax	TX
Pharr, TX Limited Tax General Operating Pledge and Water and Sewer System Subordinate Lien	TX
Phoenix, OR Limited Tax General Operating Pledge	OR
Port Arthur, TX Limited Tax General Operating Pledge	TX
Quaboag Regl Sch Dist, MA Limited Tax Non Advalorem	MA

Roosevelt Boro, NJ Unlimited Tax General Obligation	NJ
Sanger, CA Sewer System	CA
Sanger, CA General Fund Pledge	CA
Saraland Brd of Wtr & Swr Commrs, AL Water and Sewer System	AL
Sauk River Watershed District MN Limited Tax	MN
Siskiyou Union High School District, CA Unlimited Tax General Obligation	CA
South Timnath Metropolitan District No. 2, CO Limited Tax General Operating Pledge	CO
St. Clair Cnty, AL Limited Tax General Operating Pledge	AL
St. George Town, ME Limited Tax General Operating Pledge	ME
St. Mary Parish, LA County Shared Sales Tax	LA
St. Mary Parish Library Dist, LA Unlimited Tax General Obligation	LA
Stuttgart, AR Sales Tax	AR

Sweet Home, OR Limited Tax General Obligation	OR
Talladega, AL Limited Tax General Operating Pledge	AL
Wallkill, NY Unlimited Tax General Obligation	NY
Walsh Cnty, ND Non Ad Valorem Revenues and Special Assessments of Water Resource Dist	ND
Watford City ND Gas Tax	ND
Weak Link of Denton County Fresh Water Supply District No 4-A, TX Unlimited Tax General Obligation and Hackberry, TX Special Assessments of Hackberry Hidden Cove PID 2 Contract Rev - Road	TX
West Autauga Water Authority, AL Water and Sewer System	AL
Whitley County KY Limited Tax General Obligation	KY
Whitman-Hanson Regl Sch Dist, MA General Obligation	MA
Williamson Cnty, IL Unlimited Tax General Obligation	IL

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.spglobal.com/ratings](http://www.spglobal.com/ratings) for further information. Complete

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### **European Endorsement Status**

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## Accountancy

# Accountant shortage prompts US plan for quicker path to qualification

Pressure to cut educational requirement has grown as numbers joining profession drop



Calls for reform have grown as the number of US students taking accounting courses and going on to sit professional exams has fallen © Financial Times

**Stephen Foley** in New York MAY 14 2024

The leaders of the US accounting profession have signalled they could cut the education requirements for becoming an accountant, amid growing alarm about a shortage of new recruits.

The American Institute of Certified Public Accountants on Tuesday dropped its opposition to calls to reduce the amount of university education needed to qualify as a CPA. That is currently set at the equivalent of five years, one year longer than a typical bachelors degree in the US.

The declaration is a watershed moment in what had become an [increasingly tense struggle](#) between the professional body and reformers.

Calls for reform have been growing louder as the number of US students taking [accounting](#) courses and going on to sit professional exams has fallen, leaving some accounting firms struggling to hire replacements for the baby boomers who are retiring.

An AICPA advisory group that included representatives from large and small firms said on Tuesday that the profession needed to “address the cost and time of education” as a priority for fixing the shortage.

