

ENFORCEMENT ACTIONS

PIH-REAC's Quality Assurance Subsystem (QASS) is tasked with ensuring that financial data received under the Uniform Financial Reporting Standards (UFRS) and the Public Housing Assessment System (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.

State boards of accountancy have jurisdiction over Certified Public Accountants (CPAs) who practice in their states, and the AICPA's Professional Ethics Division investigates complaints against CPAs who are members of that organization. The Departmental Enforcement Center (DEC) is the HUD office responsible for initiating suspension and debarment actions.

As of May 17, 2016, based on QCRs performed in fiscal years 2000 through 2016, QASS referred for potential action 62 public accounting firms who performed audits of entities covered by UFRS and PHAS. Most firms were referred to multiple oversight agencies, resulting in a total of 242 referrals. These included 182 referrals to various state boards of accountancy and the District of Columbia Board of Accountancy, 42 referrals to the AICPA, and 19 referrals to the Departmental Enforcement Center.

On the basis of QCRs performed by QASS and associated referrals to oversight bodies, the following enforcement actions have been taken against CPA firms in recent years:

Joseph M. Bambick, CPA Fredonia, KS

On August 26, 2016, The Kansas Board of Accountancy (Board) revoked Mr. Bambick's license to practice public accounting and firm permit, imposed \$3,500 in administrative fines, and required Mr. Bambick to pay Board costs associated with its investigation. The Board's actions were based in part on the results of a QCR performed by QASS.

In the Stipulation and Consent Order the Board concluded that Mr. Bambick:

- Lied to the Board, while under oath, regarding his involvement in audits of public housing authorities,
- Failed to comply with generally accepted auditing standards, generally accepted government auditing standards, and OMB Circular A-133, and
- Failed to participate in any planning, fieldwork or reporting; failed to perform any supervisory review at the client workplace; failed to review any working papers prepared by an unlicensed independent contractor; and failed to have a quality control system to ensure audits met applicable auditing standards.

The Board concluded these actions constituted violations of the Kansas Accountancy Act including:

- Dishonesty, fraud or gross negligence in the practice of certified public accountancy,
- Willful violation of a rule of professional conduct. Specifically, failure to comply with general standards and disclosing confidential client information without the consent of the client,
- Performance of a fraudulent act while holding a Kansas certificate, and
- Conduct reflecting adversely on a person's fitness to practice certified public accountancy.

On February 4, 2016, HUD's Departmental Enforcement Center and Mr. Bambick entered into a Limited Denial of Participation (LDP) agreement based on a QASS referral in January 2016. Under the terms of that agreement, Mr. Bambick agreed that he will, for an indefinite period, cease performing any services for entities receiving HUD funds or otherwise participating in HUD programs. Such services include, but are not limited to, performing audits or financial reviews of public housing authorities and other HUD-insured/assisted entities.

Mr. Bambick further agreed that he is voluntarily excluded from participation in procurement and non-procurement transactions as either a principal or participant with HUD.

**Dennis J. Edwards, CPA
Holton, KS**

On May 12, 2016, the Departmental Enforcement Center (DEC) issued a final notice of debarment to Mr. Edwards and his firm (Dennis J. Edwards, CPA, P.A.). This action resulted from the investigation of a complaint filed by QASS. The Kansas State Board of Accountancy took the following disciplinary actions against Mr. Edwards on June 27, 2014:

- suspended Mr. Edward's permit and firm registration to practice certified public accountancy in Kansas;
- ordered Mr. Edwards to pay a fine of \$500; and
- ordered Mr. Edwards to pay Board costs for attorney fees and transcript preparation costs.

On February 26, 2016, HUD's Departmental Enforcement Center notified Mr. Edwards of his proposed three-year debarment. Mr. Edwards did not respond to the notice within the required 30-day timeframe. Accordingly, the debarment of Mr. Edwards and his firm are effective for three years from the date of the final debarment notice (May 12, 2016). During his debarment, Mr. Edwards and his firm are excluded

from procurement and non-procurement transactions—as either a principal or participant—with HUD and throughout the Executive Branch of the Federal Government.

**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 Board revoked Mr. Lee’s CPA license and firm permit for Ralph A. Lee, CPA;

- imposed a monetary penalty of \$5,000; and
- ordered Mr. Lee to pay Board costs for the investigation totaling \$1,505.

In addition to the audit deficiencies identified in the QASS quality control review, the Board found that 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 June 23, 2014, the Department of Business and Professional Regulation for the State of Florida filed an administrative complaint against Ralph A. Lee after investigating a complaint filed by QASS based on the results of quality control review. As of January 6, 2015, the Department entered into a stipulation settling all issues based on Mr. Lee's voluntary surrender of his license as a Certified Public Accountant in the State of Florida.

Pursuant to the state’s approval of his license forfeiture, Mr. Lee agreed that he would never reapply for licensure as a Certified Public Accountant in the State of Florida, would voluntarily cease practicing public accounting in the state, and would bear his own attorney's fees and costs related to the administrative action.

**Charles Buchanan, CPA
St. Louis, MO**

Mr. Buchanan did not make audit documentation available for a quality control review of his HUD audits.

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; and

- ordered Mr. Buchanan to pay Board costs for the investigation totaling \$3,723.

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

On August 20, 2013, the Missouri State Board of Accountancy revoked Mr. Buchanan'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.

Frank L. Oberly, CPA
Oklahoma City, OK

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

“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... 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.”

As of March 10, 2016, the Oklahoma Accountancy Board listed Mr. Oberly's license to practice public accounting as “cancelled.”

Richard Dickinson, CPA
Sarasota, NY

On December 28, 2010, after investigating a QASS complaint documenting numerous violations of professional standards, Vermont's Board of Accountancy found that Mr. Dickinson violated several Vermont statutes, including the following:

- 3 V.S.A §129a(a)(3) Failure to comply with the provisions of federal or state statutes 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) 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;
- 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

- ordered Mr. Dickinson to surrender his Vermont licenses;
- barred Mr. Dickinson from practicing accounting in Vermont, and stated that any applications for reinstatement will be denied based on the terms of the Order; and
- ordered Mr. Dickenson to pay an administrative penalty of \$3,000.

On January 26, 2010, after investigating a complaint filed by QASS documenting numerous violations of professional standards, the Maine Board of Accountancy found that Mr. Dickinson violated the following statutes:

- 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 of these violations, the Board

- revoked Mr. Dickinson's Maine license;
- fined Mr. Dickinson \$3,000;
- required payment of hearing costs totaling \$1,186;
- preliminarily denied any request for re-licensure; and
- required Mr. Dickinson to pay any transcription costs resulting from any appeal.

As of May 17, 2016, Mr. Dickinson's license to practice public accounting was listed as "revoked" by the Maine Board of Accountancy.