

Connecticut State Board of Accountancy
February 02, 2010
Minutes

Acting Chairman Michael Weinshel called the meeting to order at 08:32 A.M. at the State Board of Accountancy, 30 Trinity Street 2B, Hartford, CT 06106.

Present:

Michael Weinshel, CPA, Acting Chairman
James S. Ciarcia
Philip J. DeCaprio, Jr., CPA/ABV/CFF, Cr.FA, CVA
Richard H. Gesseck, CPA
Leonard M. Romaniello, Jr., CPA, CITP, CFE, MST
Richard L. Sturdevant
Martha S. Triplett, Esq.

Staff Members Present:

David L. Guay, Executive Director
Rebecca A. Adams, Esq., Board Counsel
Angel D. Acevedo, Office Assistant

Absent:

Thomas F. Reynolds, CPA, Chairman

The Board observed a moment of silence to honor the memory of Mr. Richard P. Bond, who served on the Board beginning May 07, 2003 through January 07, 2009.

Motion was made by Leonard Romaniello and seconded by Philip DeCaprio to approve the minutes of the January 05, 2010 Board Meeting. All voted in favor; no votes against and no abstentions.

Executive Director's Operations Update and Review:

Budget

- Other Expenses – \$158,357.00 (with holdbacks and reductions \$37,236) we've spent as of 01/29/10 \$17,813, leaving approximately \$19,423.00 for the remainder of FY2010.
- Attended Governor's January 13, 2010 Commissioners Meeting.
- Further Gubernatorial proposed adjustments to the FY2011 Budget expected.
- Preparing for possible Budget Public Hearing before SUBCOMMITTEE #2: GENERAL GOVERNMENT A of the Appropriations Committee on the afternoon of February 8, 2010 if asked.

Audit of the Agency

- Emailed the Auditor on January 27, 2010 looking for an update on the status of the concluded Agency Audit for the years FY 05/06/07. His response, "I am currently in the final phase of your audit. I should have my report and supporting documents ready for review by my Administrative Auditor this week. When that is complete, I'll send you a final draft of the report for your review and we can schedule our exit conference at that time. As I had previously stated, there are no findings or recommendations in my

preliminary report. I do not believe that any findings or recommendations will be included in the final report.”

Information Technology

- Renewal issues fixed just in time to conclude the renewal period.
- Relationship with DoIT still in question.

Licensing

- New Experience Form completed.
- Met with Art Renner on January 28, 2010 to go over proposed changes to the Experience Regulations.
- Draft of new “Steps for Certificate” in progress, 14 pages written so far.
- 81% of eligible have renewed for 2010 – Renewal ends 1/31/2010.

Facilities

- New Security Badges.
- Building Access changes.
- Bomb scare of Friday, January 15, 2010.
- Tenants meeting with Building management on January 28, 2010.

General Administrative

- Continuing with weekly updating of the Emergency Command Center for the H1N1 Pandemic.

Personal

- I am scheduled for Jury Duty February 9, 2010.
- I am requesting gubernatorial permission to travel to the NASBA Executive Director’s Conference March 21-24, 2010.

The Board reviewed and noted, for the record, CPA Certificate Registration, CPA License & Firm Permit Applications approved by the Executive Director January 02, 2010 through February 01, 2010.

Motion was made by Philip DeCaprio to approve Ms. Amy B. Micun’s CPA Certificate Experience Verification Application in Industry Accounting. Leonard Romaniello seconded the motion; all voted in favor; no votes against and no abstentions.

Motion was made by Richard Gesseck to approve Ms. Julie M. Marcotte’s CPA Certificate Experience Verification Application in Industry Accounting. Leonard Romaniello seconded the motion; all voted in favor; no votes against and no abstentions.

Leonard Romaniello made a motion to approve the CPA Certificate Experience Verification Application submitted by Ms. Olga Anguelova. The motion was seconded by Martha Triplett; all voted in favor; no votes against and no abstentions.

The Board tabled the CPA Certificate Verification Application submitted by Ms. Victoria Falzone. All voted in favor; no votes against and no abstentions.

Motion was made by Philip DeCaprio to approve Mr. Haomiao Zhang's CPA Certificate Experience Verification Application. Leonard Romaniello seconded the motion; all voted in favor; no votes against and no abstentions.

