



STATE BOARD LEDGER

A Publication of the Kentucky State Board of Accountancy

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I. GOVERNOR BESHEAR APPOINTS 2 NEW MEMBERS TO STATE BOARD

In an Executive Order dated September 24, 2009, Governor Beshear appointed Jamie Owen, CPA and Phillip Layne, CPA to the Board of Accountancy. Ms. Owen replaces Ms. Rebecca Phillips, CPA and Mr. Layne replaces Mr. Jim Sparrow, CPA. Ms. Owen and Mr. Layne will each serve a four-year term which expires on June 30, 2013.

Ms. Owen is a member of Louis T. Roth & Co, PLLC, Louisville. She received her undergraduate degree from the University of Kentucky and became licensed to practice public accounting in Kentucky in July of 1993. She is a member of the AICPA and the Kentucky Society of CPAs.

Mr. Layne is a shareholder and the managing director of Kelley, Galloway & Company, PSC, Ashland. He received his undergraduate degree from the University of Kentucky and became licensed to practice public accounting in Kentucky in September of 1977. He is a member of the AICPA and the Kentucky Society of CPAs.

Members and staff of the Board of Accountancy welcome Ms. Owen and Mr. Layne to the Board and express their sincere gratitude to Ms. Rebecca Phillips and Mr. Jim Sparrow for their participation on the Board.

II. BOARD ELECTS OFFICERS FOR 2009-2010

At their meeting on July, 2009 the Board held an election for officers for 2009-2010. John Hawkins, CPA was elected president and Kevin Doyle, CPA was elected secretary/treasurer. John is the managing partner of Deloitte & Touche in Louisville. Kevin is the CFO and a shareholder of Congleton-Hacker Company which is located in Lexington.

III. CPE ISSUES

A. ETHICS REQUIREMENT

To renew a license in 2010 and thereafter, CPAs must obtain 2 hours of CPE in an ethics course(s) to renew their license. Some CPAs have contacted the Board office to understand what constitutes an acceptable ethics course. Rather than draft a specific definition as to what constitutes an acceptable ethics course the members of the Board determined that CPAs must review the material associated with the course(s) they are considering and decide if the course(s) will be *professionally enhancing to them as a CPA in the area of ethics* just as a CPA should do in deciding if a course would be considered an acceptable accounting or auditing course. With certain courses this can be a very simple rule to apply. For example a course that concentrates on the AICPA Rules of Professional Conduct, which are incorporated by reference into the Kentucky Rules of Conduct, would be acceptable. In contrast a course on ethics that is directed solely toward assisting a CPA who happens to be serving as a member of the board for his or

her local church would not be acceptable. The focus of an acceptable ethics course must be on how a CPA can improve his or her knowledge and application of tax, accounting, auditing or similar financial principles, standards or laws to fact patterns that require a CPA to use his or her professional judgement so as to insure the intent of the principle, standard, or law is followed.

B. ELIMINATION OF 65-25 CPE EXEMPTION

All CPAs who in the past had utilized the 65-25 exemption from having to obtain any CPE hours are reminded that this exemption is no longer available. Therefore if your license is due to be renewed this year you must report having completed either 60 or 80 hours of CPE over the last two calendar years.

Board staff notified all CPAs of this change in 2008 and 2009 via letters sent to their address that is on file with the Board. CPAs may still apply for a reduction or waiver from CPE based upon being 55 years of age or older and completely retired from practice, illness, or personal hardship. All CPAs seeking to obtain approval for a reduction or waiver of the hours based upon one of these categories should submit a waiver form to the Board staff as soon as possible. The waiver form is located on the Board's website, www.cpa.ky.gov, under the link entitled, "Practicing Certified Public Accountants."

C. DOES THE BOARD PREAPPROVE CPE COURSES?

From time to time Board staff is asked by CPAs if the Board would preapprove a CPE course they are interested in taking. Under the administrative regulation that governs CPE, 201 KAR 1:100, the Board **does not** preapprove any CPE courses. Instead the Board directs CPAs to review the regulation, which is available online, to see the requirements that every course must satisfy to be considered acceptable. As stated previously in this newsletter the basic requirement is that all CPE courses must be **professionally enhancing to a licensee as a CPA**. Some of the other requirements are that each course must be no shorter than 50 minutes in length, have an outline that is prepared in advance, and each participant must receive a completion document. This document must contain the name of the sponsor, title and description of the course content, dates attended, and the number of hours of credit hours awarded.