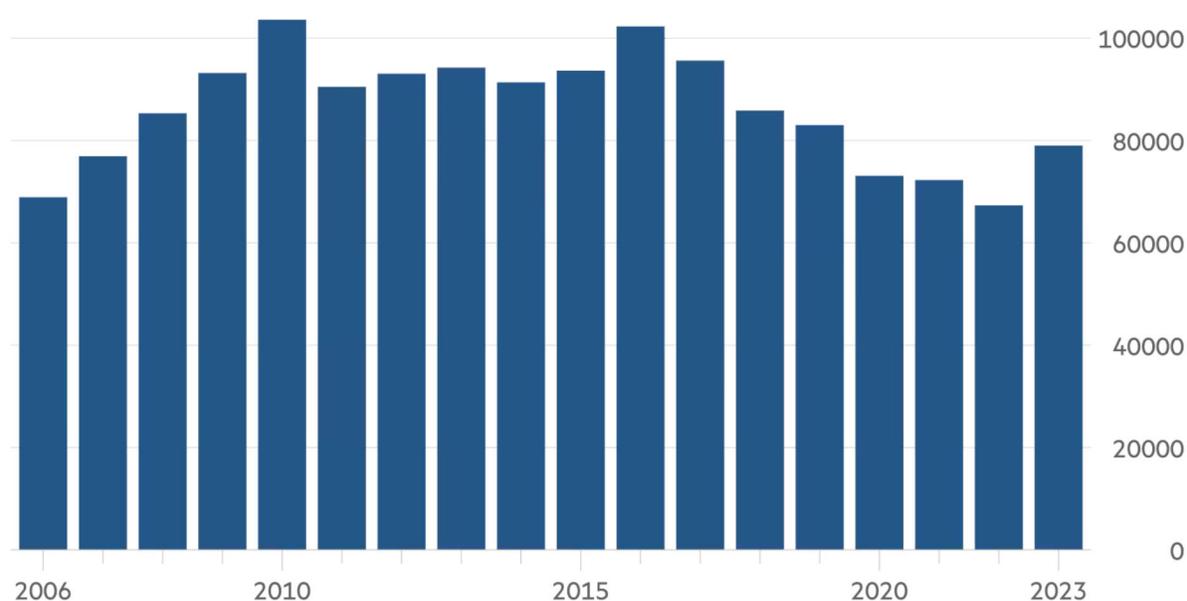
It called for “a competency-based licensure model not tied to university credit hours”, among other reforms. The AICPA, in turn, expressed “directional support” for the group’s recommendations.

“While expanding approaches to CPA licensure alone will not solve the accounting talent problem, we believe our licensure process does need to acknowledge changing market conditions,” the AICPA said.

Accounting groups in Minnesota are among those lobbying to change state laws to cut the educational requirements for a licence, a movement that the AICPA says threatens long-established reciprocal agreements enabling accountants to practice across state lines unless change is co-ordinated at a national level.

## Fewer people have been taking the CPA exam in recent years

Number of candidates



Source: American Institute of Certified Public Accountants

© FT

Sue Coffey, chief executive for public accounting at the AICPA, said it aimed to propose an alternative to the current requirements by this time next year, but getting state accountancy boards or state legislatures to embrace the changes could take significantly longer.

The currently mandated fifth year of education would need to be replaced with skills requirements, she said, including technical knowledge and communication and strategic thinking skills.

“I really hope Minnesota and others talking about this see value in working with the

rest of the country,” Coffey said. “This is our attempt to bring everybody together.”

The AICPA’s shift did not immediately prompt a change of strategy by states hoping to move faster.

The Minnesota Society of CPAs said it was “pleased to see the AICPA has engaged in the conversations evolving nationally”, but it continued to back a bill cutting state licensing requirements to the equivalent of a four-year degree plus two years of work experience. It said it would reintroduce the legislation in the next sessions of the Minnesota legislature, if it does not pass in the current one ending on Monday.

With three-quarters of US accountants at or near retirement age, the number of AICPA members has fallen from 430,000 in 2017 to 400,000 last year, according to its latest annual report, missing its membership target for the fifth year out of the past six.

The number of people taking the CPA exam fell from a peak of more than 100,000 in 2016 to a 17-year low of just above 67,000 in 2022. An uptick in 2023 was the result of students rushing to take the exam before the introduction of a new curriculum and numbers were set to resume their decline in the short term, the AICPA said.

The AICPA’s advisory group also called for accounting firms to raise starting salaries for new recruits and improve work-life balance, as well as for a revamp of accounting degrees to emphasise why the job is important.

Lexy Kessler, mid-Atlantic regional leader for the accounting firm Aprio, who chaired the group, said a shortage of accountants threatened the functioning of capital markets and business. “If we don’t have trust in our financial markets it could bring chaos,” she said.

