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:

Charles Buchanan, CPA St. Louis, MO

On August 20, 2013, the Missouri State Board of Accountancy revoked Mr. Buchannan's license to practice public accounting and imposed a \$4,000 monetary penalty. Mr. Buchanan is prohibited from applying for reinstatement of his license for three years and one day from the effective date of the action. Prior to any future application Mr. Buchanan must meet all terms of the disciplinary order including paying the penalty and completing specific continuing professional education courses.

On April 20, 2012, the Mississippi State Board of Public Accountancy took the following disciplinary actions against Mr. Buchanan after investigating a complaint filed by QASS based on the results of quality control review. The Mississippi State Board of Public Accountancy:

- Revoked Mr. Buchanan's reciprocal CPA License.
- Imposed a monetary penalty of \$5,000.
- Ordered Mr. Buchanan to pay Board costs for the investigation totaling \$3,723.

The Board found that in addition to the audit deficiencies identified in the QASS quality control review, Mr. Buchanan violated State accountancy law by practicing public accounting in the State without a valid license.

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.

Ralph A. Lee

DBA Ralph A. Lee, CPA Gulf Breeze, FL

On June 14, 2013, the Mississippi State Board of Public Accountancy took the following disciplinary actions against Ralph A Lee after investigating a complaint filed by QASS based on the results of quality control review. The Mississippi State Board of Public Accountancy:

- Revoked Mr. Lee's CPA License and the Firm Permit for Ralph A. Lee, CPA.
- Imposed a monetary penalty of \$5,000.
- Ordered Mr. Lee to pay Board costs for the investigation totaling \$1,505.

The Board found that in addition to the audit deficiencies identified in the QASS quality control review, Mr. Lee violated State accountancy law by providing false evidence to the Board for the purpose of renewing his license to practice public accounting.

On September 21, 2012, based on the results of a quality assurance review by QASS, the Alabama State Board of Public Accountancy entered into an Informal Settlement with Mr. Lee. The terms of the settlement suspended Mr. Lee's privilege to practice public accounting in the State of Alabama for a period of 6 months (9/21/2012 to 3/21/2013), required Mr. Lee to complete two designated continuing professional education courses by 12/31/2012, and pay an administrative fine of \$2,000.

Frank L. Oberly Oklahoma City, OK

On August 19, 2011, the Oklahoma Accountancy Board issued administrative consent order to Mr. Oberly. The Oklahoma Accountancy Board stated:

"On April 30, 2008, the Board received a complaint from the U.S. Department of Housing and Urban Development alleging Respondent was not in full compliance with Generally Accepted Auditing Standards ("GAAS") and Generally Accepted Government

Auditing Standards ("GAGAS") in the conduct of the services Respondent provided...The Board has independently reviewed the evidence submitted in this matter and does hereby approve this Administrative Consent Order by a majority vote taken in an open meeting...Therefore, it is hereby agreed and stipulated between the Respondent and the Board, and the Board hereby orders the following (in part):

- Respondent has violated Section 10:15-39-1 of the Board's Rules, and is assessed a fine in the amount of \$10,000.
- Respondent is assessed costs and attorney fees associated with this disciplinary matter in the amount of \$4,034.59.
- Respondent and the Board acknowledge that the Board has stated for the record that all violations of the Act or the Board's Rules are viewed as very serious in nature.

Juan E. Rivera, CPA Port Isabel, TX

On March 24, 2011, after investigating a complaint filed by QASS documenting multiple violations of professional standards, the Texas State Board of Public Accountancy ordered Juan E. Rivera:

- Be reprimanded,
- Pay \$3,000 in administrative penalties
- Pay \$700 in administrative costs
- Obtain pre-issuance reviews of all attest services for two vears
- Submit a semi-annual report to the Board detailing the attest work reviewed and the reviewer's evaluation.

Richard Dickinson, CPA Dickinson & Company Sarasota, NY

On November 23, 2010, after investigating a complaint filed by QASS documenting multiple violations of professional standards, the State of Vermont, Secretary of State, Office of Professional Regulation, Board of Accountancy (the Board) found Mr. Dickinson violated:

- 3 V.S.A §129a(a)(3) Failure to comply with the provisions of federal or state statues or rules governing the practice of the profession;
- 3 V.S.A §129a(a)(7) Willfully making of filing false reports or

- records in the practice of the profession;
- 3 V.S.A §129a(a)(11) Failing to report to the office a conviction of a felony or any offense related to the practice of the profession...within 30 days;
- 3 V.S.A §129a(a)(12) In the course of practice gross failure to use and exercise on a particular occasion or the failure to use and exercise on repeated occasions that degree of care, skill and proficiency which is commonly exercised by the ordinary skillful, careful, and prudent professional engaged in similar practice...;
- 3 V.S.A §129a(b)(2) Failure to practice competently by reason of any cause on a single occasion or on multiple occasions may constitute unprofessional conduct. Failure to practice competently includes failure to conform to the essential
- standards of acceptable and prevailing practice;
- 26 V.S.A §76(2) Disciplinary action by another state or country or federal agency of a licensee;
- 26 V.S.A §76(6) Dishonesty, fraud or negligence in the practice of public accountancy, including making misleading, deceptive or untrue representations;
- 26 V.S.A §76(5)(B) Accepting and performing public accounting responsibilities which the licensee knows or has reason to know that he or she is not capable of performing;
- 26 V.S.A §74(a) All firms shall be under the supervision of a public accountant licensed in this state.

As a result, the Board:

- 1. Ordered to surrender his Vermont Licenses
- 2. Forever barred Mr. Dickinson from practicing accounting in Vermont and if he ever applies for reinstatement he will be denied based on the terms of the Order
- 3. Payment of an administrative penalty of \$3,000

On January 26, 2010, after investigating a complaint filed by QASS documenting multiple violations of professional standards, 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:

- 1. Revoked Mr. Dickinson's Maine license
- 2. Fined Mr. Dickinson \$3,000
- 3. Required payment of hearing costs totaling \$1,186.25
- 4. Preliminarily deny any request for re-licensure
- 5. Payment of any transcription costs resulting from any appeal.

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.

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 thee (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.

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.