IV. TRANSFER OF FUNDS TO KDE AND GOVERNORS SCHOLAR PROGRAM

Back in the spring of 2007 the Board became aware of an effort undertaken by the KY Society of CPAs along with Ms. Nancy Graham and Mr. Steve Small of the Career and Technical Education Program at the Kentucky Department of Education to revise the accounting program being offered in Kentucky's high schools. Unfortunately the program had not undergone any significant changes for decades and most students and teachers viewed the course as being more bookkeeping in nature than accounting. By changing the emphasis of the accounting program it was hoped there would be an increase in the number of high school students developing an interest in accounting that would carry forward into college and thereafter into a career. After reviewing the specifics of the program the Board members determined the best way to assist was by providing \$125,000 to offset some of the costs associated with implementing the program. The funds were needed since the program had not been developed when the Department's budget was submitted in late 2005 and eventually approved in the spring of 2006.

Following the transfer of the funds Ms. Graham and Mr. Small reported back to the Board about how the funds were being used and the impact the new program was having on the students. After receiving very encouraging reports the members were confident they had made the correct choice in transferring these funds.

This past year in her regular appearance before the Board members Ms. Graham requested that an additional \$90,000 be transferred from the Board's account to cover new costs the program was experiencing related to expanding the program to more high schools. These costs consist of training teachers, providing course materials to teachers, etc. Again the Board agreed to the transfer of the funds.

Also this year the Board was requested to transfer up to \$8,000 to the Governor's Scholars Program for the purpose of creating a business and accounting course for high school students who participate in the program. After believing this was again a worthy cause the members voted to transfer the money.

Please note that the funds transferred consisted solely of fees collected by the Board to issue and renew licenses and to sit for the CPA Exam. The Board of Accountancy does not receive any tax dollars or any allotment of funds from the state general fund.

V. 2009 EXAM STATISTICS

JANUARY-FEBRUARY				APRIL-MAY			
AUD	137 sat 79 passed 58% pass rate	FAR	99 sat 36 passed 37% pass rate	AUD	117 sat 60 passed 51% pass rate	FAR	136 sat 78 passed 57% pass rate
REG	132 sat 74 passed 56% pass rate	BEC	99 sat 40 passed 41% pass rate	REG	109 sat 65 passed 60% pass rate	BEC	149 sat 89 passed 60% pass rate
JULY-AUGUST				OCTOBER-NOVEMBER			
AUD	165 sat 92 passed 56% pass rate	FAR	36 sat 76 passed 56% pass rate	AUD	147 sat 75 passed 51% pass rate	FAR	138 sat 78 passed 57% pass rate
REG	164 sat 82 passed 50% pass rate	BEC	165 sat 86 passed 52% pass rate	REG	143 sat 75 passed 52% pass rate	BEC	156 sat 70 passed 45% pass rate

VI. FIRM MANAGER RESPONSIBILITIES

The following is taken from a letter being sent to all firm managers regarding their responsibilities and duties as required by the laws and regulations of the Board.

As a result of information reviewed during their monthly meetings over the last year the members of the Board of Accountancy want to remind all firm managers of their responsibilities under the laws and regulations of the Board regarding managing a firm. Some of the recurring problems the members had presented to them included:

1. Failure to notify the Board staff in a timely manner (within 30 days) of any changes in the firm's CPA personnel, address, etc.;

2. Failure to notify the Board staff in a timely manner if the firm is enrolled in a peer review program and to submit a copy of the peer review report to the Board staff. The members are well aware that a majority of firms utilize the peer review program operated by the KY Society of CPAs. While the Board staff maintains a good working relationship with the staff of the Society, that organization is prohibited by law from providing the Board with copies of documents generated by the peer review program. Therefore it is the responsibility of the firm manager to insure that the necessary documentation is sent to the Board office;
3. Renewing the firm's license before it expires. Also insuring that all CPA's in the firm hold active licenses, renew their licenses before they expire, and obtain the necessary CPE. It is not the obligation of the Board staff to notify a firm manager as to the licensure or CPE status of any CPA in a firm; and
4. Failure to respond to a Board inquiry. The Board can fine or impose other disciplinary sanctions against a firm and/or a firm manager for failing to respond to a request for information from Board staff.

The members are well aware of the difficulties associated with operating a firm on a day to day basis. In fact the board membership consists of a few firm managers, and members of large, medium, and small firms. They too are busy with the operations of their firms but believe some firm managers need to spend additional time to insure compliance with all of the requirements to operate a public accounting firm.

The members are also sympathetic to those managers and CPAs who suffer from some sort of physical, mental or personal problem over time that impedes their performance. In those situations the managers or affected CPAs are expected to contact board staff for assistance. However some firm managers and CPAs have waited long after the need to take some action (i.e. renewing a license) has passed to request the Board to excuse them for failing to comply due to some problem they encountered. As a result of the delay with advising the Board and possibly misrepresenting to the Board and the public that the firm and the CPA is in compliance with all licensing requirements the members are less willing to release the manager, the firm, and the CPA from their failure to act in a timely manner. Therefore if a problem does arise please remember to contact the Board staff at (502) 595-3037 as soon as possible for assistance.

