



# Kentucky Board of Accountancy

## E-NEWSLETTER

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## CHANGES IN THE LICENSE RENEWAL PROCESS BEGINNING 2012

**FIRMS:** As a result of a bill that passed during the 2011 legislative session the following changes will be implemented for the licensing of CPA firms in 2012:

1. The expiration date of all licenses for CPA firms required to renew this year is **August 1** instead of **July 1**;
2. Upon completion of the license renewal process a CPA firm will receive a **two year** license; and
3. The cost of this license will remain at **\$100**.

All firm licenses will be able to be renewed and paid for by using an online process located on the Board website. By implementing this process all firm licenses will be renewed every two years. The Board was able to adopt this procedure as a result of instituting the online license renewal process for CPAs in 2009.

**INDIVIDUALS:** In **2012** an individual license assigned an even number will not expire until **August 1st** as opposed to **July 1st**. After **August 1st** a CPA will have a **one month** (instead of the current six months) grace period, through **Sept. 1st**, to renew an expired license. The fee for this late renewal will be **\$200**.

After **Sept. 1st** a CPA must utilize the reinstatement process to regain their license. This means the CPA will pay a **\$200 fee** and must submit proof of having completed 80 hours of CPE, **40 of which must have been in accounting or auditing subjects**, or 60 hours of CPE, **30 of which were in accounting or auditing courses**. The amount of CPE hours required to reinstate will be based upon the number of hours required at the time the license expired or was voluntarily surrendered.

Please remember the **two hours of ethics** that must be included as part of the CPE requirement when renewing or reinstating a license.

**SOLE PROPRIETORS:** All sole proprietors will be required to apply for a **firm license** in 2012. For an initial firm license all sole proprietors will complete and submit a form along with a check for \$100 to receive a license. The license will be valid for two years and will be renewed online thereafter. **THIS LICENSE IS IN ADDITION TO THE INDIVIDUAL CPA LICENSE.**

## Board Members

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## UPDATE YOUR CONTACT INFORMATION

To update your contact information submit the address change form found on our website @ [cpa.ky.gov](http://cpa.ky.gov).

# CHANGES IN THE PEER REVIEW PROCESS

As of **January 6, 2012**, **all compilations** are included in the peer review process. Prior to that date peer reviews prepared for “Management Use Only” were exempted from the process. For those CPAs who only prepared compilations for “Management Use Only” you must now comply with the requirements of the peer review program that are found in 201 Kentucky Administrative Regulation 1:160. Access to this regulation may be gained by opening the Board’s homepage at [www.cpa.ky.gov](http://www.cpa.ky.gov) and then clicking on the link entitled KAR 201 located in the second box on the right hand side of the page. By clicking on this link you will be taken to a site operated by the Kentucky Legislative Research Commission which is the state agency that operates the official website for Kentucky statutes and regulations. Once you arrive on the page that contains the regulations scroll down until you can click on the link entitled “160 Peer reviews”. By clicking on that link you will then be taken to the page where the peer review requirements are located.

If there are any questions related to peer review please contact Mary Stevenson at [mary.stevenson@ky.gov](mailto:mary.stevenson@ky.gov) or at (502) 505-3037. Failure to enroll in the peer review program will result in the imposition of disciplinary action against the CPAs license.

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## CPE GRACE PERIOD ENDED

Continuing professional education (“CPE”) hours **MUST** be completed in the two calendar years prior to the year during which a license must be renewed. The two calendar years are referred to as the “reporting period”. For a number of years CPA’s have received additional time following the conclusion of the reporting period to complete their CPE; however this “grace period” has never been part of the law that governs CPE. As a result, following a review of CPE requirements and procedures the members of the Board of Accountancy determined that since the “grace period” is not authorized by law CPAs cannot be given this additional time to complete their CPE. Therefore if you renew your license in July of 2012 your CPE must have been completed between January 1, 2010 and December 31, 2011.

If you failed to complete your CPE by December 31, 2011 you will not be eligible to renew your license. Instead you will be required to utilize the reinstatement requirements to receive your license. If you have any questions please feel free to contact us.