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# Audit and Reporting Group

Public Finance Shortage Discussion

# BLOOMBERG ARTICLE

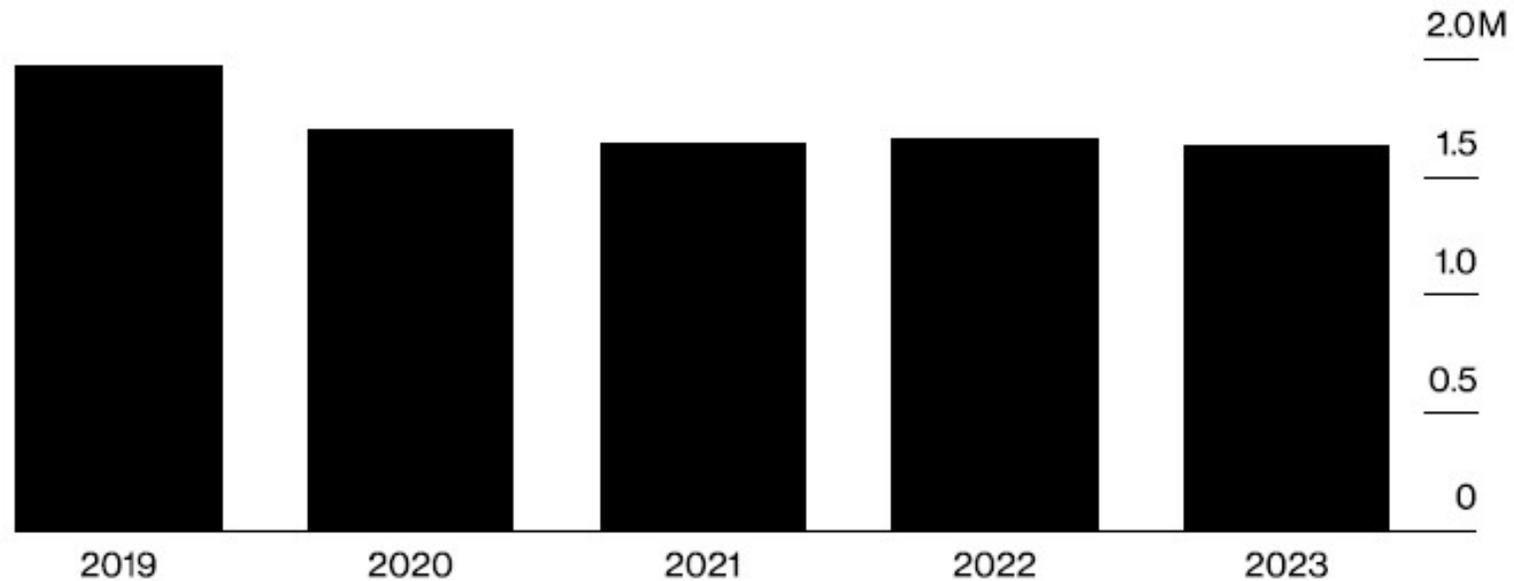
## There are 340,000 Fewer Accountants, and Companies Are Paying the Price

- 30% more companies report insufficient accounting staff as reasons for error
- Postings for accounting jobs on the rise
- Accounting wages lag similar professions

# BLOOMBERG ARTICLE

## Number Cruncher Ranks Fade

Number of accountants and auditors employed in the US



Source: Bureau of Labor Statistics

# SP GLOBAL ARTICLE

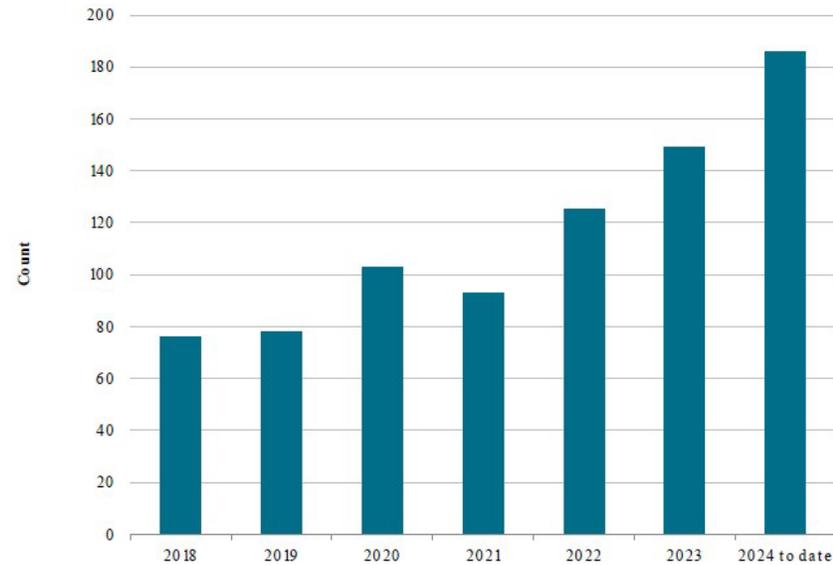
## Various Ratings Withdrawn On 91 Local Governments and Utility Systems

