

ENFORCEMENT ACTIONS

PIH-REAC's Quality Assurance Subsystem (QASS) is tasked with assuring that financial data received under the UFRS and PHAS are free of material misstatements. To this end, QASS identifies high-risk audit firms, performs Quality Control Reviews (QCRs) to determine compliance with professional auditing and accounting standards and HUD requirements, and makes referrals to oversight bodies as appropriate.

Based on QCRs performed in Fiscal Years 2000 through 2010 (as of April 16, 2010), QASS decided to refer for potential action 59 public accounting firms (19% of the firms reviewed) who performed audits of entities covered by UFRS and PHAS. Most firms were referred to multiple oversight agencies resulting in a total of 197 referrals. As of April 16, 2010, 142 referrals have been made to State Boards of Accountancy and the District of Columbia Board of Accountancy, 38 referrals to the AICPA, and 17 referrals to the Departmental Enforcement Center. State Boards of Accountancy have jurisdiction over Certified Public Accountants (CPAs) who practice in their state. The AICPA's Professional Ethics Divisions investigates complaints against CPAs who are members of that organization. The Departmental Enforcement Center is the HUD office responsible for initiating suspension and department actions.

To date – based on referrals made to oversight bodies as a result of QCRs performed by QASS – the following enforcement actions have been taken against IPAs:

Richard Dickinson, CPA Dickinson & Company

On January 26, 2010, the Maine Board of Accountancy found Mr. Dickinson violated:

- 10 M.R.S. 8003 (50A)(A)(8) aiding or abetting unlicensed practice by a person who is not licensed as required by the governing law by performing and signing audits on behalf of Dickinson & Company for the fiscal year ending June 30, 2008 when Dickinson & Company did not hold a firm permit from the Board as required by 32 M.R.S. 12252(1)(A) for the Brunswick Housing Authority.
- 10 M.R.S. 8003 (5-A)(A)(1) the practice of fraud, deceit or misrepresentation in obtaining a license by failing to disclose on his license application to the Board, dated August 5, 2008, that he had been disciplined in the State of New York on July 28, 2008.
- 32 M.R.S. 12273-A(1) cancellation, revocation, suspension or refusal to renew authority to engage in the practice of public accountancy in any other state for any cause by having his license partially suspended in the State of New York on July 28, 2008.
- 10 M.R.S. 8003 (5-A)(A)(1) the practice of fraud, deceit or misrepresentation in connection with services rendered while engaged in the occupation or profession by stating to prospective clients, Brunswick Housing Authority and Lewiston Housing Authority, that the independence rules applicable to audits of these entities would prohibit him from providing an audit report to the audited entity

without having received payment in full for that audit and that he had agreed with HUD-REAC auditors that he would collect 50% on the first day of field work and the remaining balance prior to the mailing of the audit report to the audited entity.

As a result, the Board ordered the following sanctions against Mr. Dickinson:

1. Revoked his Maine license
2. Fined \$3,000
3. Required to pay the cost of the hearing \$1,186.25
4. Preliminarily deny any request for re-licensure until the Board ensures he is fit and suitable to be licensed and the public will not be harmed by granting him his permit
5. Pay any transcription costs resulting from any appeal by him

On July 28, 2008, after an investigation of a complaint filed QASS on June 18, 2007, the New York State Education Department, Office of Professional Discipline, voted to grant a consent order (No. 23954) pertaining to Mr. Dickinson's auditing practice. Mr. Dickinson was charged with committing unprofessional conduct within the purview and meaning of New York Education Law section 6509(9), in specific violation of Section 29.10(a)(7)(i) of the Rules of the Board of Regents (8 NYCRR). Specifically, Mr. Dickinson was charged with failing to comply with professional auditing standards and procedures in the performance of the fiscal year 2005 audits of Plattsburgh and Watertown Housing Authorities.

Under the terms of the consent order, Mr. Dickinson agreed that his license to practice as a CPA in the State of New York be suspended partially in the area of auditing and attest engagements performed under Government Auditing Standards. Mr. Dickinson was required to complete 40 hours of continuing education in the subject area of Generally Accepted Government Auditing Standards, placed on probation for two years and fined \$2,500. The order also requires that Mr. Dickinson be in compliance with the standards of conduct prescribed by state accountancy law during the period of his probation.

Gregory L. Nowling, CPA
Comer, Nowling and Associates, P.C.

On January 21, 2010, the Texas State Board of Public Accountancy issued an agreed consent order based upon Mr. Nowling's lack of compliance with applicable auditing standards in the following ways: their working papers did not document an analysis and determination of the reporting entity and its component units in accordance with GASB Statement No. 14; they did not adequately test certain compliance requirements under the Housing Choice Voucher Program and the Shelter Plus Care Program; they did not obtain sufficient information or perform sufficient tests to support Respondents' opinion regarding the client's financial statements; they did not substantiate in their working papers that the client filed completed data collection forms for the fiscal years 2004 and 2005; they did not modify their audit opinion despite the fact that the client's financial statements contained material departures from GAAP; and they did not

qualify their audit opinion despite the fact that certain required not disclosures were omitted or did not conform with GAAP.

The Board found Mr. Nowling violated board rules related to compliance with applicable GAAP and rules of professional conduct. As a result, the Board found sufficient cause for disciplinary action, which included a reprimand and administrative penalty of \$1,000.

In addition, Mr. Nowling agreed that any application to the Board or a firm license must first be reviewed and approved by the TSRII Committee before the issuance of such a license. Mr. Nowling must also comply with all requests for information made by the TSRII Committee during such a review and comply with any requirements imposed by the Committee in order to obtain its approval of the firm license application.

