



Kentucky Board of Accountancy

E-NEWSLETTER

In This Issue

2016 LICENSE RENEWAL 1

CPE RETIREMENT WAIVER..... 1

BOARD MEMBERS 2

FIRM LICENSE RENEWAL..... 2

CONTACT INFORMATION 2

DISCIPLINARY ACTIONS 2-5

CPA EXAM STATISTICS..... 6

BOARD MEETING DATES 7

CPE AUDIT VIOLATIONS..... 7

CPA EXAM CHANGES COMING..... 7-8

2016 LICENSE RENEWAL

During the last week in June, a letter containing information regarding the license renewal process will be sent out to all CPAs with an **EVEN** numbered license. The online renewal system will be turned on approximately July 1st at 10AM. The renewal fee remains at \$100, however CPAs will be responsible for paying the portal fee. A license that is not renewed by August 1st will automatically expire. Beginning August 2nd through September 1st, a license may be renewed using the online system, but the fee will increase to \$200. Effective September 2nd, a license may not be renewed. Instead, CPAs must use the reinstatement process.

CPAs due to renew their license this year should confirm they obtained the necessary CPE hours. These hours must have been completed from January 1, 2014 through December 31, 2015. During the online renewal process, CPAs will be required to affirm they fulfilled the CPE requirements by December 31, 2015. CPAs found to have falsely asserted they completed the hours will be subject to disciplinary action.

CPAs who changed their mailing or email address following the 2014 renewal process must submit an address change form located on the Board website at <http://cpa.ky.gov/> as soon as possible. Each year during the renewal process, a number of emails and letters are returned due to the failure of CPAs to update this information.

CPE RETIREMENT WAIVER

Kentucky does not have an “inactive” or “retirement” status for a CPA license. Instead CPAs may request to retain their license but reduce or waive the continuing education required to renew a license based upon retirement. The waiver form is located on the Board website under the link entitled “Practicing CPA’s”. After clicking on the link, select from the drop down menu the link entitled “Continuing Professional Education”. On that page is information regarding waivers from CPE as well as a form to request a retirement waiver.

The administrative regulation that governs a retirement waiver is 201 KAR 1:100, Section 4, Subsection 2(c). Under that regulation the amount of required CPE hours may be reduced or completely waived if the CPA, “Is completely retired from practice and is fifty-five (55) years of age or older. To be considered completely retired, the licensee shall not perform accounting services in the practice of public accounting, education, government or industry except for management of personal assets or investments.”

Since the definition of public accounting includes the preparation of tax returns, a CPA seeking a retirement waiver may not prepare any tax returns for a third party regardless of whether payment for the service is involved.

A Member of NASBA



BOARD MEMBERS

Margaret D. Combs, CPA
Williamsburg

Kevin M. Doyle, CPA
Lexington

Joseph A. Hancock, CPA
Owensboro

Jamie R. Laws, CPA
Louisville

Phillip M. Layne, CPA
Ashland

Lori Dawn Warden, CPA
Ft. Wright

Toni Carver Smith, Citizen Member
Louisville

Staff Members

Richard C. Carroll
Executive Director

Phyllis Gordon
Policy Analyst

Mary Stevenson
Administrative Assistant

Board Address:
Kentucky State Board of Accountancy
332 West Broadway, Suite 310
Louisville, KY 40202
Phone: (502) 595-3037
Fax: (502) 595-4500
Website: cpa.ky.gov
Email: cpa@ky.gov

UPDATE YOUR CONTACT INFORMATION

To update your contact information,
submit the address change form
found on our website @ cpa.ky.gov.

FIRM LICENSE RENEWAL

All firm licenses must be renewed online before August 1st of this year. The renewal fee is \$100 plus the portal fee. In June, letters will be sent out to each firm manager advising them of the renewal process. The online system will be available as of July 1, 2016. A license that is not renewed by August 1st will automatically expire. Beginning August 2nd through September 1st, a license may be renewed using the online system, but the fee will increase to \$200. As of September 2nd, a firm license may not be renewed. Instead, firm managers must contact the Board to reinstate the license. A firm that has not renewed its license is prohibited from practicing public accounting.