VII. DISCIPLINARY ACTIONS

Publication of the following information is required by 201 KY Administrative Regulation 1:150.

2008-038 (Michelle T. Clark , 6730) - Respondent was chosen at random to submit documentation to support the continuing education courses listed on her 2008 license renewal application. The renewal form listed 5 courses for a total of 60 continuing professional education hours ("CPE"). Ms. Clark was able to verify that she had completed 51 of the 60 hours of CPE listed on her renewal form. She also submitted a letter which stated that one of the CPE course providers had calculated she completed a course for 17 hours as opposed to the 16 hours she reported on her renewal form, another provider had awarded her 11 hours for attending a conference that the Respondent insisted she should have received 16 hours for attending, and a third provider had granted her only 3 hours for a course that the Respondent believed should have been for 8 hours of CPE. The Respondent offered to complete another 9 hours of CPE immediately if the Board disagreed with her calculations.

Statutory Violation: Primary responsibility for obtaining and maintaining documentation of completion of the continuing education requirements rests with each CPA. These records are to be maintained for a period of five years by the CPA. The Respondent admits she failed to comply with these requirements.

Remedy: Respondent was ordered to: complete 18 hours of continuing professional education within 90 days from the date the Order is accepted by the Board, submit proof of having completed the hours, and pay a \$250 fine.

2008-043 (Jeffrey R. Owen, 4560) - Respondent was chosen at random to submit documentation to support the continuing education courses listed on his 2008 license renewal application. The renewal form listed 3 courses for a total of 68 continuing professional education (“CPE”) hours. Two letters requesting the documentation were mailed to the Respondent’s address on file with the Board. The letters were not returned to the Board by the US Postal Service as being undeliverable but the Respondent failed to respond to the letters. On November 10, 2008 the Respondent called the office and following the call he sent an email. In the email the Respondent stated he had changed his mailing address, a PO Box, but had failed to notify the Board of the change. The email went on to state that when the Respondent retrieved all of the mail from the closed PO Box, where the notices had been sent, he discovered the letters. Attached to the email were three CPE course completion documents. Two of the documents verified that he had completed two of the CPE courses listed on the 2008 renewal form. The third document was for a course the Respondent had completed in 2005 which was outside the CPE reporting period. The Respondent was unable to locate the remaining completion document.

Statutory Violation: Primary responsibility for obtaining and maintaining documentation of completion of the continuing education requirements rests with each CPA. These records are to be maintained for a period of five years by the CPA. The Respondent admits he failed to comply with these requirements.

Remedy: Respondent was ordered to: complete an additional 24 hours of CPE within 90 days from the date the Order was approved by the Board submit proof of having completed the hours, and pay a \$500 fine.

2008-001 (William Clancy, 1339) - The Respondent’s license was due to expire as of July 1, 2009. On or about October 12, 2007 the Respondent entered into a Stipulation and Order with the Arizona Board of Accountancy. Currently the Respondent is a defendant in a criminal case pending in the United States District Court for the Middle District of Florida, Tampa Division, Case No. 8:06CR-00026-T-26TBM. The parties acknowledge that a trial in this case has been tentatively scheduled to begin in February 2010. Due to the Stipulation and Order the Respondent entered into with the Arizona Board of Accountancy, the tentative date of the criminal trial, and that the Respondent’s license is due to be renewed before July 1, 2009, the Board and the Respondent agreed to enter into an Interim Order.

Statutory Violation: Respondent admitted that the Findings of Fact and Conclusions of Law contained in the Arizona Stipulation and Order constituted a basis under Kentucky law for the Board to take action against his license. In addition the Respondent admitted that if the federal court in Florida finds him guilty of having committed a felony or a misdemeanor as described the Board may take further action against his Kentucky license.