Charles Buchanan, CPA

On November 20, 2009, the HUD Office of General Counsel, Departmental Enforcement Center, issued a Notice of Final Determination (Debarment) to Mr. Charles Buchanan. Mr. Buchanan is excluded from procurement and non-procurement transactions, as either a principal or participant with HUD and throughout the Executive Branch of the Federal Government. The debarment is effective for a three-year period from November 29, 2009.

Mr. Buchanan failed to make records available for a Quality Control Review of his audits of entities receiving Federal assistance from HUD.

Harold L. Larsen, CPA

On September 9, 2009, Mr. Larsen entered into an agreement with HUD excluding him from performing any services indefinitely for entities receiving HUD funds, including, but not limited to, performing audits or financial reviews, or assisting other persons or businesses that are performing audits or financial reviews, for tribally designated housing entities, public housing authorities, HUD insured or assisted projects, or any other entity covered by the Uniform Financial Reporting Standards rule (24 C.F.R. § 5.801) for a period of three years.

Upon execution of this agreement, HUD cancelled a planned quality assurance review of Mr. Larsen's audits of entities receiving HUD assistance.

On February 6, 2006, the Oregon State Board of Accountancy concluded, based on the results of a QASS quality assurance review, that Mr. Larsen was not in full compliance with generally accepted auditing standards or generally accepted government auditing standards when conducting audits of tribally designated housing entities in the State of Oregon.

Based on this conclusion, the Board required Mr. Larsen to:

- Not perform any audit services in Oregon without first obtaining a pre-issuance review of both the audit report and related work papers. This requirement is in place for the next five audits performed by Mr. Larsen.
- Complete an additional 18 hours of continuing professional education in a) government auditing standards (4 hours); b) workpaper techniques for government and nonprofit organizations (14 hours). These hours are in addition to the 80 hours required to maintain licensing in Oregon.

Yeager and Boyd, LLC
Robert A. Boyd, CPA

On May 14, 2009, HUD agreed to settle administrative proceedings against Bobby Boyd and Yeager & Boyd, LLC (collectively “Yeager & Boyd”) concerning questions raised by four audits Yeager & Boyd conducted for fiscal years 2003, 2004 and 2006; and allegations related to a bid for audit services. As part of the settlement, HUD and Yeager & Boyd agreed to resolve the matter to their mutual satisfaction, including making an administrative payment and certain limits on audit services Yeager & Boyd may perform over a two-year period, and to provide for reviews of certain audit reports and workpapers by an independent auditor during that same period

On September 21, 2007, the Alabama State Board of Accountancy accepted a Signed Informal Settlement and Waiver from Robert A. Boyd, CPA. The action resulting in the settlement and waiver was initiated after QASS raised certain questions during a quality assurance review concerning compliance with professional auditing standards. As part of the Informal Settlement and Waiver, Mr. Boyd has agreed to:

- Implement and continue to implement improvements in his policies and procedures for auditing housing clients.
- Complete three AICPA Continuing Professional Education courses entitled “Audits of HUD-Assisted Projects,” “Advanced Auditing of HUD-Assisted Projects,” and “Workpaper Techniques for Government and Nonprofit Organizations.” Mr. Boyd also agrees to submit to the Board a Certificate of Completion for each of these courses by December 31, 2007.
- Report in writing immediately upon entry of this informal settlement the names and position titles of all professional staff members employed by Yeager and Boyd, LLC who perform any functions whatsoever in the auditing of housing authority clients.
- Agrees that each professional staff member employed by Yeager and Boyd, LLC who perform any function whatsoever in the auditing of housing authority clients shall complete the AICPA continuing professional education course entitled “Workpaper Techniques for Governments and Nonprofit Organizations” and to submit to the Board a Certificate of Completion for the course by December 31, 2007.

- Pay the Board \$1,100 for a portion of the Board's administrative costs.

Cynthia L. Warren, CPA

On January 30, 2009, the Oklahoma Accountancy Board entered into Administrative Consent Order with Cynthia L. Warren, CPA, in resolution of Case No. 1656. The action resulting in the consent order was initiated based on a referral from QASS identifying concerns regarding compliance with professional standards and the quality of Ms. Warren's audits of public housing authorities. As part of the Administrative Consent Order Ms. Warren agreed:

- She violated Sections 15.14 B(5) of the Oklahoma Accountancy Act and Board Rule 10:15-39-I and shall immediately cease and desist from any further or future violations of these acts.
- Her Oklahoma CPA Certificate will be placed on probation and continue for a period of five (5) years from the effective date of the order.
- Payment of assessed costs in the amount of \$2,735, to be paid before the end of the five (5) year probation period.
- During the three (3) years following the effective date of the order 60 of the 120 hours of required continuing professional education must be in courses related to accounting and auditing, plus 40 hours in courses related to audits of governmental entities, documentation, report writing and disclosure that will not count toward the yearly CPE requirement for licensing.
- Pre-issuance reviews of all audit reports for the two (2) years following the effective date of the order, and payment of all costs for the pre-issuance reviews.

On November 14, 2008, Ms. Warren entered into a consent order with the Arkansas State Board of Public Accountancy resolving an investigation initiated based on a referral from QASS identifying concerns regarding compliance with professional standards and the quality of Ms. Warren's audits of public housing authorities. As part of the Administrative Consent Order Ms. Warren agreed to pay a monetary penalty and complete fifty-four (54) hours of specific continuing professional education in subjects including audits of HUD assisted projects, governmental accounting, audits in accordance with the Single Audit Act, and working paper techniques.