Please remember the two hours of ethics that must be included as part of the CPE requirement when renewing or reinstating a license.

# 2011 CPA EXAM STATISTICS

## January - February Testing Window

AUD	140 sat 62 passed 44% pass rate	FAR	76 sat 29 passed 38% pass rate
REG	152 sat 73 passed 48% pass rate	BEC	71 sat 25 passed 35% pass rate

## April - May Testing Window

AUD	133 sat 68 passed 51% pass rate	FAR	97 sat 34 passed 35% pass rate
REG	102 sat 40 passed 39% pass rate	BEC	132 sat 79 passed 60% pass rate

## July - August Testing Window

AUD	166 sat 61 passed 37% pass rate	FAR	152 sat 75 passed 49% pass rate
REG	155 sat 74 passed 48% pass rate	BEC	109 sat 57 passed 52% pass rate

## October - November Testing Window

AUD	157 sat 74 passed 47% pass rate	FAR	168 sat 75 passed 45% pass rate
REG	119 sat 59 passed 50% pass rate	BEC	136 sat 58 passed 43% pass rate



# DISCIPLINARY ACTIONS

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

**2008-015, Troy Gaw, CPA** - The Firm prepared and issued audit reports for the City of Lynch, KY for the years ended June 30, 2003, 2004, 2005, and 2006. The executive director of the Board was advised that representatives of the IRS had contacted city officials regarding the failure of the city to remit approximately \$146,000 for employee withholding taxes. Copies of the audit reports and the planning and payroll working papers for the audits performed by the Firm for the city for the years ended June 30, 2003, 2004, 2005, and 2006 were reviewed by the CPA investigator for the Board. Upon completion of his review the investigator found that the financial statements for the fiscal years ended June 30, 2005 and 2006 were materially misstated due to the failure of Mr. Gaw to include in those financial statements the amount of withholding tax due at the end of each of those years. Peer review reports were issued for the Firm for 2005 and 2008. As a result of the findings from the 2005 report the Firm was required to undergo pre-issuance reviews for a school district and a local city and due to the 2008 report the Firm was required undergo post-issuance review of one school board audit.

**Remedy:** Pay a \$1,000 fine. Undergo a pre-issuance review for all pending and future audits until the Firm receives a letter from the KYCPA Peer Review Program which states that the firm has completed its 2014 peer review. At that time Mr. Gaw shall submit to the Board a copy of the peer review report, any letter of response submitted in response to the report, the report acceptance letter and the completion letter. The pre issuance review process shall consist of: (a) Mr. Gaw selecting a Kentucky licensed CPA to perform his pre-issuance reviews, however the CPA must be approved by the Board prior to performing any pre issuance review work. Mr. Gaw is responsible for the payment of all costs and expenses associated with the pre-issuance review process. (b) The pre issuance reviewer shall prepare a report on each audit. That report must be presented to and approved by the Board CPA investigator prior to the release of the audit report to a client; and (c) the pre-issuance reviewer shall submit a report to the Board following the completion of each year of the pre issuance review process which contains a summary of the total number and types of audits that the Firm issued over the previous year and the number of and a description of each change recommended by the pre issuance reviewer to each audit report. During the time

period encompassed by this Order the Board may require the Firm to undergo additional remedial or disciplinary action based upon the severity and frequency of the errors contained in the annual reports.

**2011-018 David B. Hicks, (Louisville) #1996** - During their meeting on June 20, 2011, the members of the Board were informed that no response had been received from Mr. Hicks to the Recommended Order of Default Judgment that was sent to Mr. Hicks on May 10, 2011 by the Office of the Attorney General Hearings Division.

**Remedy:** The licenses of David Hicks, CPA and David Hicks, CPA, PLLC are revoked. If Mr. Hicks is interested in having his CPA and Firm license reinstated he shall pay a \$3500 fine, satisfy all license reinstatement criteria in effect at that time, and comply with all other statutory requirements for licensure in effect at that time.