Remedy: The Respondent’s license is suspended for a period of five (5) years. The Respondent shall provide to the Board copies of all reports and documents he is required to submit to the Arizona Board of Accountancy (beginning with the January 2009 report) that update the status of the federal criminal case. The Respondent shall notify the Board when a final decision is entered against him by the U.S. District Court. If the decision of the district court is appealed the Respondent shall continue to provide updates on the status of the case until the decision is considered to be final. Once the federal case is considered to be final the Board shall review the result of the criminal case, the audit report that the Respondent prepared for the Financial Capital Company of America for the year ending December 31, 1997, and any action taken by the Arizona Board of Accountancy related to these issues. After completing their review of these issues the Board may decide to dismiss the present action against the Respondent or issue a formal complaint against him based upon one or all of the following: (a) being convicted of any charges associated with the federal criminal action; (b) violation of any general accounting standards or principles in regard to the preparation of the audit report for the Financial Capital Company of America; or (c) the final decision by the Arizona Board of Accountancy. If a formal complaint is issued by the Board a hearing on the complaint shall be scheduled by the Board. Any disciplinary sanction that results from that hearing may be mitigated by the amount of time the Respondent has actually not practiced public accounting in Kentucky or held himself out as a CPA in this state under the terms of this Order; in the event the criminal proceeding mentioned above is concluded (which includes all appeals) prior to the expiration of five (5) years from the effective date of this Order, the Respondent may petition the Board to have any remaining term of suspension cease and to then begin the administrative process described in paragraph 3. If the criminal proceedings are not completed prior to the expiration of the five (5) year period from the effective date of this Order, the Board in its sole discretion may extend the term of suspension until the conclusion of the criminal matter and the Respondent shall refrain from attempting to renew his Kentucky license in 2009 and thereafter until such time that the procedures contained paragraph 3 are completed.

2009-005 (Richard Southward, 8212) – On July 1, 2008 the Respondent’s license to practice as a CPA expired. The Respondent was an employee of Potter & Company, Louisville. On or about July 11, 2008 the Respondent was sent a letter that reminded him of the need to renew his license and to not hold himself out to the public as being a CPA. The Respondent failed to renew his license in response to that letter. On or about January 7, 2009 a staff member of the Board called the Respondent to remind him that he had failed to renew his license and advised him of the requirements to reinstate his license. The Respondent was also advised to not hold himself out as CPA or practice public accounting until such time that his license was renewed. Mr. Southward advised the staff member that he was working as a “staff member” of Potter & Company but was not signing any documents using the “CPA” designation. The Respondent agreed to not perform any public accounting services or use the “CPA” designation until his license was reinstated. No further contact or documentation was received by the Board staff from the Respondent until March 11, 2009. On that date a “License Reinstatement” application was received from the Respondent. Soon thereafter Board staff was advised by Potter & Company management that the firm had just become aware that Mr. Southward was not licensed. After learning of that situation management of the firm removed all business cards and stationery from the Respondent which indicated he was a CPA.

Statutory Violation: Respondent admits that by having failed to renew or reinstate his license to practice while continuing to hold himself out to the public as a CPA constituted a basis to take action against him.

Remedy: Respondent was ordered to cease and desist from practicing or holding himself out as a CPA and pay a \$500 fine no later than May 29, 2009. Upon satisfaction of the above terms and conditions, the Respondent is eligible to be considered for reinstatement of his license.

2008-041 (Lori K. Rawls, 8868) – Respondent was chosen at random to submit documentation to support the continuing education courses listed on her 2008 license renewal application. That renewal form listed 5 courses for a total of 65 continuing professional education hours. Two letters requesting the documentation were mailed to the Respondent at the address on file with the Board. Both letters were not returned as undeliverable and the Respondent failed to respond to either letter. The Respondent never contacted the Board regarding her failure to submit any documentation in support of the hours listed on her renewal form.

Statutory Violation: Primary responsibility for obtaining and maintaining documentation of completion of the continuing education requirements rests with each CPA. These records are to be maintained for a period of five years by the CPA. The Respondent admits she failed to comply with these requirements.

Remedy: Respondent was ordered to: complete an additional 120 hours of CPE within 90 days from the date the Order was approved by the Board, submit proof that she completed the hours, and pay a \$500 fine.

2009-003 (Larry Williams, 2177) – In March of 2009 documents were received from the IRS Office of Professional Responsibility regarding the Respondent. According to the documents the Respondent had entered into an agreement with the IRS to indefinitely suspend his ability to practice before the IRS. However under the terms of the agreement the Respondent was entitled to request a reinstatement of his right to practice at the conclusion of 6 months from December of 2008. Copies of these documents were forwarded to the Respondent with a request that he provide an explanation as to the suspension. The Respondent submitted a letter which contained his explanation along with correspondence from various other individuals familiar with his case. The Respondent’s ability to practice before the IRS was suspended due to the failure to file his own income tax returns for a period of four (4) years. However during that same time period the Board did not receive a complaint from any of the Respondent’s clients regarding failure to provide services. Employees of the Respondent and other professionals stated in their correspondence that they were able to assist him during this time period with the preparation of tax returns and the Respondent was able to review the returns before they were filed with the IRS. The Respondent was unable to file his returns due to various problems he experienced that impacted the ability to file his returns. Eventually the Respondent resolved the problems and filed the missing returns with the IRS.

Statutory Violation: The Respondent admitted that he failed to file his personal tax returns for four (4) years.