Michael Anthony Celentano, CPA

On March 7, 2008, Mr. Celentano entered into an agreement with HUD excluding him from performing any services for entities receiving HUD funds, including, but not limited to, performing audits or financial reviews, or assisting other persons or businesses that are performing audits or financial reviews, for public housing authorities, HUD insured or assisted projects, or any other entity covered by the Uniform Financial Reporting Standards rule (24 C.F.R. § 5.801) for a period of three years.

Upon execution of this agreement, HUD cancelled a planned quality assurance review of Mr. Celentano's audits of entities receiving HUD assistance.

On February 7, 2006, the California Board of Accountancy, based on the results of quality assurance review by QASS, notified HUD of the Board's conclusion that Michael Celentano, CPA (the licensee) needed additional education in the areas of internal control and work paper preparation. The Board assigned the licensee to take specific continuing professional education (CPE) courses related to internal control and work paper preparation techniques for government and nonprofit organizations.

The QASS quality assurance review found Michael Celentano, CPA in violation of generally accepted auditing standards, generally accepted government auditing standards, OMB Circular A-133, and applicable HUD requirements. Michael Celentano, CPA audited 6 Tribally Designated Housing Entities (TDHE) in 3 states including 2 in California, from March 31, 2000 through December 31, 2000.

**Cork and Hill Company LLC
David C. Cork, CPA**

On September 21, 2007, the Alabama State Board of Accountancy accepted a Signed Informal Settlement and Waiver from David C. Cork, CPA. The action resulting in the settlement and waiver was initiated based on the results of a quality assurance review performed by QASS that raised concerns regarding compliance with professional auditing standards and the quality of audits of public housing authorities. As part of the Informal Settlement and Waiver, Mr. Cork has agreed to:

- Implement and continue to implement improvements in his policies and procedures for auditing housing clients.
- Complete three AICPA Continuing Professional Education courses entitled "Audits of HUD-Assisted Projects," "Advanced Auditing of HUD-Assisted Projects," and "Workpaper Techniques for Government and Nonprofit Organizations." Mr. Cork also agrees to submit to the Board a Certificate of Completion for each of these courses by December 31, 2007.
- Report in writing immediately upon entry of this informal settlement the names and position titles of all professional staff members employed by Cork, Hill and Company LLC who perform any functions whatsoever in the auditing of housing authority clients.
- Agrees that each professional staff member employed by Cork, Hill and Company LLC who perform any function whatsoever in the auditing of housing authority clients shall complete the AICPA continuing professional education course entitled "Workpaper Techniques for Governments and Nonprofit Organizations" and to submit to the Board a Certificate of Completion for the course by December 31, 2007.

- Mr. Cork agrees to pay the Board \$1,000 for a portion of the Board's administrative costs.

Donald A. Driftmier

On October 3, 2006, HUD settled a proposed debarment with Mr. Driftmier which was based on the results of a quality assurance review performed by QASS. To avoid further litigation, Mr. Driftmier agreed to:

- Voluntary exclusion from participating in primary covered transactions and lower-tier covered transactions, including procurement contracts, as participant, principal, or contractor at, for, or with the Executive Branch of the United States Government for a period of three (3) years.
- An administrative payment in the amount of \$20,000

**Thomas R. Thompson, CPA
Darnell & Thompson, P.C.
Lawrenceville, GA**

On September 22, 2006, The Alabama State Board of Public Accountancy entered into an informal settlement agreement with Thomas R. Thompson, CPA. The action resulting in the settlement was initiated after QASS raised certain questions during a quality assurance review concerning compliance with professional auditing standards. As part of the settlement agreement, Mr. Thompson:

- Is censured,
- Is required to be present on site as supervisor of all attest engagements in Alabama
- Agrees to report in writing to the Board on or before October 31, 2006 and October 31, 2007 the names of all Alabama clients for which he completed attest engagements during the fiscal year ending September 30, 2006 and September 30, 2007
- Agrees to complete the AICPA continuing professional education course entitled "Audits of HUD-Assisted Projects"
- Paid an administrative fine in the amount of \$250.

**Mark D. Midkiff, CPA
Pensacola, FL**

On April 26, 2007, the South Carolina Department of Labor, Licensing & Regulation, based on the results of a quality assurance review by QASS, and disciplinary actions and/or investigations in the states of Georgia and Florida (see below), took the following actions:

- Mr. Midkiff's license to practice public accounting in South Carolina is placed in probationary status for a minimum of two (2) years.

- Mr. Midkiff is publicly reprimanded and ordered to pay a civil penalty of \$1,000.
- Mr. Midkiff is required to complete 16 hours of continuing education in governmental auditing in addition to the standard requirement for licensing.
- Mr. Midkiff agrees that if any conditions of this consent order are not met, the Board may immediately suspend his license pending a hearing which may result in further discipline.