Motion made by James Ciarcia and seconded by Leonard Romaniello to accept Mr. Kenneth K. Lee's letters of experience verification. Mr. Lee provided the Board with referrals from clients he serviced in order to meet the experience requirements, to obtain a CPA Certificate. All voted in favor; no votes against and no abstentions.

Leonard Romaniello made a motion to approve Mr. Chad Cahambing's CPA Certificate Experience Verification Application in Industry Accounting. Philip DeCaprio seconded the motion; all voted in favor; no votes against and no abstentions.

Motion was made by James Ciarcia and seconded by Martha Triplett to add Mr. Akwasi A. Ampofo's CPA Certificate Experience Verification Application to the agenda of the February 02, 2010 Board Meeting. All voted in favor; no votes against and no abstentions.

Motion was made by James Ciarcia and seconded by Leonard Romaniello to approve the experience verification application submitted by Mr. Akwasi A. Ampofo. All voted in favor; no votes against and no abstentions.

Motion was made by Martha Triplett and seconded by James Ciarcia to approve Mr. L.J. Goldblatt's request for an extension of his Notice to Schedule for the CPA Examination. All voted in favor; no votes against and no abstentions.

Motion was made by Martha Triplett and seconded by Leonard Romaniello to table Mr. Daniel L. Marra's request for an extension to earn his CPE Hours by June 30, 2010. Mr. Marra has not provided the Board with a certified letter from his physician. All voted in favor; no votes against and no abstentions.

In an update of the 2010 Renewal Process, Director Guay informed the Board, of those who were eligible to renew, 81% have renewed and all CPA Certificate Registrations, CPA Licenses, and Firm Permits have been printed and mailed out. This information was based on the January 31, 2010 closing of the grace period.

The following PCAOB Inspection Reports were received and noted, for the record, by the Board:

- PCAOB Rule 4009 Determination Grant Thornton LLP.
- December 21, 2009 Inspection Report for Dixon Hughes PLLC.
- December 21, 2009 Inspection Report for Holtz Rubenstein Reminick LLP.
- December 21, 2009 Inspection Report for Kenne Ruan, CPA, PC.
- December 21, 2009 Inspection Report for O'Connor Davies Munns & Dobbins, LLP.

Under Regulatory Activity, Ms. Adams informed the Board the Approval from the AG's Office was received, in respect to the repealed superseded Regulations of the Experience Qualifications; she expects the Regulations Review Committee to include this on their March 23, 2010 agenda.

The Board also continued their discussion on the requirements for obtaining a Firm Permit, in order to continue, to strengthen Connecticut's Regulations. The Board instructed Executive Director Guay to submit a draft of proposed regulations at the next Board Meeting for review.

The Board continued to discuss the changes made to the Experience Regulations, and the impact it has had and will continue to have on future applicants. Most of the conversation centered on the 16 CPE Hour requirement for Licensees, who are performing attest or compilation services. There was also talk of how many hours of experience is sufficient for an individual to earn his CPA Certificate.

Under Public Comment, Mr. Arthur Renner, Executive Director of CSCPA, addressed the Board briefly.

Public Session- Enforcement Agenda

A. REQUESTING SETTLEMENT APPROVAL:

2008018-3139 Garvey & Associates, LLC- late filing of quality review reports; *requesting settlement approval with penalty of \$500.*

2008019-3135 Marinan & Young- late filing of quality review reports; *requesting settlement approval with penalty of \$500.*

2008022-3339 Kranz and Company, LLP- late filing of quality review reports; *requesting settlement approval with penalty of \$250.*

2008040-3146 Bobrow & Company- late filing of quality review reports; *requesting settlement approval with penalty of \$500.*

2008060-3160 Deans Archer & Co., CPAs- late filing of quality review reports; *requesting settlement approval with penalty of \$500.*

2008068-3168 Thomas Owens- failure to renew license and firm permit in 2008 and 2009; *requesting settlement approval for reporting of 40 hours of CPE within the fiscal year earning period for 2008, 2009, and 2010, payment of a \$1,930 fine in addition to the licensing and firm permit fees for 2010, and a lapse in the license for 2008-2009.*

2009005-3176 Henry Paradis- failure to undergo and file quality review; Mr. Paradis was providing only tax services during the time that the review was due and provided a sworn affidavit that he has not performed attest services since 2004 (when his last quality review was submitted), is not currently performing any, and will notify the Board 30 days prior to offering any. *Requesting settlement approval with penalty of \$1,250.*