**2011-004 Cary S. Polson, #6678** – Mr. Polson renewed his license in 2010 and indicated he had completed 80 hours of continuing professional education. He was chosen at random to submit documentation to substantiate he completed these hours. In response to being selected to participate in the 2010 CPE audit hour in ethics Mr. Polson was able to verify he completed 29 hours of CPE, 1 of which was in ethics, prior to when he renewed his license in 2010. He was also able to establish that he completed two additional courses on May 31, 2011 for 13 and 14 hours respectively and produced a certificate for an 8 hour course completed on May 12, 2011 for a total of 64 hours however was still 1 hour short in an ethics related course.

**Remedy:** Complete 62 hours in CPE courses, two of which were to be ethics related within 90 days from the date the Order was signed by the Board President. Documentation to support completion of these hours was to be submitted to the Board. Mr. Polson was allowed to use the 35 hours in CPE courses he completed after he renewed his license toward satisfying the 62 hours referenced above. He was also ordered to pay a \$500 fine.

**2011-001, Evan M. Holzman #4570** - Mr. Holzman was initially licensed in 1988 and continued to renew his license up to 2010. During this time period he was operating as a sole proprietor. From 2002 up to 2010 he indicated on his license renewal application that he had performed audits and compilations or just compilations and planned to do so

# DISCIPLINARY ACTIONS (Continued)

in the next two years. His most recent peer review was to have been completed in November 2009. Board staff sent three letters to Mr. Holzman requesting that he submit a copy of the most recent peer review acceptance letter however he failed to respond to these letters. In November of 2010 board staff also discovered that he was no longer enrolled in a peer review program. Thereafter Mr. Holzman was notified that since he had failed to respond to the prior requests for documents related to his status in the peer review program, he could either agree to enter into a proposed settlement with the Board or request a hearing. On March 4, 2011 Mr. Holzman sent a letter via fax to the Board office in which he stated that he had been assured by the peer reviewer that all of the work associated with the review process was complete but Mr. Holzman had failed to pay an administrative fee to the KY Society of CPA's. Mr. Holzman attached a copy of a check for payment of the fee and on March 29, 2011 a copy of the completion letter from the KY Society to the Respondent regarding his peer review was received in the Board office.

**Remedy:** Mr. Holzman was ordered to pay a \$1,000.00 fine.

**2010-009 Paul Cravens, CPA#3605** - In February of 2010 the Board received a complaint alleging that Mr. Cravens had performed an audit for a company located in Connecticut but that he had failed to provide copies of documents prepared for the audit to the current CPA and that the Respondent had failed to properly record approximately \$4,000,000 in revenue. Thereafter the audit report of the company was reviewed by the CPA investigator for the Board which resulted in Mr. Cravens' practice being reviewed by the investigator. By way of a written response: Mr. Cravens agreed that he had failed to provide the documents as requested by the new CPA, his audit report was substandard, and he had performed audits for years even though on his CPA license renewal forms he had indicated otherwise. Later it was discovered Mr. Cravens had issued audit reports for the securities company for at least three years and that for ten years he had issued audit reports for a company in Kentucky without being enrolled in a peer review program. The investigation further revealed Mr. Cravens had failed to perform any audit procedures including failure to document any risk assessment, internal control or fraud consideration or materiality calculations and did not prepare any engagement or management letters.

**Remedy:** Mr. Cravens was fined \$10,000, his license was

suspended until such time that full payment for the fine is received by the Board, and he is prohibited from ever again performing and issuing any audit, review, or compilation reports. Mr. Cravens paid the fine on September 16 the same day the Order was approved by the Board. Therefore his license was not suspended.