On March 27, 2006, the Florida Board of Accountancy, based on the results of quality assurance review by QASS, and in lieu of further proceedings under Florida Accountancy Law and the regulations of the Board of Accountancy, specifically Florida Statutes Chapters 455 and 473 and Sections 120.569 and 120.57(4), and Florida Administrative Code Rules 28-106.302 and 61H1-22.001-.009, agreed to the following Final Order stipulated disposition with Mark D. Midkiff, CPA (Respondent):

2. Respondent shall in the future fully comply with the provisions of Chapters 455 and 473, Fla. Stat., and the rules promulgated pursuant thereto.
3. **COSTS:** Respondent shall pay costs in the amount of \$5872.46 within thirty (30) days of the effective date of a Final Order approving this stipulation.
4. All monies due hereunder shall be paid to the Department of Business and Professional Regulation, Bureau of Revenue, 1940 North Monroe Street, Tallahassee, Florida 32399, shall include the case number(s) for which the payment is being made and a designation of the payment as “Costs”.
5. **PROBATION:** Respondent’s license shall be on probation for three (3) years, to commence upon the Respondent’s commencement of, or return to, the public practice of accounting in the State of Florida.
 - A. **REVIEW:** During the term of probation, a C.P.A. consultant for Petitioner shall conduct a pre-issuance review of all audits performed by the Respondent. All expenses incurred as a result of the consultant’s review shall be the responsibility of Respondent. If said review reveals deficiencies in Respondent’s practice, the Board, at its discretion, may extend the probationary period and impose additional terms and conditions, as it may then deem appropriate.
 - B. During the first year of probation, the Respondent shall complete sixteen (16) hours of continuing professional education (CPE) in Auditing and Accounting (A & A). All CPE required hereunder shall be in addition to that required for renewal of the license.
 - C. Should Respondent violate any condition of this probation, or commit any further violation(s) of Chapter 473, Fla. Stat., it will be considered a violation of Respondent’s probation and may result in further disciplinary action against Respondent’s licensure. Should Respondent’s license be suspended or otherwise placed on inactive status, or if Respondent leaves the practice of public accountancy for thirty (30) days or more after commencement of the probationary period, the probationary period shall be tolled, and shall resume running at the time Respondent returns to the active practice of public accountancy. Probation status shall continue until all probation requirements

are met, and until all probationary reviews are considered and approved by the Board.

- D. To ensure successful completion of probation, Respondent's license shall be suspended for the period of probation, with the suspension stayed for the period of probation. The time of the suspension and the stay shall run concurrently with the period of probation, except as otherwise provided herein. If Respondent successfully completes probation, the suspension shall terminate. If Respondent fails to comply with all requirements set forth in the Final Order adopting this Stipulation or fails to make satisfactory appearances as determined by the Board or its Executive Director, the stay shall be lifted. Once the stay is lifted, Respondent shall remain in suspended status unless and until a further stay is issued by the Board.
6. It is expressly understood that a violation of the terms of this Stipulation shall be a violation of Chapter 473, Fla. Stat., for which disciplinary action may be taken.
7. This stipulation is executed by Respondent for the purpose of avoiding further administrative action with respect to this cause.

On February 27, 2006, the Georgia State Board of Accountancy, based on the results of quality assurance review by QASS, and in lieu of further proceedings under Georgia Accountancy Law and the regulations of the Board of Accountancy, specifically provisions of the Georgia Administrative Procedure Act, O.C.G.A. Section §50-13-13(a)(4), as amended and O.C.G.A.T. 43, Chapters. 1 and 3, agreed to the following Order with Mark D. Midkiff, CPA (Respondent):

Beginning on the effective date of this Consent Order, Respondent's certificate and a live permit to practice as a certified public accountant in the State of Georgia shall be placed on probation for a period of two (2) years, commencing on the effective date of this Consent Order, subject to the following terms and conditions:

- a. During the first year of the probationary period, Respondent shall submit for a pre-issuance review by a Certified Public Accountant ("CPA") licensed in Georgia, chosen by the Respondent and approved by the Board, all audits, reviews, and compilations prepared by Respondent for Georgia financial audits with the year ending December 31, 2004 through November 30, 2005 that are required to follow generally accepted accounting standards. For purposes of this order, Rhett Harrell has been approved for such pre-issuance reviews. Within ten (10) days of completion of such pre-issuance review, Respondent shall supply the Board with evidence of compliance with the provision. If the Respondent prepares no audits, reviews, and compilation during the first year of the probationary period, the Respondent shall report that information in writing to the Board within fifteen (15) days following the conclusion of the one-year period.
- b. During the probationary period, the Respondent shall earn 16 hours of continuing professional education (CPE) in governmental audits and/or yellow book standards as approved by the Board. In order to comply with this provision, the Respondent must submit evidence to the Board **prior to** the end of the probationary period showing completion of the required CPE hours. **The CPE**

hours required by this paragraph shall be in addition to the CPE hours required for biennial renewal of a live permit.

- c. During the probationary period, the Respondent shall comply with all the terms and conditions of his South Carolina Consent Order and Florida Consent Orders. In addition, any reports required to be submitted to South Carolina and/or to Florida under those Orders should also be submitted to the Georgia Board. If for any reason, Respondent's South Carolina or Florida certificate is revoked, Respondent's Georgia license may be revoked.
- d. Respondent agrees to pay to the Board a fine in the amount of \$500.00. Said fine shall be paid by cashiers check or money order made payable to the Board. The fine shall be paid within ninety (90) days of the effective date of this Order. Failure to pay the fine by the ninetieth day shall be grounds for additional disciplinary action including revocation.

The QASS quality assurance review found Mark D. Midkiff, CPA in violation of generally accepted auditing standards, generally accepted government auditing standards, OMB Circular A-133, and AICPA's Statements on Standards for Attestation Engagements. Mark D. Midkiff, CPA audited 19 public housing authorities in 4 states, including 4 in Florida and 10 in Georgia, from March 31, 2001 through December 31, 2001.

Kendall L. Davis, PC
Kendall L. Davis

On January 22, 2007, the North Carolina State Board of Public Accountant Examiners entered into a consent order with Kendall L. Davis, PC and Kendall L. Davis (Respondents) in which Respondents Respondent informed the Board of his decision to cease offering or rendering professional services in North Carolina and shall allow his North Carolina CPA certificate to forfeit, through non-renewal on July 31, 2007. Respondent also agreed to not request reinstatement or reissuance of his North Carolina CPA Certificate or Firm registration.