DISCIPLINARY ACTIONS

2014-024 Michael P. Bach – In October of 2014 it was determined that the Respondent was operating Michael P. Bach PSC, a public accounting firm located in KY; however that firm did not hold a KY license. Upon further investigation it was discovered that Michael P. Bach PSC, was initially registered with the KY Secretary of State's Office in 1996 and that Mr. Bach never received a KY CPA or Firm license since he opened his practice in 1996. The Respondent believed that since he held an Ohio CPA license it was not necessary to obtain a KY license even though his office was located in KY. The Respondent also stated that the attorney he consulted about opening a PSC in KY never advised him of the need to obtain a KY CPA license. In 2006 the Respondent began issuing compilations for KY based clients without being enrolled in a peer review program. The Respondent stated he believed he had prepared 160 compilation reports for clients over the years without being enrolled in a peer review program.

Remedy: Pay an \$18,000 fine, become enrolled, and remain enrolled in a peer review program. Failure to comply with any requirement of the peer review program shall result in further disciplinary action being imposed against the Respondent's CPA and firm licenses.

2014-072 Cary S. Polson – The Respondent renewed his license in 2014 and indicated he had completed 60 hours of CPE. He was chosen at random to submit documentation to substantiate he completed these hours. Mr. Polson failed to respond to repeated requests to submit the required documentation. A formal complaint and hearing was scheduled. Mr. Polson failed to respond to the formal complaint or appear for the hearing. The Board members approved an Order prepared by a hearing officer in the case which resulted in a default judgment being entered against Mr. Polson.

Remedy: The CPA and sole proprietorship licenses of the Respondent were revoked until such time that he completes 120 hours of CPE courses, 4 hours of which must be in ethics related courses, and pay a \$500 fine. Upon satisfaction of these terms Mr. Polson may seek to have his licenses reinstated by submitting a completed License Reinstatement Form, a check for \$200 and proof that he completed 60 hours of CPE, one half of which were in accounting or auditing courses, within two years prior to the date he submitted the Reinstatement Form. These hours shall not include any of the previously mentioned 120 CPE hours. So long as the revocation of the individual and firm licenses are in effect, Mr.

DISCIPLINARY ACTIONS (Continued)

Polson is prohibited from using the title CPA or Certified Public Accountant, and practicing public accounting in any way including the preparation of tax returns. A copy this Order will be sent to the IRS Office of Professional Responsibility to advise them that Mr. Polson is no longer entitled to register as a CPA with the IRS until his licenses are reinstated.

2014-026 Trevor B. Gough – The Board received a complaint against the Respondent which alleged he had failed to mail checks signed by the complaining party for tax payments on two different occasions. As a result the IRS filed a tax lien against his company and Medicaid payments being intercepted by the state of Kentucky. An investigation revealed a total of approximately \$14,000 in penalties and interest assessed by the IRS against the complaining party.

Remedy: Respondent's license was placed on probation until he paid a \$2000 fine and completed 4 hours of CPE in ethics related courses. These hours are in addition to the 2 hours of ethics related courses the Respondent is required to complete to renew his license in 2016.

2015-013 Timothy R. Montgomery and Timothy R. Montgomery, CPA, Inc. – A peer review report for the Firm determined that the engagements considered as part of the peer review process were not performed in accordance with applicable professional standards in all material respects which resulted in a rating of "fail". In reply to the rating and the report the Respondent submitted a letter to the peer review provider that stated he was no longer going to prepare compilations. The Respondent also advised the Board in a separate letter that he had not prepared any compilations since the peer review was performed and had not issued any financial statements.

Remedy: Respondent and the Firm are prohibited from ever offering, seeking, accepting, or performing any audit, review, or compilation services, and reports issued according to SSARS 21, Section 70. The Respondent and Firm may continue to provide any other accounting and tax related service(s) that are not prohibited under the terms of this Order.