Remedy: Respondent was ordered to pay a \$500.00 fine and his license was suspended for 90 days. The imposition of the suspension was withheld and his license was placed on probation for a period of three (3) years so long as during that time the Respondent complies with the following terms: in January 2010, 2011, and 2012, the Respondent shall submit a letter that verifies he is continuing with his treatment(s) and capable of practicing as a CPA; the Respondent signs and returns to the Board IRS Form 8821 for tax years 2009, 2010, and 2011; and he complies with all state and federal laws and regulations including specifically KRS Chapter 325 and the accompanying administrative regulations. At the conclusion of the three (3) year period the Board will review the

matter to determine if the Respondent has complied with all of the terms and conditions contained in this Order. If the Board members are satisfied he has complied with the terms of this Order the probation will cease and the license will be classified as being in good standing. If the Board members find the Respondent has not satisfied all of the terms of this Order the members will decide what additional disciplinary sanction(s) should be imposed. At any time during this three (3) year probationary period the Board, based upon a reasonable suspicion, may conduct a hearing to determine if the Respondent has violated a term of this Order. Upon a finding that a violation has occurred the Board may impose additional sanctions against the Respondent.

2009-011 Lexington CPA Associates LLP (Steve Rosh, 8699) - The Respondent currently holds a license to practice as a CPA and previously advised the Board staff that he is operating only as a sole proprietor in Edgewood, KY. On or about July 8, 2009 the Respondent admitted to an investigator for the Board that he has been operating Lexington CPA Associates, LLC at a location in Lexington, KY but the LLC does not hold a license. The Respondent further admitted to the Board investigator that he was not aware that he had to hold a license to operate Lexington CPA Associates, LLC.

Statutory violation: Respondent admitted that Lexington CPA Associates LLC violated KRS 325.380(2) by using the abbreviation "CPA" in the name of the company without being licensed.

Remedy: Respondent was ordered to pay a \$250 fine. After receipt of the fine, the Board staff shall proceed to process the Respondent's application to obtain a license for Lexington CPA Associates LLC.

2005-028 (Anthony Leachman, 8899) – On April 26, 2007 the Respondent and the Board entered into an Agreed Order to resolve various issues that were outstanding against the Respondent. One of the provisions of that agreement was that the Respondent was prohibited from issuing an audit, review, or compilation until at least June 30, 2009. The Order went on to state that if the Board allowed the Respondent to prepare any audits, reviews and compilations each one was required to undergo a pre-issuance review by the Board investigator prior to its release.

Remedy: Respondent was ordered to become enrolled in a peer review program no later than 30 days following the date the Order was received at the Board office. After the receipt of the Order, every audit, review or compilation report prepared by the Respondent shall be submitted to the Board's CPA investigator for review prior to the report being issued to a client. This pre-issuance review period shall consist of two years beginning from the date the CPA investigator receives the first audit, review or compilation report from the Respondent. (This definition of the two year time period shall be applicable to all instances in this Order where a two year time period is mentioned.). All reports shall be submitted so they are received by the investigator no later than 60 days prior to the date the report is to be presented to the Respondent's client. Recommendations or suggestions of the CPA investigator regarding the reports and the work performed by the Respondent associated with preparing each report shall be adopted by the Respondent and incorporated into every report. If the Respondent disagrees with a recommendation(s), the disputed recommendation(s) shall be submitted to the Board for consideration prior to the report being issued to a client. The Board shall then make the final decision on whether the recommendation should be adopted. The investigator shall submit a report to the Board following the completion of each year of the two year pre-issuance review period. If after two years the reports of the investigator are favorable then the Respondent will not have to undergo any further pre issuance review. If the reports are unfavorable or the Respondent has failed to submit any report to the investigator, the pre issuance review period shall continue for another two years and thereafter until the Respondent receives two consecutive favorable annual reports. The Board shall be responsible for the costs incurred with the preissuance program during the first two year period of the program. The Respondent shall reimburse the Board for all of the costs associated with the preissuance review process thereafter. Any violation of these terms may result in further disciplinary action against the Respondent.

2009-040 (John S. Whelan, 2069) - Respondent was chosen at random to submit documentation to substantiate he completed 60 hours of CPE to renew his license in 2009. The Respondent was able to verify that he had completed only 48 of the 60 hours of CPE.

Statutory Violation: Primary responsibility for obtaining and maintaining documentation of completion of the continuing education requirements rests with each CPA. These records are to be maintained for a period of five years by the CPA. The Respondent admitted he failed to comply with these requirements.

Remedy: Respondent was ordered to obtain an additional 24 hours of CPE within 90 days from the date the Order was signed by the Board President. These hours are double the amount of CPE course hours for which the

Respondent was unable to substantiate he had completed. Documentation to support completion of these hours must then be submitted to the Board within 10 days of completion and the Respondent was to pay a \$500 fine.