On August 25, 2003, the North Carolina State Board of Public Accountant Examiners, based on the results of quality assurance review by QASS, and in lieu of further proceedings under 21 NCAC Chapter 8C, agreed to the following Order with Kendall L. Davis, PC and Kendall L. Davis (Respondent):

- 1. Respondent and Respondent Firm are censured.
- 2. Respondent is required to, at all times, be present on site as the supervisor of all North Carolina housing authority audits while such audits are being performed by or on behalf of Respondent Firm
- 3. Respondents shall submit to the Board at the acceptance of this Consent Order the names of all North Carolina public housing authority clients for whom Respondents are engaged to perform audits during the twelve months following entry of this Consent Order.

4. Respondents shall obtain a pre-issuance review of each report (including work papers) Respondent of Respondent Firm prepares for North Carolina public housing authority audit clients identified pursuant to Paragraph 3 above. The pre-issuance reviewer shall be approved by the Board prior to performing said reviews. Respondents shall authorize and cause the pre-issuance reviewer to provide a copy of each pre-issuance review to the Board upon issuance.
5. Respondents shall reimburse the Board administrative costs incurred in the investigation of this matter. Said administrative costs shall be remitted with this signed Order.

The QASS quality assurance review found Kendall L. Davis, PC in violation of generally accepted auditing standards, generally accepted government auditing standards, OMB Circular A-133, and AICPA's Statements on Standards for Attestation Engagements. Kendall L. Davis PC audited 87 public housing authorities in 6 states including 15 in North Carolina from March 31, 2000 through December 31, 2000.

**Gregor Professional Corporation
John Gregor, CPA**

On February 9, 2007, the Oregon State Board of Accountancy concluded that Mr. Gregor violated OAR 801-030-0010(2). This conclusion was based on the results of a QASS quality assurance review which found that Mr. Gregor:

- Failed to adequately supervise and review audit work as required by GAAS;
- Assigned staff members to perform audit work when they had not met the CPE requirements of GAGAS;
- Failed to qualify auditor's reports when required pension disclosures were not included;
- Accepted management representation letters that did not conform to GAAS; and
- Failed to qualify auditor's reports when client's statement of cash flows did not conform to GAAP.

As a result of the Board's conclusion, Mr. Gregor was required to:

- Pay a civil penalty of \$25,000. The first \$5,000 on installment and the final \$20,000 may be waived if the remaining terms of the order are met by December 31, 2009
- Obtain pre-issuance reviews of no fewer than 15 audits between January 1, 2007 and December 31, 2009, in accordance with specific requirements.

Kenneth M. Roberts

On November 18, 2004, the Kentucky State Board of Accountancy concluded that audits performed by Mr. Roberts were substandard because Mr. Roberts was not licensed at the time the audit reports were issued. Mr. Roberts license had expired in July

2002. A QASS quality assurance review determined that 14 fiscal year 2003 audits of HUD assisted entities (7 public housing authorities and 7 multi-family properties) were performed after Mr. Roberts license had expired.

The Board required Mr. Roberts to:

- Immediately cease holding himself out in Kentucky as a CPA or providing any public accounting services to any Kentucky client
- Pay a fine of \$5,000
- Notify all clients from July 1, 2002 to present, for which he issued an audit report that he was not licensed as a CPA at the time the report was issued

To be reinstated, Mr. Roberts is required to meet all the terms above, as well as enroll in an acceptable peer review program and provide the Board evidence of enrollment, as well as submit a peer review report to the Board.

As of May 15, 2009, according to the Kentucky State Board of Accountancy website, Mr. Roberts has an active license expiring July 1, 2010, with sanctions identified.

Lawrence O'Donnell
Larry O'Donnell, CPA, P.C.
Aurora, CO

On April 3, 2007, based on the results of quality a assurance review by QASS, the Colorado State Board of Accountancy determined that Mr. O'Donnell's conduct violated Board Rules of Professional Conduct and Board Rule 7.5A.4, requiring obtaining sufficient relevant data for services performed. Consequently the Colorado State Board of Accountancy took the following disciplinary action against Lawrence O'Donnell.

1. Mr. O'Donnell is placed on probation for a minimum of two years.
2. Mr. O'Donnell must submit to concurring reviews of audits conducted of entities located in the State of Colorado when the audit is subject to government auditing standards.
3. Mr. O'Donnell is required to complete 24 hours of continuing professional education in courses related to auditing and accounting in addition to the continuing professional education required for license renewal in the State of Colorado.
4. Mr. O'Donnell will be responsible for all costs associated with complying with the terms of the probation.
5. Mr. O'Donnell will pay a \$1,000 fine.

The QASS quality assurance review of Mr. O'Donnell identified multiple material violations of professional standards including:

- Audits were not planned and supervised in accordance with professional standards (AU §310-311)
- Understanding of internal control did not conform to professional standards (AU §319.02, AU §324.07)
- The Firm did not obtain sufficient competent evidential matter to afford a reasonable basis for an opinion regarding the financial statements under audit (AU §326.01)
- Testing of compliance requirements applicable to federal financial assistance programs did not conform to professional standards (AU §801.01-.24, GAGAS 4.12-.20)
- Financial statements and note disclosures were not presented in accordance with GAAP and the independent auditor's report did was not modified for the departures from GAAP (AU §431.03; AU §508-35 - .42)
- The independent auditor's report did not conform to professional standards (AU §508.08; GAGAS §5.16.1)

Ralph A. Lee
DBA Ralph A. Lee, CPA

On August 25, 2006, based on the results of quality assurance review by QASS, the Alabama State Board of Public Accountancy took the following disciplinary action against Ralph A. Lee.