**2011-025, Phillips & Company PLLC** - Early in May of 2011 the partners of Neel, Crafton & Phillips, LLP met to discuss the possible dissolution of the firm. During that same period of time Neel, Crafton & Phillips, LLP, through Mr. Phillips, submitted a proposal on an attest engagement. On May 18, 2011, Articles of Organization to create Phillips & Company PLLC were stamped as being filed with the KY Secretary of State's Office. Mr. Phillips submits that in June of 2011, a final decision was made to dissolve Neel, Crafton & Phillips, LLP but the effective date of the dissolution was made retroactive to May 1, 2011. It was the responsibility of Mr. Phillips to notify the Board staff of the dissolution and the creation of the new firm. Mr. Phillips contends that due to the numerous issues associated with the dissolution of and then creation of a new firm he failed to timely notify the Board staff of the changes prior to holding Phillips & Company PLLC out to the public as a public accounting firm. In June of 2011 Mr. Phillips was notified that Neel, Crafton & Phillips, LLP had been awarded the previously mentioned attest engagement. However Mr. Phillips maintains that he accepted the assignment on the condition that the client would agree to allow Phillips & Company PLLC to perform the job and that this change was acceptable to the client. On June 22, 2011 Mr. Phillips contacted a member of the Board staff regarding his current status with Neel, Crafton & Phillips and Phillips & Company. Soon thereafter material was received in the Board office that indicated Phillips & Company had been operating as a public accounting firm without a license.

**Remedy:** Phillips & Company was ordered to pay a \$500.00 fine

**2011-027 Myriad CPA Group, LLC** - On July 14, 2011 the members of the Schwartz CPA Group, LLC met and agreed to amend the name of the company to Myriad CPA Group, LLC with an effective date of July 1, 2011. Thereafter an employee of the Board discovered that Myriad CPA Group was unintentionally operating as a CPA firm without first being registered with the Board.

**Remedy:** The firm was ordered to pay a \$500.00 fine.

# ALL OF THE FOLLOWING CASES ARE CPE AUDIT VIOLATIONS

**2011-042 Michael Wayne Taylor, CPA** - The Respondent renewed his license in 2011 and indicated he had completed 60 hours of CPE however he was unable to verify those hours with documentation.

**Remedy:** Complete 120 hours in CPE with four (4) of these hours being ethics related. The hours must be completed within 90 days from the date the Order is signed by the Board President and documentation to support completion of these hours must then be submitted to the Board. In addition he shall pay a \$500 and be included in the CPE audit for 2013.

**2011-043 Judy A. Money, CPA** - The Respondent renewed her license in 2011 and indicated she had completed 60 hours of CPE. Ms. Money explained that due to difficulties in her personal life and problems with how the records were maintained by a CPE provider she could only verify she completed 20 hours of CPE, 2 of which were in an ethics related course.

**Remedy:** Complete 80 hours in CPE courses within 90 days from the date the Order was signed by the Board President. Documentation to support completion of the remaining hours must be submitted to the Board. Also pay a \$500 fine and be included in the 2013 CPE audit.

**2011-044 J. Theodore Brittain, CPA** - The Respondent renewed his license in 2011 and indicated he had completed 80 hours of CPE. Mr. Brittain was unable to verify that he had completed any of the 80 hours.

**Remedy:** Complete 160 hours CPE courses, with four (4) of these hours in ethics related courses, within 90 days from the date the Order is signed by the Board President. Documentation to support completion of these hours must then be submitted to the Board. Also pay a \$500 fine and be included in the CPE audit for 2013.

**2011-050 Gary T. Emmick, CPA** - The Respondent renewed his license in 2011 and indicated he had completed 60 hours of CPE. In response to being selected to participate in the 2011 CPE audit, Mr. Emmick stated he had attended meetings related to his employment from July 2009 through June 2011 and included copies of agendas from those meetings with his letter. However the agendas failed to confirm that he had attended the meetings and the

amount of hours he would have received from attending those meetings as required by the CPE regulation. Following a series of phone calls between the Respondent and Board staff, a letter dated December 8, 2011 was received from the Respondent. In that letter the Respondent indicated that the programs assisted him to operate his company and went on to state that he would prefer to consider “retirement” of his certificate. However the Board does not allow CPAs to simply surrender their licenses when they fail to satisfy the CPE requirements.

**Remedy:** The Respondent’s license was voluntarily surrendered as if revoked. If the Respondent applies to reinstate his license in the future he must complete 180 hours of CPE within the two years prior to submitting a reinstatement request, 30 of which must be in accounting or auditing courses. In addition he must submit proof of having attended the courses listed on the reinstatement application, pay the reinstatement fee in effect at that time, and pay a \$500 fine.

