

Enforcement Cases 2013 Outline for Virginia-Specific Ethics Course

The following cases were adjudicated by the Virginia VBOA of Accountancy (VBOA) as a result of the VBOA's enforcement process:

SUMMARY OF VIOLATIONS	RATIONALE	VBOA ACTION	DATE CLOSED
<p><u>CASE #1</u></p> <p><u>FINAL ORDER</u> <u>§ 54.1-4413.3</u> <u>18VAC5-22-90</u></p> <p>Acts Discreditable CPE Deficiency</p>	<p>The Regulant violated the Standards of Conduct and Practice by falsely obtaining \$500,000 in life insurance proceeds from the Trust of his deceased wife as noted in the court documents from United States District Court, Eastern District of Virginia.</p> <p>The Regulant was charged and convicted of Conspiracy to Commit Wire Fraud and Aggravated Identity Theft.</p> <p>The VBOA also found the Regulant to be in violation of allowing a false statement to be filed with the Social Security Administration knowing the signature was a forgery.</p>	<p>The VBOA ordered the immediate revocation of the CPA's license with a requirement to return the wall certificate within 30 days of the entry date of the Final Order.</p> <p>The VBOA imposed a monetary penalty of \$100,000 to be paid within 90 days of the entry date of the Order.</p> <p>The Regulant shall reimburse the VBOA for the reasonable cost of \$500 within 90 days of the entry date of the Order for the investigation of this matter.</p>	8/21/2012
<p><u>CASE #2</u></p> <p><u>FINAL ORDER</u> <u>§54.1-4413.3</u> <u>§54.1-4412.1(B),(D)</u> <u>18VAC5-22-90 (A)</u> <u>18VAC5-22-140 (A)</u> <u>18VAC5-22-170 (B)</u></p> <p>Violation of Standards of Conduct and Practice;</p> <p>Providing public accounting services without a valid CPA firm license;</p>	<p>The Regulant provided attest and compilation services without a valid CPA firm license and failed to enroll in a peer review program.</p> <p>The Regulant also violated the Standards of Conduct and Practice by:</p> <p>Failing to supervise his employees who did not advise him of client calls and thus made him unavailable to clients;</p> <p>Failing to test software for accuracy which would have confirmed that e-filed returns were accepted or rejected by the Internal Revenue Service.</p>	<p>The VBOA ordered the immediate revocation of the CPA license with a requirement to return the wall certificate within 30 days of the entry date of the Final Order.</p> <p>The VBOA imposed a monetary penalty of \$10,000 to be paid within 90 days of the entry date of the Order.</p> <p>The Regulant shall reimburse the VBOA for the reasonable cost of \$500 for the investigation of this matter within 90 days of the entry date of the Order.</p>	8/21/2012

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<p>Failure to obtain a peer review;</p> <p>Failure to provide the VBOA with CPE certificates of completion; and</p> <p>Failure to report a new address to the VBOA.</p>	<p>This failure caused his client to have his 501 (C) 3 status revoked by the IRS for failure to file a timely tax return; and</p> <p>Failing to properly manage his accounting practice in that rather than determine why the e-filed returns were not being accepted by the IRS he merely requested that they paper file their returns. Practitioners who prepare more than 11 tax returns are required to e-file tax returns.</p> <p>The Regulant violated 18VAC5-22-90 (A) by failing to submit the required 120 CPE certificates of completion to the VBOA, to include the required 8 hours of CPE in attest and compilation.</p> <p>The Regulant violated 18VAC5-22-170 (B) of the VBOA's regulations by failing to properly notify the VBOA of his change of address within the required 30 calendar days.</p>	<p>The Regulant shall notify all clients by letter that he is no longer licensed by the VBOA as a CPA with a copy of such letter to the VBOA. He shall advise all attest clients that they should seek an alternate CPA to provide their services.</p> <p>The Regulant shall remove all CPA signage from business cards, newspapers, business letterhead, computer software, any and all advertisement, social media, email signatures, email addresses or any document or signature using the CPA designation.</p> <p>As a condition of consideration for any future applications for CPA licensure the Respondent is required to provide the VBOA with the following:</p> <p>Obtain an additional 20 hours of CPE in Peer Review; and,</p> <p>Obtain an additional 20 hours of CPE in management of an accounting practice.</p> <p>The additional CPE will not be considered as part of the standard requirements of 120 CPE required for reinstatement to include the 2 hours of Virginia-specific Ethics CPE to become licensed in Virginia as a CPA.</p> <p>The Respondent shall demonstrate to the VBOA's satisfaction he has obtained knowledge of how to effectively manage the administrative and personnel side of a public accounting practice.</p>	
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<p><u>CASE #3</u></p> <p><u>FINAL ORDER</u> <u>§ 54.1-4413.3</u> <u>18VAC5-22-90</u></p> <p>Acts Discreditable CPE Deficiency</p>	<p>The Regulant violated the Standards of Conduct and Practice by pleading guilty and being convicted of 41 felonies.</p> <p>The felonies include 21 charges of Check Forgery and 20 charges of Grand Larceny for the unlawful forging of payroll checks from the client while employed at the Complainant's firm.</p> <p>The CPA communicated with the client directly and supervised the work that was being done by the staff of the Complainants firm with no check signing authority for this client.</p> <p>The Respondent deposited the client's checks into his personal bank account.</p> <p>The Respondent was ordered to pay restitution to the Clerk of Courts in the amount of \$101,000.</p> <p>The sum of \$21,000 is owed to the client, and \$80,000 is owed to the insurance company.</p> <p>The Respondent also failed to submit the required 120 CPE certificates of completion for the calendar years of 2009, 2010 and 2011.</p>	<p>The VBOA ordered the immediate revocation of the CPA license with a requirement to return the wall certificate within 30 days of the entry date of the Final Order.</p> <p>The VBOA imposed a monetary penalty of \$50,000 within 90 days of the entry date of the Order.</p> <p>The Regulant shall reimburse the VBOA for the reasonable cost of \$500 for the investigation of this matter within 90 days of the entry date of the Order.</p> <p>The Regulant shall remove all CPA signage from business cards, letterhead, computer software, advertisement, email signatures or any document in that he cannot use the CPA designation.</p>	<p>8/21/2012</p>