2009006-3177 David Daggett, CPA- late filing of quality review reports (2005 and 2008); *requesting settlement approval with penalty of \$500.*

2009067-3352 John Gerlach & Company, LLP- late filing of quality review report (2007). John Gerlach & Company performed one attest engagement during 2009 even though his CPA Permit Renewal was not approved due to failure to submit the quality review report and the acceptance of the report for 2007. *Requesting settlement approval with \$350 penalty.*

2009068-3242 Laurence Greenberg/Greenberg & Company- late filing of quality review for 2004; failure to undergo quality review in 2007. Mr. Greenberg has re-enrolled in the CSCPA program and is scheduled to undergo quality review in 2010 for the period covering 2007-2010. ***Requesting settlement approval with penalty of \$1,500 and quality review by December 31, 2010.***

2009084-3258 David Cohen- failure to renew individual license in a timely manner in 2009

2009111-3285 David Cohen- conducting solo tax practice without a firm permit for 5 years- Mr. Cohen submitted an application for reinstatement, including 44 hours of properly reported CPE and a check for licensure in the amount of \$450 on February 10, 2009 along with a \$250 penalty. However, he failed to submit the necessary settlement. After conversation with Mr. Cohen, counsel determined that he was required to hold a firm permit for his solo tax practice and had failed to hold one for 5 years. Counsel also determined that he would not have been required to undergo quality review during that time. Counsel informed Mr. Cohen that he must settle both issues. ***Request settlement with \$1,000 penalty for failure to hold firm permit for 2005-2009, \$500 penalty for failing to hold a license in 2009, and reinstatement of his 2010 license upon submission of a reinstatement form complete with at least 40 hours of CPE earned between July 1, 2008 and June 30, 2009 and the \$565 licensing fee and a complete application for initial firm permit.***

2009162-3337 Laura Ault- failure to renew individual license in 2009; ***requesting settlement approval with \$450 penalty and reinstatement with lapse in license for 2009.***

2010003-3350 Colleen Zimmerman- failure to register certificate in 2009; ***requesting settlement approval with \$40 registration and \$100 penalty.***

Motion made by Philip DeCaprio and seconded by James Ciarcia to approve the settlement agreements in the following enforcement cases: 2008018-3139, against the firm of Garvey & Associates, LLC; 2008019-3135, against the firm of Marinan & Young; 2008022-3339, against the firm of Kranz and Company, LLP; 2008040-3146, against the firm of Bobrow & Company; 2008060-3160, against the firm of Deans Archer & Co., CPAs; 2008068-3168, against Mr. Thomas Owens; 2009005-3176, against the firm of Henry Paradis; 2009006-3177, against the firm of David Dagget, CPA; 2009067-3352, against the firm of John Gerlach & Company, LLP; 2009068-3242, against the firm of Greenberg & Company; 2009084-3258 & 2009111-3285, against Mr. David Cohen; 2009162-3337, against Mr. Laura Ault; 2010003-3350, against Ms. Colleen Zimmerman. All voted in favor; no votes against and no abstentions.

B. RECOMMENDING DISMISSAL:

2008027-3127 Frank McPike- signed an agreement with the SEC under which he was fined \$60,000; Mr. McPike was granted a reciprocal certificate in (insert). He has held an unregistered certificate since that time and has not used the title in Connecticut in any way. He was unaware that he held even a certificate in Connecticut until he spoke with counsel regarding this case; ***recommending dismissal- insufficient evidence to find probable cause.***

Motion made by Philip DeCaprio and seconded by Martha Triplett to dismiss enforcement case # 2008027-3127, against Mr. Frank McPike. Legal counsel recommended dismissal as there was

insufficient evidence to proceed with a case. All voted in favor; no votes against and no abstentions.

2008028-3128 Deloitte, LLP- Class Action Fairness Act notification with no Connecticut nexus; ***recommending dismissal- insufficient evidence to find probable cause.***

Motion made by Richard Sturdevant and seconded by Philip DeCaprio to dismiss enforcement case # 20080208-3128, against the firm of Deloitte, LLP. Legal counsel found no probable cause to move forward. All voted in favor; no votes against and no abstentions.