1. Mr. Lee is censured
2. Mr. Lee agrees to be present on site as a supervisor of all Alabama attest engagements
3. Mr. Lee must report in writing to the Board on or before October 31, 2006, and October 31, 2007, the names of all Alabama clients for which he completed attest engagements during the fiscal year ending September 30, 2006, and September 30, 2007 respectively.
4. Mr. Lee must complete two AICPA CPE courses on audits of HUD assisted projects before December 31, 2006.
5. Mr. Lee must pay a \$100 fine.

On April 26, 2006, based on the results of quality assurance review by QASS, and a previous decision by the Florida Board of Accountancy (see below), the Georgia State Board of Accountancy took disciplinary action against Ralph A. Lee.

The following action and terms are documented in the Consent Order.

1. Mr. Lee's certificate and live permit to practice is renewed and placed on probation for two years.
2. All audits, reviews, and compilations performed on entities in the State of Georgia with fiscal years ending between December 31, 2005 and November 30, 2006, shall have a pre issuance review.
3. Mr. Lee shall take 16 hours of CPE in governmental audits and/or yellow book standards in addition to the CPE required for renewal of his license.
4. Mr. Lee shall pay a fine in the amount of \$500.

On September 12, 2005, the Florida Board of Accountancy, based on the results of quality assurance review by QASS, and in lieu of further proceedings under Florida Accountancy Law and the regulations of the Board of Accountancy, specifically Florida Statutes Chapters 455 and 473 and Sections 120.569 and 120.57(4), and Florida Administrative Code Rules 28-106.302 and 61H1-22.001-.009, agreed to the following Final Order stipulated disposition with Ralph A. Lee DBA Ralph A. Lee, CPA (Respondent):

1. Respondent shall in the future fully comply with the provisions of Chapters 455 and 473, Fla. Stat., and the rules promulgated pursuant thereto.
2. **COSTS:** Respondent shall pay costs in the amount of \$4,682.61 within thirty (30) days of the entry of a Final Order approving this stipulation.
3. All monies due hereunder shall be paid to the Department of Business and Professional Regulation, Bureau of Revenue, 1940 North Monroe Street, Tallahassee, Florida 32399, shall include the case number(s) for which the payment is being made and a designation of the payment as "Costs" or "administrative Fine".
4. **PROBATION:** Respondent's license shall be on probation for two (2) years.
 - A. **REVIEW:** During the term of probation, a C.P.A. consultant for Petitioner shall conduct a pre-issuance review of three (3) HUD audits. All expenses incurred as a result of the consultant's review shall be the responsibility of Respondent. If said review reveals deficiencies in Respondent's practice, the Board, at its discretion, may extend the probationary period and impose additional terms and conditions, as it may then deem appropriate.
 - B. In addition to the forgoing, the Respondent shall submit to the consultant a copy of his firm's peer review report upon its completion.
 - C. During the term of probation, the Respondent shall complete forty (40) hours of continuing professional education (CPE) by completing a senior level audit staff training course. The hours required by this paragraph shall count toward the Respondent's biennial license renewal.
 - D. Should Respondent violate any condition of this probation, or commit any further violation(s) of Chapter 473, Fla. Stat., it will be considered a violation of Respondent's probation and may result in further disciplinary action against Respondent's licensure. Should Respondent's license be suspended or otherwise placed on inactive status, or if Respondent leaves the practice of public accountancy for thirty (30) days or more after commencement of the probationary period, the probationary period shall be tolled, and shall resume

running at the time Respondent returns to the active practice of public accountancy. Probation status shall continue until all probation requirements are met, and until all probationary reviews are considered and approved by the Board.

- E. To ensure successful completion of probation, Respondent's license shall be suspended for the period of probation, with the suspension stayed for the period of probation. The time of the suspension and the stay shall run concurrently with the period of probation, except as otherwise provided herein. If Respondent successfully completes probation, the suspension shall terminate. If Respondent fails to comply with all requirements set forth in the Final Order adopting this Stipulation or fails to make satisfactory appearances as determined by the Board or its Executive Director, the stay shall be lifted. Once the stay is lifted, Respondent shall remain in suspended status unless and until a further stay is issued by the Board.
5. It is expressly understood that a violation of the terms of this Stipulation shall be a violation of Chapter 473, Fla. Stat., for which disciplinary action may be taken.
6. This stipulation is executed by Respondent for the purpose of avoiding further administrative action with respect to this cause.

The QASS quality assurance review found Ralph A. Lee DBA Ralph A. Lee, CPA in violation of generally accepted auditing standards, generally accepted government auditing standards, OMB Circular A-133, and AICPA's Statements on Standards for Attestation Engagements. Ralph A. Lee DBA Ralph A. Lee, CPA audited 37 public housing authorities in 5 states, including 4 in Florida, from March 31, 2002 through December 31, 2002.

Jean E. Sickles, CPA

On September 20, 2006, the Colorado State Board of Accountancy placed Jean E. Sickles, CPA, of Decatur, GA, on probation for a period of at least two years. The terms of the probation require Ms. Sickles to pay a \$1,000 fine. In addition, Ms. Sickles is required to submit copies of five preissuance reviews of her audits required by an agreement with the American Institute of Certified Public Accountants. In addition, Ms. Sickles must obtain and submit preissuance reviews on her next 5 audits conducted on entities located in the State of Colorado.