2014-050 Tamara Lynn Koshewa – The Respondent renewed her license in 2014 and indicated she had completed 60 hours of CPE. She was chosen at random to submit documentation to substantiate she completed these

hours. Ms. Koshewa failed to respond to repeated requests to submit the required documentation. A formal complaint and hearing was scheduled. Ms. Koshewa failed to respond to the formal complaint or appear for the hearing. As a result the Board members approved an Order prepared by a hearing officer in the case which resulted in a default judgment being entered against Ms. Koshewa.

Remedy: Ms. Koshewa's license was revoked and she is prohibited from practicing public accounting which includes holding herself out as a CPA to the public, IRS and KY Dept. of Revenue.

2015-017 Richard A. Laughlin – In June of 2002 the Respondent received a CPE waiver based upon being retired from public accounting. Following receipt of the waiver the Respondent prepared some individual and small business tax returns for clients. The Respondent did complete some continuing education courses during this time period related to tax matters. The practice was operated out of Buckeye Accounting Services LLC which the Respondent organized in 2009 however the firm was never licensed with the Board. The Board discovered the actions described above through a letter submitted by the Respondent in which he stated he was not aware that he was prohibited from providing tax services while holding a CPE waiver or that the firm needed to be licensed.

Remedy: Respondent was ordered to submit a Reinstatement License Application to the Board along with the corresponding \$200 fee and proof of having completed 60 hours of CPE, 30 of which had to be in accounting and auditing topics, and 2 hours in ethics related courses within the two year period preceding the submission of the application. Also he was to complete and submit an Instate Firm Application to the Board and with the submission of the application include a check or money order in the amount of \$400 payable to the to the Board. This amount constitutes the fees the Respondent should have paid to operate the firm for 2009, 2011, 2013 and the firm registration fee for 2015.

2015-009 Wilson & Co PSC and William J. Wilson, III – The Firm was enrolled in a peer review program. The last peer review performed for the Firm was for the year ended November 30, 2008 and the review report was dated June 25, 2009. The next peer review for the Firm was due to be completed in 2012; however the report was not completed until September of 2014 and ultimately accepted

DISCIPLINARY ACTIONS (Continued)

by the Report Acceptance Body on January 23, 2015. The delay in undergoing a timely peer review was due to a series of business and personal problems encountered by the Respondent. The Respondent is the sole shareholder of the Firm.

Remedy: Pay a \$10,000.00 fine and strictly comply with the terms of the acceptance letter issued by the KY Society of CPAs Peer Review Program on April 2, 2015.

2015-015 Charles M. Stivers – On or about July 30, 2014 the Respondent entered into a Plea Agreement in the criminal case styled United States of America v. Charles M. Stivers, Case No. 3:15-CR-58 in the United States District Court for the Eastern District of Tennessee at Knoxville. In the Agreement the Respondent pled guilty to one count of conspiracy, a felony, to defraud the United States in violation of 18 USC Section 371.

Remedy: Respondent's individual and firm licenses are permanently revoked, and he is prohibited from ever submitting an application to the Board to renew his individual or firm license, and for consideration of reissuance or reinstatement of his individual or firm license. The Respondent is also prohibited from ever holding himself out as a CPA to the public, the IRS or any other tax authority.

2015-011 James A. Bentley – For years the Respondent prepared the individual tax returns for the complaining party and his family. For a portion of this time the complaining party was under the age of 18 which resulted in his father signing IRS Form 8879 on his behalf. For the tax years 2010 and 2011 the form was again signed by the complaining party's father even though his son was over 18 years of age. The Respondent admits he should have verified the age of the complaining party prior to allowing the father to sign Form 8879 in 2010 and 2011 on his behalf.

Remedy: Pay a \$250 fine and complete 2 hours in ethics related courses that are in addition to the 2 hours in ethics related courses the Respondent must complete to renew his license in 2017.