2008067-3167 Arthur Kelleher- falsifying tax returns; Mark Weiser filed a complaint against Mr. Kelleher regarding the tax services that he provided him personally in 2002-2005 in conjunction with the tax and compilation services he provided during that time for several companies in which Mr. Weiser held a partnership interest until 2006. Mr. Weiser's main contention is that Mr. Kelleher improperly assigned a patent, which has been purchased by Mr. Weiser on behalf of the company as a business asset to Shake-Away while disregarding Mr. Weiser's contention that it was solely his asset and should have been reflected as such on his tax return. In addition, Mr. Weiser claims that Mr. Kelleher improperly classified royalty income as self employment income subject to the self-employment tax. Counsel held a compliance meeting with Mr. Kelleher on January 27, 2010 during which counsel and Mr. Kelleher went over work papers supporting the tax returns of all the companies and Mr. Weiser's personal returns. None of the allegations contained in either of Mr. Weiser's letters are supported by the evidence; ***recommending dismissal- no violation/no probable cause.***

Motion made by James Ciarcia and seconded by Martha Triplett to dismiss enforcement case # 2008067-3167, against Mr. Arthur Kelleher. Legal Counsel found no evidence to support probable cause. Mr. Philip DeCaprio recused himself; no votes against and no abstentions.

2009001-3172 John Ferland, CPA- late quality review report; Mr. Ferland's reviewer was delayed in issuing the report. Mr. Ferland submitted the report to the Board as soon as he received the report; ***recommending dismissal- no violation/no probable cause.***

Motion made by Leonard Romaniello and seconded by Richard Sturdevant to dismiss enforcement case # 2009001-3172, against the firm of John Ferland, CPA. Legal Counsel found no probable cause. All voted in favor; no votes against and no abstentions.

2009025-3196 Kevin Kennedy- negligence during offer and compromise process with IRS; Carol Parenti complains that she and her husband engaged Mr. Kennedy to negotiate with the IRS on their behalf regarding an Offer and Compromise. She claims that they paid Mr. Kennedy's firm over \$5,000 and he never did any work and they do not know what services they paid for. Mr. Kennedy denied the allegations stating that he worked a great deal on the matter but the Parenti's failed to provide the "current substantiating evidence (i.e. bank statements, paid bills, etc)" that are mandatory for an offer and compromise. He provided counsel with a copy of the engagement agreement signed by the Parenti's which clearly spells out the billing and Offer and Compromise procedure; ***recommending dismissal- no violation/no probable cause.***

Motion made by Leonard Romaniello and seconded by Philip DeCaprio to dismiss enforcement case # 2009025-3196, against Mr. Kevin Kennedy. All voted in favor; no votes against and no abstentions.

2009040-3214 Terrance Keefe- submitting tax returns without going over the contents with client; Mr.Keefe did have the appropriate authorization to sign and e-file the Beebe's returns. He stated that he has always gone over the returns with them in the past in order to be sure that they were comfortable that their information agreed with the return; ***recommending dismissal- no violation/no probable cause.***

Motion made Philip DeCaprio and seconded by Leonard Romaniello to dismiss enforcement case # 2009040-3214, against Mr. Terrance Keefe; legal counsel found no violation. All voted in favor; no votes against and no abstentions.

C. COMPLIANCE MEETING SCHEDULED TO ADDRESS ADDITIONAL POTENTIAL CHARGES:

2008038-3144 Michael Plude- Complaint of Pioneer Gas & Appliance scheduled for *February 25, 2010.*

2009152-3328- Michael Plude- Complaint from Ann Carone serving as Administratrix for the Estate of Edward Marocco and B&B Sports, Inc. *February 25, 2010.*

Mr. Plude is on trial beginning February 19, 2010, on felony health care fraud charges stemming from his activities at Pioneer Gas & Appliance relating to his enrollment in the Pioneer Employee Health Care Plan. Counsel has set the compliance meeting for shortly after that date in order to accommodate the trial schedule and schedule the earliest possible meeting.

Potential charges are as follows:

(Counts 1-11: Pioneer) Dishonesty and Fraud in the practice of public accountancy, pursuant to 20-281a(a)(5).

(Count 12) Negligence in the practice of public accountancy for failure to file corporate tax returns for Pioneer Gas & Appliance for the tax year 2006, pursuant to 20-281a(a)(5).