A QASS quality assurance review, which include 2 Colorado audits, found Jean E. Sickles, CPA in violation of generally accepted auditing standards, generally accepted government auditing standards and OMB Circular A-133. The Colorado State Board of Accountancy concluded after its investigation that the deficiencies identified were violations of applicable auditing standards and the Board Rules of Professional Conduct.

Jean Sickles, CPA performed fiscal year 2005 audits of 66 Public Housing Authorities and five HUD assisted Multi-Family properties. These entities were located in 15 states throughout the United States.

**Firm of Mike Estes, PC
Michael Lee Estes, CPA**

On September 21, 2006, the Texas State Board of Public Accountancy suspended the individual and firm licenses of Michael Lee Estes and Mike Estes, PC., of Ft. Worth, TX. However, the suspension is stayed and Mr. Estes, and Mike Estes, PC are placed on probation for a period of four years. In addition Mr. Estes is required to pay administrative penalties in the amount of \$5,000 and administrative costs totaling \$3,722.16. Mr. Estes is also required to complete 16 hours of live continuing professional education (CPE) in the area of government auditing standards, and 16 hours of live CPE in either audit planning, risk analysis, or SAS 99. The probation also requires Mr. Estes to submit the results of all reviews mandated by the HUD settlement (see below) to the Board as well as obtaining and submitting four additional reviews by a qualified technical consultant before December 31, 2008.

**Edward F. Stockton, PC
Edward F. Stockton**

Based on a proposed debarment letter dated April 16, 2004, Edward F. Stockton, and Edward F. Stockton, PC (Respondents) entered into a settlement agreement with HUD. Respondents agreed to a five (5) year voluntary exclusion from participating in covered transactions throughout the Executive Branch of the Federal Government. Covered transactions include but are not limited to performing audits or financial reviews, or assisting other persons or business that are performing audits or financial reviews, for public housing authorities or HUD insured or assisted projects.

The QASS quality assurance review found Edward F. Stockton, PC in violation of generally accepted auditing standards, generally accepted government auditing standards, OMB Circular A-133, and AICPA's Statements on Standards for Attestation Engagements. Edward F. Stockton, PC audited 59 public housing authorities in 11 states, including 4 in South Carolina, from March 31, 2000 through December 31, 2000.

On August 26, 2004, the South Carolina Board of Accountancy, based on the results of quality assurance review by QASS, and in lieu of further proceedings under South Carolina Accountancy Law and the regulations of the Board of Accountancy, specifically Section 42-2-290 (4), (5) and (9) and Regulation 1-19 and 1-21A, agreed to the following Order with Edward F. Stockton, PC and Edward F. Stockton (Respondent):

1. Respondents agree to the terms of this Consent Order.
2. Respondents shall pay a fine in the amount of five-hundred dollars (\$500) to the South Carolina Board of Accountancy within Thirty (30) days of the date of this Consent Order and if they fail to do so, further action to reopen this matter or to enforce this Consent Order may be taken.
3. Respondent agrees to be placed on probation for a period of one year from the date of this Consent Order and this Board shall retain jurisdiction of this matter and this

matter may be reopened, the probation revoked, and additional sanctions imposed, up to and including suspension or revocation of Respondents' license if any new violations occur during the probationary period.

4. Respondent agrees that, in addition to the normal Continuing Professional Education requirements, respondent shall obtain an additional twelve (12) hours of Continuing Professional Education units in yellow book auditing.
5. Respondent agrees that he shall submit all yellow book audits to the Board for review for a period of one year after the date of this order.
6. Respondent agrees to comply with all laws and regulations applicable to the practice of Accounting.

The QASS quality assurance review found Edward F. Stockton, PC in violation of generally accepted auditing standards, generally accepted government auditing standards, OMB Circular A-133, and AICPA's Statements on Standards for Attestation Engagements. Edward F. Stockton, PC audited 59 public housing authorities in 11 states, including 4 in South Carolina, from March 31, 2000 through December 31, 2000.

David O. Tate, CPA
David O. Tate

On June 2, 2004, The Department of Housing and Urban Development reached a settlement with the firm of David O. Tate, CPA of Mangum, OK, and Mr. David O. Tate.

Under the settlement, David O. Tate, CPA agreed to voluntarily abstain from performing audits or financial reviews, or assisting other persons or business in performing audits or financial reviews for public housing authorities or HUD insured or assisted projects for a period of five years.

The results of a quality assurance review performed by HUD alleged that the firm failed to follow professional auditing standards in performing audits of the following entities:

Housing Authority of the City of Cisco, TX; Housing Authority of the City of Norman, OK; Housing Authority of the City of Lawrence, KS; Housing Authority of the Sac and Fox Nation; Housing Authority of the Creek Nation of OK; and Working for Independent Living, Inc. (FHA # 117 EH044).

Sandra Rush, CPA

The State of New Mexico, Office of the State Auditor (SAO) initiated a complaint against Ms. Sandra Rush, CPA based upon her audit of the financial statements of the Public Housing Authority for the town of Mountainair, for the fiscal year ending June 30, 2000. The SAO specifically complained that the audit of the aforementioned PHA for the fiscal year ending June 30, 2000, included numerous instances of substandard work

based upon working paper quality assurance reviews jointly performed by the SAO and QASS. It was alleged that Ms. Rush's audit was not in compliance with seven of the ten generally accepted auditing standards.

Mr. Rush waived here rights to a hearing under the Licensing Act. In waiving here rights, Ms. Rush neither admitted nor denied the complaint allegations. She agreed to limit her practice of public accountancy by neither performing nor planning to perform any governmental audit or attest services that would include PHAs.