- Late or missing financial information leads to negative rating actions
- Increase in negative rating actions
- Financial staff recruitment and retention issues may a cause



# SP GLOBAL ARTICLE

Rating actions due to lack of timely information by year



Source: S&P Global Ratings.  
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# FINANCIAL TIMES ARTICLE

## Accountant shortage prompts US plan for quicker path to qualification

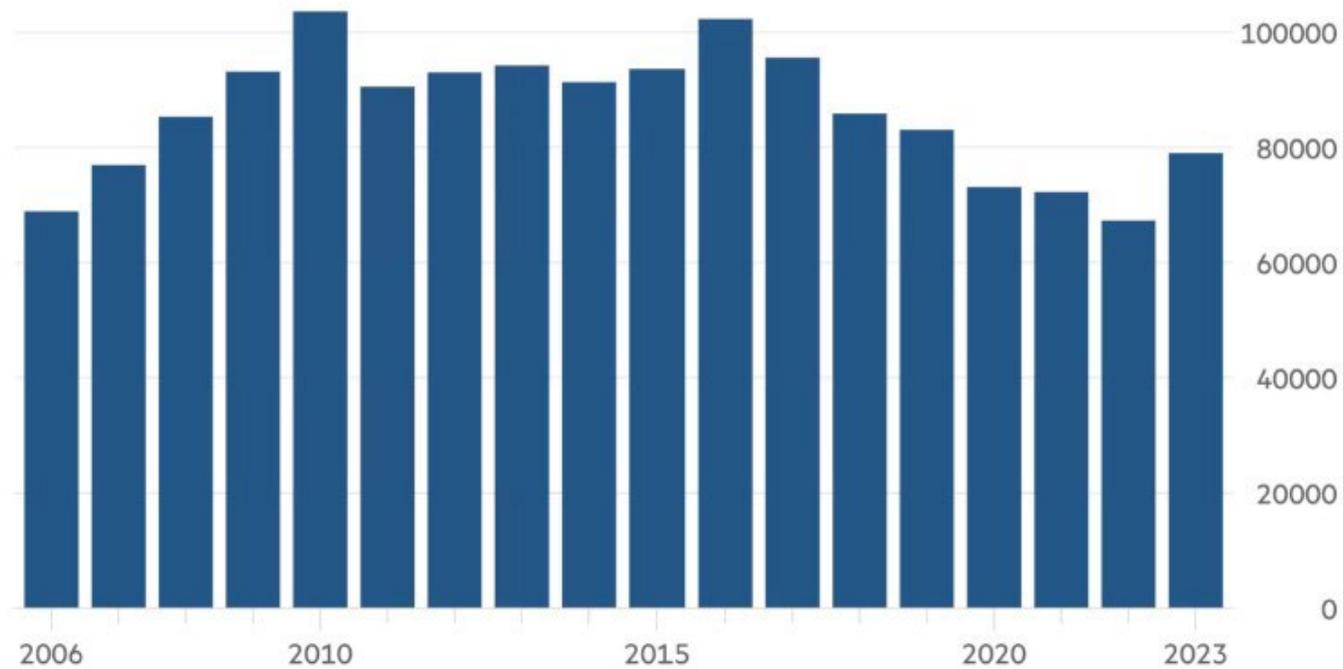
- The number of people taking the CPA exam fell from a peak of more than 100,000 in 2016 to a 17-year low of just above 67,000 in 2022.
- Three-quarters of US accountants at or near retirement age



# FINANCIAL TIMES ARTICLE

Fewer people have been taking the CPA exam in recent years

Number of candidates



# OSA EXPERIENCES



## Minnesota's Public Finance Staff Shortage

**WOODEN**



**BUCKETS**

Our public finance staff situation is like water in a wooden bucket: As the water level drops, it dries out and leaks



# OSA EXPERIENCES

## OPTIONS



### FIND WELL

Improve recruitment and retention of public finance professionals

- Change the type of professional needed for a task
- Widen pathways into public finance
- Increase recruitment and publicity
- Increase pay and improve working conditions