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<p><u>CASE #4</u></p> <p><u>FINAL ORDER</u> <u>§ 54.1-4413.3</u> <u>IRS Circular 230 subsection 10.28</u> <u>ET Section 02.501-1</u> <u>ET Section 53-Article II</u> <u>18VAC5-22-90</u> <u>18VAC5-22-170</u></p> <p>Standards of Conduct and Practice Due Professional Care Acts Discreditable CPE Deficiency</p>	<p>The Regulant failed to exercise due professional care in the performance of professional services by:</p> <p>Failing to complete his client’s tax returns in a timely manner;</p> <p>Failing to return client records upon several requests for tax documents made by the client beginning in early September 2009;</p> <p>Failing to provide copies of tax returns he insinuated that he had prepared upon several requests made by the client beginning in early September 2009;</p> <p>Failing to discharge his responsibility with integrity, objectivity, due professional care and genuine interest by failing to prepare timely tax returns;</p> <p>Failing to advise the client that he had not prepared the returns and failing to convey the seriousness of the matter when the IRS and the IRS Agent made a request for the tax returns of his clients;</p> <p>Failing to provide the VBOA with any CPE; and</p> <p>Failing to respond to the VBOA regarding a request to respond to the allegations as referenced in the complaint.</p>	<p>The VBOA ordered that the Regulant’s license be placed on suspension for a period of no less than one year from the entry date of the Final Order.</p> <p>The Respondent shall remove all CPA designation signage until the CPA license has been reinstated by the VBOA.</p> <p>Reinstatement requires the following:</p> <p>Certificates of completion for 8 hours of CPE in IRS Circular 230, the AICPA Code of Conduct, Statement on Standards for Tax Services (SSTS), and Ethics; and</p> <p>Certificates of completion for 20 hours of CPE in Practice Management.</p> <p>The Respondent will be required to present before the full Board what his responsibilities to his clients and to a regulatory Board are.</p> <p>The VBOA imposed a monetary penalty of \$2,750 to be paid within 90 days of the entry date of the Order.</p> <p>The Regulant shall reimburse the VBOA for the reasonable cost of \$500 for the investigation of this matter.</p>	<p>5/2/2012</p>

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<p><u>CASE #5</u></p> <p><u>FINAL ORDER</u> <u>§54.1-4413. (3) and (4) (B) 4</u></p> <p>SEC Violation</p> <p>This section of the <u>Code of Virginia</u> provides the VBOA with the authority to sanction a licensee for the suspension of practice before the SEC in that the VBOA may impose penalties, revoke or suspend his CPA license in Virginia.</p>	<p>The VBOA received notice from the SEC that the Regulant entered into an Offer of Settlement to suspension from practice before the SEC.</p> <p>The court ordered the Regulant to pay \$19,080 in disgorgement fees, \$9,078 in prejudgment interest, and a \$175,000 civil monetary penalty totaling \$203,158.</p> <p>The SEC's complaint alleged that the Regulant directed and engaged in improper accounting which resulted in a company filing materially false and misleading financial statements and that the Company fraudulently committed accounting violations through the conduct of the Regulant and others.</p>	<p>The VBOA ordered that the Respondent be reprimanded for his lack of due professional care regarding the improper accruals.</p> <p>The Regulant shall reimburse the VBOA for the reasonable cost of \$1,000 for the investigation of this matter.</p>	5/2/2012
<p><u>CASE #6</u></p> <p><u>CONSENT ORDER</u> <u>§54.1-111, §54.1-4409.1 and §54.1-4414</u></p> <p>Unlicensed Activity</p>	<p>The VBOA received notification from several anonymous citizens by way of phone call and a written complaint regarding the unlicensed use of the CPA designation by a firm in Lynchburg, Virginia.</p> <p>The firm was also offering to perform CPA services without a valid firm license stating the firm would provide audits, reviews and compilations.</p>	<p>The owner of the firm consented to:</p> <p>A monetary penalty of \$2,000 to be paid within 90 days of the entry date of the Order.</p> <p>Reimbursement to the VBOA for the reasonable cost of \$500 for the investigation of this matter.</p> <p>Immediately removing all signage, to include her website address, business cards, circulars, letterhead, newspaper and/or Internet ads indicating she is a CPA or her firm is a CPA firm.</p>	4/26/2012