2016-004 Phillip A. Fister – An Indictment was filed against the Respondent in Jefferson County, Kentucky, Circuit Court in which he was charged with 2 counts of having committed the offense of Sexual Abuse in the First Degree, a Class C felony, by subjecting a person

less than 12 years of age to sexual contact or engaged in other sexual conduct while the person was present or while communicating with the person over the phone. The Respondent entered a Guilty Plea to the 2 counts of sexual abuse as mentioned above based upon an offer from the Commonwealth Attorney's Office that he be sentenced to a total of 5 years in prison, enter and complete the Sex Offender Treatment Program, register for his lifetime with the Sex Offender Registry, and be subject to an additional 5 years of post-incarceration supervision.

Remedy: The Respondent's individual and firm licenses are permanently revoked.

2015-021 Robert W. Kaiser – The Respondent entered a plea of guilty to counts 1-12 of an indictment that was filed against him in the criminal case styled *United States of America v. Robert Kaiser, Case No. 3:14-CR-00084* in the United States District Court for the Western District of Kentucky at Louisville. In the Indictment the Respondent was charged with devising a scheme where he stole over \$800,000 from his employer between June 6, 2006 and March 26, 2013. He also pled guilty to one count of attempting to defraud a federally insured financial institution in the amount of \$1,815,000.

Remedy: The Respondent's individual license is permanently revoked, and he is prohibited from ever submitting an application to the Board to renew his individual license, and for consideration of reissuance or reinstatement of his individual license. The Respondent is also prohibited from ever holding himself out as a CPA to the public in any capacity, or the IRS or any other tax authority.

2016-002 Clara Niki Johnson – The Respondent was initially licensed in 2002 but failed to renew her license in 2012, which resulted in it automatically expiring. In 2015 the Board received an application from the Respondent to reinstate her license. According to documentation submitted with the application the Respondent had closed her practice in 2011 due to alcohol related problems and had entered into different rehabilitation programs which she successfully completed in 2014.

Remedy: Ms. Johnson's license was reinstated on the condition that she enter into an alcohol monitoring agreement for a period of 5 years during which time she would refrain from using alcohol, undergo alcohol

DISCIPLINARY ACTIONS (Continued)

and drug screening, and continue her participation in a rehabilitation program.

2016-005 David K. Sanders, PLLC – The 2015 peer review report rating of a compilation performed by Mr. Sanders was a “fail”. In two previous peer reviews the Firm had received ratings of “unmodified” and “pass with deficiencies”. Pursuant to an authorized review of the compilation report and the procedures utilized in preparing the report, a Board investigator determined the existence of deficiencies as to the listing of a loan on the financial statements, failing to complete all checklists related to quality control, and improperly completing certain checklists related to quality control review.

Remedy: Mr. Sanders was ordered to undergo a pre-issuance review for all pending and future attest services. The pre-issuance review process shall consist of Mr. Sanders selecting a reviewer who is preapproved by the Board. Mr. Sanders is responsible for all costs associated with the pre-issuance review process. The reviewer is to prepare a report on each audit, review and compilation prepared and issued by Mr. Sanders. That report must be presented to and approved by the Board CPA investigator prior to the release of any audit, review and compilation report to a client. Recommendations or suggestions made by the pre-issuance reviewer or the CPA investigator regarding the report or the associated attest service procedures shall be adopted by Sanders and incorporated into every report. If Mr. Sanders disagrees with a recommendation(s), the disputed recommendation(s) shall be submitted to the Board for consideration prior to the audit, review, or compilation report being issued to a client. The Board shall then make the final decision on whether the recommendation should be adopted. The reviewer shall submit a report to the Board following the completion of each pre-issuance review. The report shall contain a summary of the total number and types of attest services that Mr. Sanders provided over the previous year. The summary shall also list the number of and a description of each change recommended by the pre-issuance reviewer to each audit, review and compilation report. This pre-issuance review process shall continue until such time that the Board determines Mr. Sanders has completed two successive audit, review, or compilation reports in compliance with the appropriate standards. During the time period encompassed by this Order the Board may

require Mr. Sanders to undergo additional remedial or disciplinary action based upon the severity and frequency of the errors contained in the annual reports.