### SAVE WATER

Recalibrate audit and reporting requirements to focus oversight resources where risk and needs are greatest

- Change thresholds for audit requirements
- Change timing of audits
- Change types of examination required
- Change the type of accounting method required
- Reduce local government staff workload



### CHANGE BUCKET

Change how we do the work to accommodate long term demographic changes

- Improve technology
- New technology
- Create more support structures for new staff
- Collaborate and build cooperatives
- Increase data analytics to aid oversight

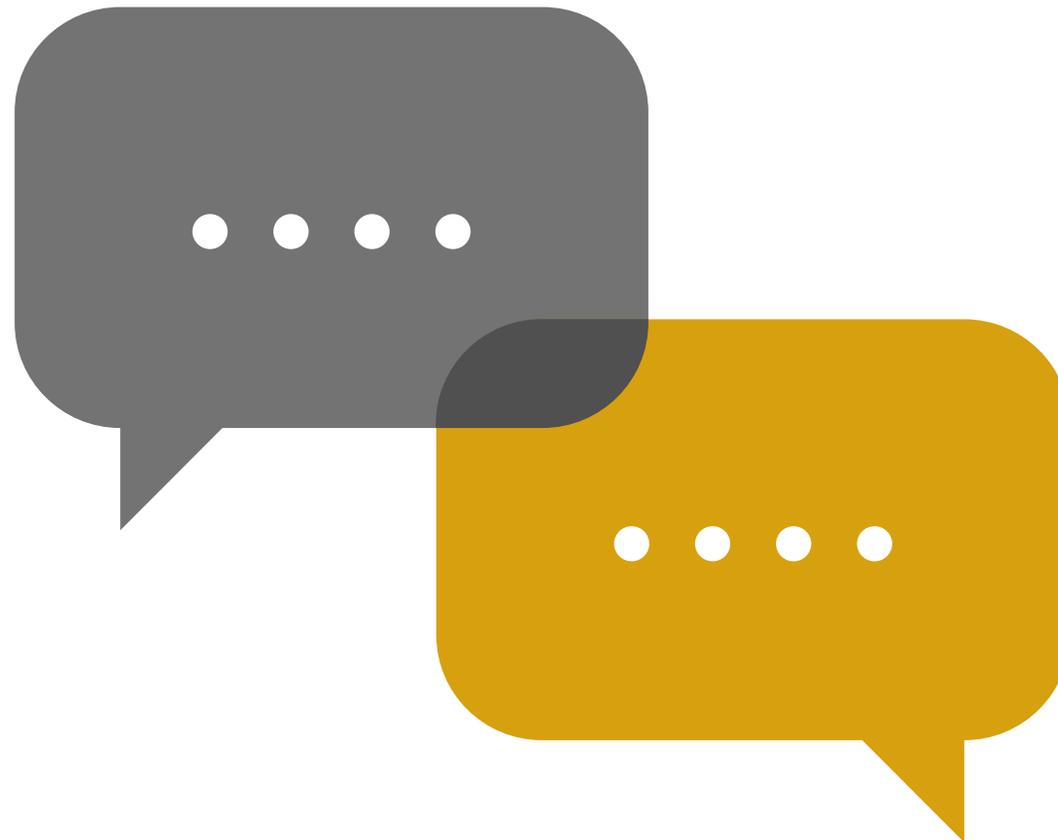


# OSA EXPERIENCES

- Increase in audit costs across the board
- Increase in reports of local entities dropped by audit firms
- Increase in late reporting of financial data to OSA
- Increase in audit findings related to staff turnover



# YOUR EXPERIENCES





State Auditor Julie Blaha

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# Audit & Reporting Group *Goals Discussion*

## **Background**

The AaRG was formed by the OSA to respond to concerns about shortages in the public finance sector and an interest in reviewing audit and reporting requirements in general. During discussions with group members and other Minnesotans, the following goals for the group were proposed:

- Streamline audit and reporting requirements to reduce administrative burdens on the public finance sector
- Modify audit and reporting requirements to produce data that is usable and understandable by local decision makers
- Gather strategies to respond to the changing staff makeup of the public finance sector.

## **Discussion**

What are your reactions to these goals?  
Should any of these be eliminated?  
Should any be added?