

## **RECORDS REQUEST**

Gray agreed to prepare Client's 200x income tax return. Client timely provided Gray with the original documents that Gray needed and expected that the tax return would be completed prior to the April 15<sup>th</sup> deadline. When Client did not hear from Gray or receive a tax return before the April 15<sup>th</sup> deadline, Client attempted to contact Gray. Client left telephone messages and sent emails inquiring about the tax return. Gray did not respond to Client's telephone and email inquiries. Client sent Gray an email and left a telephone message requesting that Gray return Client's tax documents. Gray did not return Client's documents or respond to Client's email or telephone calls.

The Board opened a complaint based on Client's complaint, and informed Gray that he was required to respond to the Board's notice of complaint within 21 days. Gray did not timely respond to the Board.

### **BOARD ACTION**

OAR 801-030-0015(2)(b) Requested Records	\$2,500
Failure to return Client records	
OAR 801-030-0020(1) Professional Misconduct	
Failure to return Client telephone and email messages	\$2,500
OAR 801-030-0020(7)	
Failure to respond to a Board communication within 21 days	\$1,000

Gray's license was subsequently suspended for failure to pay the civil penalties. The suspended license may be reinstated upon payment of the civil penalties, plus interest, and completing the requirements for reinstatement (OAR 801-040-0090).

## PROFESSIONAL MISCONDUCT

Client's attorney engaged Green to analyze financial information provided by Client's ex-husband and to prepare exhibits for a support modification hearing filed by Client. Attorney also requested Green to telephone ex-husband to obtain information about a business advertised on ex-husband's website but was not included in his financial disclosures;

Green telephoned ex-husband and inquired about his business, stating that Green had clients who are interested in investment opportunities.

During the support modification hearing, Green provided testimony about information that was acquired during the telephone conversation and admitted that he did not tell ex-husband that the true reason for the telephone call was to gather financial information for the support modification hearing.

### BOARD ACTION

OAR 801-030-0020(1) Professional Misconduct

#### CENSURE

The Board finds that Green's conduct does not meet the standard of integrity that is required of licensed certified public accountants. The conduct of every licensed accountant affects the profession as a whole. Licensees who fail to maintain the highest professional standards diminish the public trust for other licensees and for the profession as a whole. Green is **CENSURED** based on his conduct related to Green's telephone inquiry.

#### CONTINUING PROFESSIONAL EDUCATION

Twelve (12) additional hours of continuing professional education (CPE)

Four (4) CPE hours in Professional Ethics

Eight (8) CPE hours in Litigation Service Practice and Procedures

## COMPETENCE AND TECHNICAL STANDARDS – AUDITING STANDARDS

XYZ CPAs PC (XYZ) provided audit services to a state agency (Agency) for fiscal year ending June 30, 200x. XYZ assigned CPA Brown to manage Agency's audit. Brown prepared a cash disbursements audit work paper that stated the following:

*Five checks have missing documentation. Used alternative procedures to review the validity of disbursements, also reviewed check signature, which was by board member, not [Administrator]. Appears transactions are properly recorded as of June 30, 200x;*

Brown's work papers did not include the following information about XYZ's audit procedures:

Information describing whether XYZ reviewed the original cancelled checks, copies of cancelled checks, or only the cash disbursements journal;

Description of alternative procedures used to review and verify cash disbursements;

Description of procedures used to verify that selected checks were signed by an authorized signatory (board member);

XYZ issued a clean opinion dated December 5, 200x on Agency's financial statements and submitted the audit report with a copy of audit working papers to the State.

The State initiated an investigation based on evidence of embezzlement by the Agency's sole employee. The State obtained copies of cancelled checks and reviewed five of the twenty-five checks that Brown tested. The following irregularities were found on two of the five checks:

The checks were not issued to or cashed by the vendor posted in the Agency cash disbursements journal;

The checks were issued to the Agency Administrator;

The signature of the Board Chair was forged on each check;

The checks were endorsed by the Agency Administrator and deposited to the Administrator's personal account;

## **BOARD ACTION**

OAR 801-030-0010 (2003) as follows:

### **CIVIL PENALTIES**

Inadequate evidence of supervision and review of working papers  
\$5,000

Inadequate work paper documentation by failing to describe  
alternative testing procedures, required by SAS 41  
\$5,000

Failure to document sufficient evidence to support conclusions,  
required by Generally Accepted Auditing Standards (GAAS)  
\$5,000

Inadequate exercise of due professional care in audit procedures  
\$5,000

### **CONTINUING PROFESSIONAL EDUCATION (CPE)**

All audit performing managers and employees are required to complete  
sixteen (16) hours of CPE in "audit planning and documentation".

All audit performing managers who perform audit work are required to  
complete an additional four (4) hours of CPE in "review and  
supervision".

### **PREISSUANCE REVIEW REQUIRED**

Pre-issuance reviews of 15% of the total number of audits performed  
for a period of one year.

## COMPETENCE AND TECHNICAL STANDARDS

Green agreed to provide Client with “management-use only” financial statements but did not obtain an engagement letter or other written document that described the services to be provided. Green prepared and issued Client’s financial statements but did not issue a compilation report with the financial statements and did not disclose that such financial information was “Restricted for Management Use Only”.

### BOARD ACTION

OAR 801-030-0010(4) Competence and Technical Standards  
Other Professional Standards

#### CIVIL PENALTIES

Failure to issue an engagement letter to a client	\$500
---	-------

Issuance of financial statements without a compilation report and without restricting the use of financial statements in accordance with SSARS	\$1,500
--	---------

#### CONTINUING EDUCATION

32 additional hours of continuing professional education (CPE) to include at least one course that provides an update of Statements on Standards for Accounting and Review Services (SSARS);

## HOLDING OUT WHILE INACTIVE

During the period that Smith held an inactive CPA permit, Smith used the CPA designation as follows:

1. Four letters issued to a client included the CPA designation and
2. Smith made the following statements under oath in a court proceeding
  - a. "I am a Certified Public Accountant"
  - b. Question: "...and you have always fulfilled the continuing education requirements?"  
Answer: "Yes"
  - c. Question: "Hence, you still have your license?"  
Answer: "Yes"

### BOARD ACTION:

ORS 673.320(3) Assumed or used the CPA designation while inactive

Providing testimony under oath that Smith held an active CPA permit, and that Smith was subject to the 80 hours of continuing professional education requirement;	\$1,000
Use of CPA designation on four letters to clients without clarification that permit was inactive	\$1,000