2015-002 Lillian B. Cushny – For approximately the last 5 years the Respondent provided accounting services to V.I.P. Childcare. In early 2014 the company became delinquent in paying its payroll taxes and faced the possibility of closing. The owner decided to treat employees of the company as contract laborers until such time the company had sufficient cash flow to pay the payroll taxes. This action occurred from approximately March 1, 2014 until October 1, 2014. At the direction of the owner, the Respondent stopped making payroll deductions for these employees. The payroll deductions were reinstated as of October 1, 2014. All of the people affected received a W-2 for the months of January, February, October, November and December and received a Form 1099 for the months of March through September.

Remedy: The Respondent’s individual and firm licenses are permanently voluntarily surrendered. The Respondent understands that she is prohibited from ever submitting an application to the Board or consideration of reissuance or reinstatement of her individual and firm license.

2016-012 William W. Hollister, CPA – A peer review report for the Firm dated January 7, 2014 noted a deficiency existed regarding a HUD audit that resulted in a rating of “pass with deficiency”. This was the second consecutive pass with deficiency rating received by the Firm. In reply to the rating and the report the Respondent submitted a letter to the peer review committee that the Firm would no longer perform HUD audits.

Remedy: As of the effective date of this Order the Respondent and the Firm are prohibited from ever offering, seeking, accepting, or performing any HUD audit. The Respondent and the Firm may continue to provide any other attest, accounting and tax related service(s) that are not prohibited under the terms of this Order. The Respondent and the Firm shall continue to comply with all of the directives and requirements of the peer review program. Failure to comply with these requirements and directives or another rating of “pass with deficiencies” or “fail” may result in additional sanctions placed against the Respondent and the Firm.

CPA EXAM RESULTS BY TESTING WINDOWS

April - May 2015 Testing Window

386 candidates sat for 455 sections of the exam. 63 were first time candidates and 48 candidates passed their last sections of the exam.

AUD	117 sat 52 passed 44% pass rate	FAR	106 sat 42 passed 40% pass rate
REG	108 sat 54 passed 50% pass rate	BEC	124 sat 79 passed 64% pass rate

July - August 2015 Testing Window

476 candidates sat for 632 sections of the exam. 129 were first time candidates and 73 candidates passed their last sections of the exam.

AUD	154 sat 79 passed 51% pass rate	FAR	173 sat 103 passed 60% pass rate
REG	159 sat 69 passed 43% pass rate	BEC	146 sat 85 passed 58% pass rate

October - November 2015 Testing Window

459 candidates sat for 625 sections of the exam. 71 were first time candidates and 80 candidates passed their last sections of the exam.

AUD	152 sat 65 passed 43% pass rate	FAR	167 sat 79 passed 47% pass rate
REG	153 sat 70 passed 46% pass rate	BEC	153 sat 73 passed 48% pass rate

January-February 2016 Testing Window

400 candidates sat for 503 sections of the exam. 105 were first time candidates and 49 candidates passed their last sections of the exam.

AUD	149 sat 73 passed 49% pass rate	FAR	103 sat 41 passed 40% pass rate
REG	130 sat 70 passed 54% pass rate	BEC	121 sat 65 passed 54% pass rate



BOARD MEETING DATES FOR 2016

Meetings are conducted at the Board office in Louisville located at 332 W Broadway, Suite 310. The following meeting dates remain for 2016: June 23, July 21, August 18, September 22, October 28, November 17 and December 15. Please keep in mind that meetings may be cancelled or rescheduled.

2015 CPE AUDIT VIOLATIONS

The following cases against the individuals listed were opened based upon CPE Audits conducted in 2015. The cases were resolved as a result of an agreement reached between the CPA and the Board. Typically, such cases required payment of a fine and double the number of hours the CPA was unable to provide documentation of having completed, or the license was voluntarily surrendered as if revoked. In some cases, the CPAs may have completed the hourly requirements but failed to respond to repeated requests to provide the documentation and were subsequently fined.