**2011-055 Thomas L. Smith, CPA** - The Respondent renewed his license in 2011 and indicated he had completed 60 hours of CPE. He was able to verify he completed 50 hours of CPE, including 2 hours in an ethics related course from 2009 until 2010.

**Remedy:** Complete an additional 10 hours in CPE within 90 days from the date the Order is signed by the Board President. Documentation to support completion of the remaining hours must be submitted to the Board. In addition pay a \$250 fine and be included in the CPE audit for 2013.

**2011-056 Wayne D. Vice, CPA** - The Respondent renewed his license in 2011 and indicated he had completed 80 hours of CPE. Mr. Vice was able to verify he had completed 74 hours of CPE, including 2 hours in an ethics related course, from 2009 until 2010.

**Remedy:** Complete an additional 12 hours in CPE within 90 days from the date the Order is signed by the Board President. Documentation to support completion of the remaining hours must be submitted to the Board. Also pay a \$250 fine and be included in the CPE audit for 2013.

**2011-057 Janee L. Williams, CPA** - The Respondent

# ALL OF THE FOLLOWING CASES ARE CPE AUDIT VIOLATIONS (Continued)

renewed her license in 2011 and indicated she had completed 60 hours of CPE. Ms. Williams was able to verify she had completed 42 hours of CPE, 2 of which were in ethics related. On December 9, 2011, Ms. Williams sent via fax documentation to verify she had completed another 60 hours of CPE in November and December of 2011.

**Remedy:** Complete 36 hours in CPE courses within 90 days from the date the Order is signed by the Board President. Respondent shall receive credit for having satisfied this requirement by using 36 of the 60 CPE hours she completed in November and December of 2011. She may use the remaining 24 hours toward satisfying the CPE requirement when she renews her license in 2013. Also pay a \$250 fine and be included in the CPE audit for 2013.

**2011-059 Bradley Gordon Coffman, CPA** - The Respondent renewed his license in 2011 and indicated he had completed 80 hours of CPE. Mr. Coffman submitted documents which verified he had completed 80 hours of CPE, including 2 hours in an ethics related course, however 28 of the 80 hours were completed after he renewed his license.

**Remedy:** Complete an additional 56 hours of CPE within 90 days from the date the Order is signed by the Board President. The 28 hours completed after the renewal of his license may be used to reduce the hours still to be completed from 56 to 28. These 28 hours cannot be used to renew the Respondent's license in 2013. Documentation to support completion of the remaining hours must be submitted to the Board. In addition pay a \$500 fine and be included in the CPE audit for 2013.

**2011-060 David A. Layne, CPA** - The Respondent renewed his license in 2011 and indicated he had completed 60 hours of CPE. Mr. Layne submitted documents which verified he had completed 60 hours of CPE, including 2 hours in an ethics related course, but 3 of the 60 hours were completed after he renewed his license.

**Remedy:** Complete an additional 6 hours of CPE within 90 days from the date the Order is signed by the Board President. The 3 hours completed after the renewal of the license may be used to reduce the hours still to be completed from 6 to 3. These 6 hours cannot be used to renew the Respondent's license in 2013. Also pay a \$250 fine and be included in the CPE audit for 2013.

**2011-062 Ellen Watters Norvell, CPA** - The Respondent renewed her license in 2011 and indicated she had completed 60 hours of CPE. Ms. Norvell was able to verify she had completed 53 hours of CPE, 2 of which were in an ethics related course prior to the renewal of her license in 2011. Following the renewal of her license the Respondent was able to verify that she completed an additional 9 hours of CPE.

**Remedy:** Complete an additional 14 hours of CPE within 90 days from the date the Order is signed by the Board President. The 9 hours completed after the renewal of her license may be used to reduce the hours still to be completed from 14 to 5. These 9 hours cannot be used to renew the Respondent's license in 2013. Documentation to support completion of the remaining hours must be submitted to the Board. Also pay a \$250 and be included in the CPE audit for 2013.