2009-029 (Christopher S. Whitlow, 8345) - Respondent was chosen at random to submit documentation to substantiate he completed 60 hours of CPE to renew his license in 2009. Two letters requesting the documentation were sent to the Respondent. No response to the letters was received from the Respondent. **Statutory Violation:** Primary responsibility for obtaining and maintaining documentation of completion of the CPE requirements rests with each CPA. These records are to be maintained for a period of five years by the CPA. The Respondent admitted he failed to comply with these requirements.

Remedy: Respondent was ordered to obtain 120 hours in CPE courses within 90 days from the date the Order was signed by the Board President. These hours are double the amount of CPE course hours for which the Respondent was unable to substantiate he had completed when he renewed his license. Documentation to support completion of these hours must be submitted to the Board within 10 days of completion of these additional hours and he was to pay a \$500 fine.

2009-031 (Rachel S. Cole, 8859) –Respondent was chosen at random to submit documentation to substantiate she completed 60 hours of CPE to renew her license in 2009. In response to a letter requesting the documentation Ms. Cole was able to verify that she had completed 36 of the required 60 hours of CPE.

Statutory Violation: Primary responsibility for obtaining and maintaining documentation of completion of the CPE requirements rests with each CPA. These records are to be maintained for a period of five years by the CPA. The Respondent admitted she failed to comply with these requirements.

Remedy: Respondent was ordered to obtain an additional 48 hours in CPE courses within 90 days from the date the Order was signed by the Board President. These hours are double the amount of CPE course hours for which the Respondent was unable to substantiate she had completed. Documentation to support completion of these hours was to be submitted within 10 days of completion of these additional hours and the Respondent was to pay a fine in the amount of \$500.

2009-032 (Marvin E. Duvall, 4983) – Respondent was chosen at random to submit documentation to substantiate he completed 60 hours of CPE to renew his license in 2009. In response to a letter requesting the documentation Mr. Duvall was able to verify that he had completed 44 of the 60 hours of CPE.

Statutory Violation: Primary responsibility for obtaining and maintaining documentation of completion of the CPE requirements rests with each CPA. These records are to be maintained for a period of five years by the CPA. The Respondent admitted he failed to comply with these requirements.

Remedy: Respondent was ordered to obtain an additional 32 hours in continuing professional education courses within 90 days from the date the Order is signed by the Board President. These hours are double the amount of CPE course hours for which the Respondent was unable to substantiate he had completed. Documentation to support completion of these hours must then be submitted to the Board within 10 days of completion, and he must pay a \$500 fine.

2009-033 (Roger A. Frantz, 5827) – Respondent was chosen at random to submit documentation to substantiate he completed 80 hours of CPE to renew his license in 2009. In response to a letter from the Board Mr. Frantz was able to verify that he had completed 48 of the 80 hours of CPE. Mr. Frantz submitted three six (6) hour Quickbooks seminars in which he was the instructor claiming nine (9) CPE hours that could only be verified by an attendee so those hours were not acceptable to qualify toward the CPE requirement.

Statutory Violation: Primary responsibility for obtaining and maintaining documentation of completion of the continuing education requirements rests with each CPA. These records are to be maintained for a period of five years by the CPA. The Respondent admitted he failed to comply with these requirements.

Remedy: Respondent was ordered to obtain an additional 64 hours in CPE courses within 90 days from the date this Order was signed by the Board President. These hours are double the amount of CPE course hours for which the Respondent was unable to substantiate he had completed. Documentation to support completion of these hours must then be submitted to the Board within 10 days of completion and the Respondent was ordered to pay a fine in the amount of \$500.

2009-035 (John H. Hartz, 6389) – Respondent was chosen at random to submit documentation to substantiate he completed 60 hours of CPE to renew his license in 2009. Respondent was able to verify that he had completed 32 of the 60 hours of CPE.

Statutory Violation: Primary responsibility for obtaining and maintaining documentation of completion of the continuing education requirements rests with each CPA. These records are to be maintained for a period of five years by the CPA. The Respondent admitted he failed to comply with these requirements.

Remedy: Respondent was ordered to obtain an additional 56 hours in CPE courses within 90 days from the date the Order was signed by the Board President. These hours are double the amount of CPE course hours for which the Respondent was unable to substantiate he had completed. Documentation to support completion of these hours must then be submitted to the Board within 10 days of completion of these additional hours and he was ordered to pay a \$500 fine.

2009-036 (Darryl Anthony Menning, 5299) – Respondent was chosen at random to submit documentation to substantiate he had completed 60 hours of CPE to renew his license in 2009. In response to a letter requesting the documentation Mr. Menning was able to verify he had completed the full 60 hours required; however 44 of those hours were not completed until September of 2009 which was after he had renewed his license.

