

## **Client records and working papers Requested records**

In 2002, Green decided to close her public accounting office and accept a position in private industry. Green notified clients that she was closing her office and referred clients to another Certified Public Accountant.

Client "A" received the notification from Green. In 2004, Client "A" needed a copy of her depreciation schedule to complete 2002 and 2003 tax returns. Client "A" left telephone messages for Green. Green did not return Client's calls and did not provide Client with a copy of the requested depreciation schedule.

Green was required to retain client working papers and provide Client "A" with a copy of the depreciation schedule.

### **BOARD ACTION:**

OAR 801-030-0015 (2)(b) – Client records and working papers,  
Requested records

Civil penalty for failing to return client records	\$1,000
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## Competence and Technical Standards

Brown prepared Client's 2004 tax returns and calculated that Client would receive a \$6,000 tax refund from Arizona, owe \$7000 in taxes to Oregon and owe \$6,500 in taxes to Internal Revenue Service. Client took tax information to another Certified Public Accountant who completed the returns and made the following determination: Client would receive a \$10,000 refund from Arizona, owe \$6,000 to Oregon and owe \$5,500 to IRS.

Brown agreed that he did not prepare Client's tax return correctly.

### BOARD ACTION:

OAR 801-030-0010(1) Competence

Civil penalty for failure to correctly prepare client's tax returns,

\$500

16 hours of CPE in individual income tax  
(16 hours of CPE is in addition to the 80 hours  
required for renewal)

16 Hours CPE

## Competency and Technical Standards

Able Accountants, CPAs (Firm) audited XYZ Company in 1998 and 1999. XYZ Company provided investment and money management services to clients, many of which were union pension trusts and health and welfare plans. XYZ Company managed a total portfolio of about one billion dollars.

A division of Firm prepared a valuation report of XYZ Company that valued XYZ Company at just under 5 million dollars. XYZ Company's growth in fee income was fueled by a collateralized note program that was critical to Firm's valuation. The collateralized note program included loans made by XYZ Company to its affiliate ABC Company. By 1999 the collateralized note program with its affiliate ABC Company had accounted for 25% of the total assets managed by XYZ Company and 45% of the fees charged by XYZ Company.

ABC Company suffered losses during the years 1998 through 2000 and had a stockholders' deficit of 109 million at the end of September 2000. ABC Company filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. The 2000 audit report for ABC Company was prepared by another firm. The audit report expressed substantial doubt about ABC Company's ability to continue as a going concern.

Firm audited XYZ Company during calendar years 1998 and 1999 and issued unqualified opinions for both years.

Board Action:

OAR 801-030-0010(2) Generally Accepted Auditing Standards

\$1,000 civil penalty for each of 30 violations found in 1998 and 1999 audits*	\$30,000
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8 additional hours of CPE in auditing standards for the two auditors  
Hours are in addition to the 80 hours required for certificate renewal

\* The Board's authority to assess civil penalties of \$5,000 per incident was changed in 2000. During 1998 and 1999 the Board held authority to assess civil penalties of \$1,000 per incident.

## **Failure to Respond To A Board Communication and Investigation**

A complaint was filed against Brown. The Board notified Brown of the complaint and requested that Brown respond within 21 days. Brown did not respond within 21 days.

**BOARD ACTION:**

OAR 801-030-0020(7) failure to respond to a Board communication and investigations

Civil penalty for failure to respond to a Board investigation	\$1,000
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## **Holding out as a Certified Public Accountant**

Able is an Assistant Professor at an Oregon university. Able holds a CPA permit in Washington, but not in Oregon. Able's name followed by the CPA designation is published on the faculty profile.

### **BOARD ACTION:**

ORS 673.320(3) Use of title or designation "Certified Public Accountant" or "CPA"

Civil penalty for holding out on a faculty profile            \$250

## **Holding out as a Certified Public Accountant**

In May 1999, the Board mailed Jane Doe (Doe) a renewal application. Doe did not renew and her permit lapsed on July 1, 1999. Doe submitted a reinstatement application in July 2004. During the time period that Doe's permit was lapsed, Doe held out as a CPA on business cards. Doe violated this same statute in 1995.

### **BOARD ACTION:**

ORS 673.320(3) Use of title or designation "Certified Public Accountant" or "CPA"

Civil penalty for holding out while lapsed	\$4,000
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## **Professional Misconduct**

White, CPA prepared Smith's 2001 tax return. White offered client "Extended Tax Service" (ETS) for a fee. White explained to Smith that ETS is a guarantee to represent Smith at no additional cost if a taxing authority selected Smith's tax return for audit.

White required that clients who purchased ETS must be continuing clients to receive the benefits of ETS. White published the terms of ETS once a year in his December newsletter.

The continuing client requirement was not printed on Smith's invoice. White did not give Smith a verbal explanation of the continuing client requirement. Smith did not read White's December newsletter.

Smith paid White for ETS when she picked up her 2001 tax return. Smith knew at the time that she paid for ETS that she would not use White's services again.

Smith's 2001 tax return was selected for audit. White refused to represent Smith, because Smith was not a continuing client.

White was obligated under the terms stated on Smith's invoice to provide ETS.

### **BOARD ACTION:**

**OAR 801-030-0020 (1) Professional Misconduct**

Civil penalty of for failure to honor ETS agreement  
\$1,250

Required to provide clear and accurate information when offering ETS or similar audit services to clients in the future.

## **Public Communications and Advertising by Firm**

“A” operated as a sole proprietor from 1984 through 1999. In March 2000, “A” registered “A LLC” with the Board. In August 2004, “B” and “C” merged with “A” to form “AB&C LLC”. The website for “AB&C LLC” described the firm as “established in 1984”.

Stating that “AB&C LLC” was established in 1984 is a misrepresentation of fact.

**BOARD ACTION:**

OAR 801-030-0020(4) Public communications and advertising

Civil penalty for using the “established date” of 1984  
\$500

## **Statement Allowed Without Permit or Authorization**

Jones, an unlicensed accountant, prepared financial statements for Client. Jones issued reports on financial statements that were not in accordance with acceptable report language allowed for unlicensed individuals.

### **BOARD ACTION:**

ORS 673.320(3) Permit or registration required

ORS 673.325 Statement allowed without permit or authorization

Civil penalty for issuing misleading reports on financial statements	\$5,000
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