(Count 13) Pursuant to section 20-281a (a) (6), for violation of 20-281k (b): failure to return records to Pioneer Gas & Appliance.

(Count 14) Pursuant to Section 20-281a (a) (6), for violation of 20-280-2 through 20-280-9 of the Regulations of Connecticut State Agencies: Failure to undergo and report quality review

(Count 15) Pursuant to Section 20-281a(a)(7), for violation of the rules of professional conduct adopted by the board under subdivision (4) of subsection (g) of section 20-280, section 20-280-15c, specifically:

(Count 16) Violation of section 20-280-15c(a)(2)(a): lacking independence with respect to the client Pioneer Gas & Appliance by being connected to the business as an officer while practicing public accountancy for that same client.

(Count 17) Violation of section 20-280-15c(a)(2)(b): lacking independence with respect to the Pioneer by appointing himself trustee for the client's pension plan while practicing public accountancy for that client.

(Count 18) Violation of section 20-280-15c(b): knowingly misrepresenting the facts in the performance of professional services.

(Count 19) Violation of section 20-280-15c(k): failure to return accounting and all other records belonging to the Pioneer provided by or on behalf of Pioneer.

(Count 20) Violation of section 20-281-15c(l): behaving in a manner which reflects adversely on his fitness to practice public accountancy

(Count 21) Violation of section 20-280-15c(m): acting through another in order to carry out acts which would be a violation of the rules if conducted personally.

(Count 22) Pursuant to section 20-281a (a) (6), for violation of 20-281k (b): failure to return records to B&B Sports, Inc. and the estate of Edward Morocco.

(Count 23) Violation of section 20-280-15c(k): failure to return accounting and all other records belonging to B&B Sports, Inc. and Edward Morocco provided by or on behalf of them.

(Count 24) Fraud and/or negligence in the practice of public accountancy for failure to ensure the business issued either W-2 forms to employees or 1099 forms to independent contractors, pursuant to 20-281a(a)(5).

The Board noted the above for the record.

D. REQUESTING BOARD ISSUANCE OF SUBPOENAS:

2009152-3328 Michael Plude- failure to return records, negligence, and fraud; Ann Carone complains that Mr. Plude refuses to return records for the business her brother ran called B&B sports, Inc., a/k/a B&B indoor sports, a/k/a B&B indoor training, a/k/a B&B batting cages and he embezzled money while serving as both partner and CPA for the business. She also alleges that Mr. Plude instructed her brother not to issue W-2s or 1099s to employees and not to pay any social security for those employees.

Ms. Carone's brother passed away suddenly; she is the administratrix of his estate. She has attempted to obtain copies of the checks used to pay the mortgage and other documents related to the mortgage from the Naugatuck Valley Savings & Loan. However, the bank manager will not release them without a subpoena. She believes this is because Mr. Plude is on the Board of Directors of that savings and loan institution. After looking through the information she has to work with, she believes that her brother put \$180,000 into the business that is unaccounted for.

Counsel requests the Board issue subpoenas requiring production of:

1. All documents regarding B&B Sports, Inc. including but not limited to, bookkeeping tax records and work papers related to tax preparation, copies of checks, check ledgers, payroll documents, all documents regarding income and expenses of B&B and proof of deposit of income and payment of expenses for the years 1996 to the present.
2. All documents related to the mortgage held by Naugatuck Valley Savings & Loan from Edward Morocco, now the Estate of Edward Morocco, including, but not limited to, correspondence regarding the application, processing, approval, and closing on the mortgage; documents related the mortgage payments; documents related to the use of the mortgage funds in connection with B&B; and any other documents regarding Edward Morocco and B&B Sports, Inc.

For service on the following:

Michael Plude
Kaskie & Plude, LLC
Naugatuck Valley Savings & Loan

Motion was made by Philip DeCaprio and seconded by Martha Triplett to issue subpoenas in enforcement case # 2008038-3144 & 2009152-3328, against Mr. Michael Plude. All voted in favor; no votes against and no abstentions.