Statutory Violation: Primary responsibility for obtaining and maintaining documentation of completion of the continuing education requirements rests with each CPA. These records are to be maintained for a period of five years by the CPA. The Respondent admitted he failed to comply with these requirements.

Remedy: Respondent was ordered to obtain an additional 88 hours in continuing professional education courses within 90 days from the date the Order was signed by the Board President. These hours consist of double the CPE course hours that Mr. Menning completed in September of 2009 which was after the date he renewed his license. He was allowed to use the 44 hours toward satisfying the 88 hour requirement. Documentation to support completion of these hours was to be submitted within 10 days of completion and he was to pay a fine in the amount of \$500.

2009-037 (Laura Lee Mischel, 5465) – Respondent was chosen at random to submit documentation to substantiate she completed 60 hours of CPE to renew her license in 2009. In response to a letter requesting the documents Ms. Mischel only sent a list of courses she completed in 2007 and 2008 but stated that she had done a terrible job of obtaining the certificates from the sponsors of the courses.

Statutory Violation: It is the responsibility of a CPA to obtain and maintain documentation of having completed a CPE course. These documents are to be maintained for a period of five years by the CPA. The Respondent admitted she failed to comply with these requirements.

Remedy: The Respondent was ordered to obtain an additional 120 hours in CPE courses within 90 days from the date the Order was signed by the Board President. These hours are double the amount of CPE course hours for which the Respondent was unable to substantiate she had completed. Documentation to support completion of these hours must then be submitted to the Board within 10 days of completion and the Respondent was ordered to pay a \$500 fine.

2009-038 (Michael W. Price, 3617) – Respondent was chosen at random to submit documentation to substantiate he completed 60 hours of CPE courses to renew his license in 2009. In response to a letter from the Board staff Mr. Price was able to verify that he had completed 49 of the 60 hours of CPE.

Statutory Violation: It is the responsibility of each CPA to obtain and maintain documents that substantiate completion of the CPE requirements. These records are to be maintained for a period of five years by the CPA. The Respondent admitted he failed to comply with these requirements.

Remedy: The Respondent was ordered to obtain an additional 22 CPE hours within 90 days from the date the Order was signed by the Board President. These hours are double the amount of CPE course hours for which the Respondent was unable to substantiate he had completed. Documentation to support completion of these hours must then be submitted to the Board within 10 days of completion and the Respondent was ordered to pay a \$500 fine.

2009-039 (Christine R. Richards, 6951) – Respondent was chosen at random to submit documentation to substantiate she completed 60 hours of CPE to renew her license in 2009. In response to a letter requesting this documentation Ms. Richards was able to verify that she had completed 27 of the 60 hours of CPE.

Statutory Violation: Primary responsibility for obtaining and maintaining documentation of completion of the continuing education requirements rests with each CPA. These records are to be maintained for a period of five years by the CPA. The Respondent admitted she failed to comply with these requirements

Remedy: Respondent was ordered to obtain an additional 66 hours in continuing professional education courses within 90 days from the date the Order was signed by the Board President. These hours are double the amount of CPE course hours for which the Respondent was unable to substantiate she had completed. Documentation to support completion of these hours must then be submitted to the Board within 10 days of completion and the Respondent was ordered to pay a \$500 fine.

2009-006 Potter & Company, LLP - On July 1, 2008 the license of Richard Southward, CPA, expired. At that time Mr. Southward was an employee of the Firm at its Louisville office. On or about July 11, 2008 Mr. Southward was sent a form letter from the Board staff that reminded him of the need to renew his license and to not hold himself out to the public as being a CPA. Mr. Southward failed to respond to that letter and did not renew his license. No such reminder notice regarding Mr. Southward was sent to the Firm from the Board since the Board is not obligated by law to do so. On or about January 7, 2009 a staff member of the Board called the Firm and spoke with Mr. Southward to remind him that he had failed to renew his license and advised him of the requirements to reinstate his license. He was also advised to not hold himself out as a CPA or practice public accounting until such time his license was renewed. Mr. Southward advised the staff member that he was working as a “staff member” of the Firm but was not signing any documents using the “CPA” designation. He agreed to not perform any public accounting services or use the “CPA” designation until his license was reinstated. There was no further contact with Mr. Southward until March 11, 2009. On that date a “License Reinstatement Application” was received from Mr. Southward. Soon thereafter Board staff was advised by the Firm management that it had just discovered that Mr. Southward was not licensed and after learning of that situation management of the Firm removed all business cards and stationery from Mr. Southward which indicated he was a CPA and also removed the CPA abbreviation next to Mr. Southward’s name on the Firm’s website. The Firm asserts it also removed the CPA designation from the directory of the office building where Mr. Southward was employed. In lieu of conducting a hearing on this case the Board and the Firm have decided to enter into this Agreed Order to resolve all the issues associated with this matter.