If at any time Ms. Rush wishes to remove her agreed upon limitation to neither perform nor plan to perform any governmental audit or attest services that would include PHAs, she is required to notify the Board of her intent to offer such services and to complete 24 hours of continuing education in the area of HUD and PHA prior to offering the aforementioned governmental audit or attest services.

Ms. Rush further agreed that failure to fulfill agreement requirements will be considered a violation of the Code of Professional Conduct, Rule 407-Acts Discreditable, and may serve as a basis for Board disciplinary action. (Source: New Mexico State Public Accountancy Board newsletter – Summer/Fall 2002)

John J. Schonberger, Jr., CPA

The State of New Mexico, Office of the State Auditor (SAO) initiated a complaint against Mr. John J. Schonberger, Jr., CPA based upon his audits of the financial statements of the Public Housing Authorities for the Village of Cimarron, the Town of Springer, and the Town of Vaughn for the fiscal year ending June 30, 2000. The SAO specifically complained that the audits of the three aforementioned PHAs included numerous instances of substandard work based upon working paper quality assurance reviews jointly performed by the SAO and QASS. It was alleged that Mr. Schonberger's audits were not in compliance with nine of the ten generally accepted auditing standards.

Mr. Schonberger waived his rights to a hearing under the Licensing Act. In waiving his rights, Mr. Schonberger neither admitted nor denied the complaint allegations. He agreed to complete three SAO-approved fiscal year 2001 audits of the PHAs for the Village of Cimarron, the Town of Springer, and the Town of Vaughn. Following completion of the three aforementioned fiscal year 2001 PHA audits, he agreed to limit his practice of public accountancy by neither performing nor planning to perform any governmental audit or attest services that would include PHAs.

To remove his agreed upon limitation, Mr. Schonberger is required to notify the Board of his intent to offer such services and to complete 24 hours of continuing education in the area of HUD and PHA prior to offering the aforementioned governmental audit or attest services.

Mr. Schonberger further agreed that failure to fulfill agreement requirements will be considered a violation of the Code of Professional Conduct, Rule 407-Acts

Discreditable, and may serve as a basis for Board disciplinary action. (Source: New Mexico State Public Accountancy Board newsletter – Winter/Spring 2002)

Lloyd Harrison, CPA

The State of New Mexico, Office of the State Auditor (SAO) initiated a complaint against Mr. Lloyd Harrison, CPA based upon five financial statement audits he conducted of the Village of Cuba, the Eastern Plains Council of Governments, the Village of Santa Clara, the Village of Wagon Mound, and the Village of Pecos, all of which included Public Housing Agencies (PHAs). The SAO specifically complained that the five audits of the aforementioned PHAs for fiscal year ending June 30, 2000, included numerous instances of substandard work based upon working paper quality assurance reviews jointly performed by the SAO and QASS. It was alleged that Mr. Harrison's audits were not in compliance with eight of the ten generally accepted auditing standards.

Mr. Harrison waived his rights to a hearing under the Licensing Act, 61-1-1 et seq. N.M.S.A. These rights included the right to a Notice of Contemplated Action; the right to conduct discovery of all witnesses and evidence to be used against him; the right to a hearing before the Board; the right to cross-examine all witnesses and evidence; and the right to appeal any Board decision.

In waiving his rights, Mr. Harrison neither admitted nor denied the allegations. He agreed to limit his practice of public accountancy by neither performing nor planning to perform any governmental audit or attest services that would include PHAs.

If at any time Mr. Harrison wishes to remove his agreed upon limitation, he is required to notify the Board of his intent to offer such services and to complete 24 hours of continuing education in the area of HUD and PHA prior to offering the aforementioned governmental audit or attest services.

Mr. Harrison further agreed that failure to fulfill agreement requirements will be considered a violation of the Code of Professional Conduct, Rule 407-Acts Discreditable, and may serve as a basis for Board disciplinary action. (Source: New Mexico State Public Accountancy Board newsletter – Winter/Spring 2002)

James R. Griffin

On January 24, 2001, the Texas State Board of Public Accountancy, based on the results of quality assurance review by QASS, and in lieu of further proceedings under the Texas Public Accountancy Act (Act) and the Rules of the Texas State Board of Public Accountancy (Board Rules), specifically Act Chapter 901.502(6) and Board Rules 501.80 and 519.12, agreed to the following Consent Order with James R. Griffin (Respondent):

1. Respondent holds Certificate number 05738 issued by the Board.
2. On March 18, 1999 the Board revoked Respondent's certificate.
3. On May 18, 2000 the Board reinstated Respondent's certificate.

4. While Respondent's certificate was revoked he performed the following audits of Housing and Urban Development funded entities:

| <u>Entity</u> | <u>Audits for Year Ended</u> | <u>Report Date</u> |
|---------------------|------------------------------|--------------------|
| Rockdale, Texas | September 30, 1999 | January 5, 2000 |
| Belton, Texas | September 30, 1999 | January 6, 2000 |
| Rogers, Texas | September 30, 1999 | January 7, 2000 |
| Farmersville, Texas | September 30, 1999 | February 15, 2000 |
| Plano, Texas | June 30, 1999 | February 15, 2000 |
| Killeen, Texas | September 30, 1999 | May 25, 2000 |

ACCORDINGLY, the Respondent agrees and the Board ORDERS that the respondent's Certificate is voluntarily revoked in lieu of further disciplinary proceedings.

The QASS quality assurance review found James R. Griffin in violation of generally accepted auditing standards, generally accepted government auditing standards, OMB Circular A-133 and Texas state law. James R. Griffin performed audits of 6 Texas housing authorities for fiscal years ended June 30, 1999 and September 30, 1999 while not being licensed to perform the audits.