E. Withdrawal of Formal Charges until Supplemental Compliance Meeting to Address All Potential Charges is Held.

2003011-2449 Paul Greenberg- Counsel recommending withdrawal of the following charges until a supplemental compliance meeting covering all potential charges is held between February 16 2010 and February 19, 2010:

COUNT I. Gaylordsville Rest Home: Mr. Greenberg prepared cost reports for the Gaylordsville Rest Home as well as the personal tax returns of the owner and his family (the Ramsdens). The personal tax returns showed that Suzanne Ramsden was a full time school teacher in New York and that John Ramsden II was a full-time college student. However, the cost reports reflected that Suzanne worked at the care facility full-time (2080 hours) and that John Ramsden II worked part-time (702 and 893 hours) during 1998 and 1999. By John Ramsden's statement of 12/31/2001 to an inspector in the Office of the Chief State's Attorney, Suzanne worked no more than 10 hours per week and John II did not work at all, with the exception of a few weekend projects. As a result of the fraudulent information provided in the cost report, Gaylordsville Rest Home was overpaid by DSS in the amount of \$153,433.00.

Having prepared their personal tax returns, Mr. Greenberg knew that Suzanne Ramsden was a full-time teacher and John Ramsden II was a full-time student. Nevertheless, he prepared cost reports showing that Suzanne and John II worked at the care facility.

Thus, it appears that Mr. Greenberg knowingly misrepresented their status as employees of the Gaylordsville Rest Home on the Annual Report of Long-term Care Facility for the years 1998 and 1999, in violation of section 20-280-15c(b) of the Regulations of Connecticut State Agencies.

COUNT II. Yorkshire Manor: Mr. Greenberg prepared cost reports for the Yorkshire Manor, Inc. (Yorkshire) as well as the personal tax returns of the new owner, Camille Frosolone, and an employee, Dawn Pascale. He also lent money to Camille Frosolone (\$40,000.) which was secured by a mortgage on the property on which Yorkshire was located.

The Yorkshire was formerly known as the Willow Rest Home (Willow). Paul Greenberg was the accountant for the Willow. When the Willow's owner, William Pascale became interested in selling the facility, Paul Greenberg initiated correspondence with DSS and found that when a licensed residential care home is sold, the new ownership of the facility may be eligible to receive an interim rate greater than the rate previously established for the facility as long as the sale is completed between "non-related parties".

Based on this information, William Pascale decided not to sell the Willow to his daughter Dawn Pascale. Instead he sold the business to Camille Frosolone in March of 1991, after which she changed the name to Yorkshire Manor, Inc.

The rate which the Willow received from DSS prior to the sale was \$22.43 per day. After the sale, DSS granted Yorkshire a retroactive interim rate of \$37.00 per day, effective July 1, 1991. The increases led to Yorkshire's receipt of excess reimbursement during the period June 19, 1991 through June 30, 1993 in the amount of \$256,483.00.

Having prepared their personal tax returns, Mr. Greenberg knew that Ms. Frosolone and Ms. Pascale lived together and were business partners. As such they were "related parties", pursuant to section 17-311-12(h) of the Regulations of Connecticut State Agencies. Nevertheless, he never reported their "related party" relationship in subsequent cost reports to DSS.

Thus, it appears that Mr. Greenberg knowingly misrepresented their status as "non-related parties" on the Annual Reports of Long-term Care Facility, in violation of section 20-280-15c(b)

of the Regulations of Connecticut State Agencies.

Motion made by Richard Sturdevant and seconded by Martha Triplett to withdraw all formal charges until a supplemental compliance meeting covering all potential charges is held between February 16, 2010 and February 19, 2010 in enforcement case # 2003011-2449, against Mr. Paul Greenberg. Philip DeCaprio recused himself; no votes against and no abstentions.

A motion was made by Leonard Romaniello and seconded by Martha Triplett to enter into the Executive Session of the Board Meeting at 11:16AM. to review cases where litigation is pending. The Board invited Executive Director Guay and Attorney Adams into the executive session, as well. All voted in favor; no votes against and no abstentions.

A motion was made by Richard Sturdevant and seconded by Leonard Romaniello to close out the Executive Session at 11:26 A.M. All voted in favor; no votes against and no abstentions.

No motion was made to go into executive session on personal matters. The Board did not go into executive session for personnel matters.

A Motion was made by James Ciarcia and seconded by Martha Triplett to adjourn the February 02, 2010 Board Meeting of the Connecticut State Board of Accountancy at 11:27 A.M. All voted in favor; no votes against and no abstentions.