Kenichi Adachi, CPA
Albert N. Alexander, CPA
Kevin S. Baker, CPA
Lisa Diana Bell, CPA
Lillie L. Branham, CPA
J. Scott Brian, CPA
Edward R. Campbell, CPA
William John Dierking, CPA
Donna M. Driskell, CPA
Raulin R. Farinas, CPA
Sharon Buckner Freibert, CPA
Gerald L. Gillis, CPA
Jerry T. Grenough, CPA
Jennifer Caibe Hamilton, CPA
Mark A. Johnson, CPA

Marya Lynn Johnson, CPA
Nicholas S. Katko, CPA
Hunter M. Land, CPA
Mark Richard Lasky, CPA
Bryan T. Locke, CPA
Melissa Ann Marvel, CPA
Carol S. Mattingly, CPA
Megan Nicole McGraw, CPA
Michael J. Mueller, CPA
Katherine Ulanowski Murray, CPA
Franklin Kyle Perkins, CPA
William H. Poche, CPA
Margie E. Pritchett, CPA
John Mitchell Ragland, CPA
Robert E. Ratterman, CPA

Danielle L. Reyes, CPA
Wesley A. Rowe, CPA
Patrick Thomas Schmidt, CPA
Lisa J. Smith, CPA
Elizabeth M. Stapleton, CPA
Kathy Lynn Waggoner, CPA
John S. Whelan, CPA
Gregory A. Whitlock, CPA
Christopher S. Whitlow, CPA
Melissa R. Wilson, CPA
Randall P. Wilson, CPA
Robert G. Wilson, CPA
Joseph Frederick Zidanic, CPA

CPA EXAM CHANGES COMING IN 2017

When will the changes take effect?

April 1, 2017 (the 2017 Q2 testing window).

How many sections will the revised exam include?

Four:

- Auditing and Attestation (AUD)
- Business Environment and Concepts (BEC)
- Financial Accounting and Reporting (FAR)
- Regulation (REG)

How many hours are allocated for the revised exam?

Each section of the exam will be four hours in length for a total testing time of 16 hours.

What types of items will appear on the revised exam?

Candidates will be assessed on a variety of content using multiple-choice questions (MCQs), task-based simulations (TBSs) in all four sections. The BEC section will also include three written responses.

CPA EXAM CHANGES COMING IN 2017 (continued)

What will the scoring weights be?

Scoring weights for AUD, FAR and REG will be approximately 50% MCQ / 50% TBS. Scoring weights for BEC will be approximately 50% MCQ, 35% TBS and 15% Written Response. The chart below breaks down the number of MCQs, TBSs, and Written Responses for each section.

Section	Multiple Choice Questions (MCQ)	Task-Based Simulations (TBSs)	Written Responses
AUD	72	8 – 9	N/A
BEC	62	4 – 5	3
FAR	66	8 – 9	N/A
REG	76	8 – 9	N/A

Will there be additional testing time during the year?

Beginning with the 2016 Q2 testing window (April 1, 2016), each window will be expanded by 10 days into the traditional dark months. This 10-day extension will not be offered during the 2017 Q2 testing window when the revised exam launches.

How soon will I get my scores with the revised exam?

The chart below shows a breakdown of the dates that scores will be released. In the first quarter of 2018, it is expected that the existing average 20-day rolling score release timeline will resume.

Test Window	AICPA / Board of Examiners Review Exam Performance Data / Set Passing Score	Approximate Release Date of Candidate Scores
2017 Q2 April 3 – May 31, 2017	10 weeks	August 14
2017 Q3 July 1 – September 10, 2017	10 days	September 22
2017 Q4 October 1 – December 10, 2017	10 days	December 22

How much will it cost to take the revised exam in 2017?

The current fee charged by the Board of \$30 for an initial application and \$30 per section will remain in effect. This fee has not increased since the exam became computerized in 2004.

The fees charged by NASBA and the AICPA will remain at \$18/section and \$90/section respectively. Prometric hourly fees will remain at \$19.85/hour and \$6.05 security fee. While amount of the fees will not increase when the revised exam begins in April please keep in mind that the total cost will increase since the BEC and FAR sections are increasing from 3 to 4 hours in length.

For other questions related to the content of the Exam, please visit the AICPA website.

For other questions related to the administration of the Exam, please visit the NASBA website.