Statutory Violation: The Firm admitted that Mr. Southward while employed at the Firm continued to hold himself out to the public as CPA after failing to renew his license. The Firm and the Board agree that management of the Firm were not aware that Mr. Southward had failed to renew his license until March of 2009 and once management became aware of the problem it immediately took steps to insure that Mr. Southward would no longer be held out to the public as a CPA or perform any public accounting service on behalf of the Firm. However, since Mr. Southward was a CPA employee of the Firm, the Firm was required to insure that he held a license to practice as a CPA according to KRS 325.301(3)(d). The failure to insure that Mr. Southward held a license is a basis to take action against the Firm pursuant to KRS 325.340(1) (c).

Remedy: Based upon the admission of the Firm to having violated KRS 325.301(3)(d), as set forth above, the Firm was ordered to pay a \$500 fine.

2009-023 (Glenda Gay Oliver, 3397) – Respondent was chosen at random to submit documentation to substantiate she completed 60 hours of CPE to renew her license in 2009. Ms. Oliver failed to respond to two letters from the Board staff which requested she submit the documentation. The Board then directed staff to send an Agreed Order to the Respondent. Ms. Oliver finally replied and submitted the documentation. However the Board determined she should pay a fine due to her failure to respond to the previous letters of the Board staff.

Statutory Violation: The Respondent admitted she failed to respond to the letters from the Board

Remedy: Respondent was ordered to pay a \$100 fine.

VIII. 2010 ONLINE LICENSE RENEW

This year, beginning **June 1**, CPAs with an **even** numbered license will be able to renew their licenses online through the Board's website, cpa.ky.gov. A letter with instructions regarding the process will be mailed to licensees around the middle of **May**. The renewal fee will remain **\$100**. Renewals completed after **July 1** are considered late and a late filing fee is assessed. Last year was the first year online renewal was implemented. The process went smoothly and the feedback was very positive.

If your place of business wishes to pay multiple licensee renewals in a single transaction with a credit card or ACH debit, the administrator should contact the Board office at (502) 595-3037 for assistance.

CPAs should have obtained the necessary CPE hours to renew their license in 2010 between Jan. 1, 2008-Dec. 31, 2009. However if necessary you may also use hours obtained in 2010, so long as the hours were completed prior to the date you renew your license. These hours cannot be used to renew your license in 2012.

IX. CPAS WHO FAILED TO RENEW THEIR LICENSE TO PRACTICE IN 2009

Below is a list of CPA's that failed to renew their license to practice in 2009.

Salah Alkharji	Nancy Baldwin	Michael Banks	Thomas Bastian
M. Kenneth Bellamy	Timothy Botts	Tami Bryant	Robert Bush
James Cauley	Jimmie Clark	Gary Condit	Gregory Coy
Scott Cress	William Dierking	Raheel Durrani	Stephen Dutschke
Robert Eden	William Elliott	Thomas Fagerlin	James Franklin
W. Bruce Gaskin	Don Gayhart	Ryan Giacalone	Lisa Gilmour
Mark Glessner	Stephen Graham	Hubert Gregory	Roy Haddix
Michael Hall	John Hamilton	J. Barry Hamlin	Robert Hansen
Dawn Harrod	Karen Hartman	Harold Hayes	Michelle Hoffmann
Martz Howard	Catherine Hugenberg	Roger Huston	Jennifer Hutchison
Pamela Jones	Vance Jouett	Karen Keown	Jonathan Kim
Laurence King	Pamela Kraft	Robert Kues	Bonnie Lawson
Sunsuk Lee	Robert Lorch	Edwin Manzer	Ann McCamy
James McClanahan	David McDaniel	Robert McIntyre	Ronald Nett
James Noe	Colin O'Connor	Leonard O'Nan	Deanna Osborne
Perry Owen	J. Scott Parker	Christopher Prentice	Larry Romine
Timothy Scheer	Mary Sifford	Gregory Skilling	Claude Smith
Susan Smith	Connie Stacy	Trevor Stamp	Sheila Stoke
Ajaz Syed	Christopher Tenkman	Len Texter	Teresa Tyler
Bryant Uthoff	Marshall VanSmith	William Wagner	Randal Warwick
Ralph Wilson	C. Ronald Wise	Timothy Zechman	



Kentucky State Board of Accountancy
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**ADDRESS CHANGED?
PLEASE NOTIFY US**

It is your responsibility as a licensed CPA to notify the Board of your current address. You may submit notice of a change in address by mail, fax, or through our website at cpa.ky.gov by using our "Address Change Form."