



STATE BOARD LEDGER

A Publication of the Kentucky State Board of Accountancy

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CHANGE IN THE FIRM LICENSE RENEWAL PROCESS BEGINNING 2011

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 this year:

1. All CPA firms required to renew their license this year will expire as of **August 1** instead of **July 1**;
2. Upon completion of the license renewal process a CPA firm will receive a **1 year** instead of **2 year** license; and
3. The cost of this license will be **\$50**.

This change in the duration and cost of the firm license will only be applicable for those firms scheduled to renew their license this year. In 2012 these firms will renew the license prior to August 1 but the license will be effective for 2 years and the fee will be \$100.

In **2012** all firms will renew their license for 2 years and the fee will be \$100. Also all firm licenses will be able to be renewed and paid for using an online process located on the Board website.

By implementing this process all firm licenses will be renewed every 2 years. The Board was able to adopt this procedure as a result of using the online license renewal process which will begin in 2012.

REMEMBER THE UPCOMING CHANGES FOR INDIVIDUAL LICENSE RENEWAL

Beginning in **2011** an individual license assigned an odd number will not expire until **August 1st** as opposed to **July 1st**. After **August 1st** a CPA will have a **(1) one month** (instead of the current 6 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 report having completed 80 hours of CPE, **forty (40) of which must have been in accounting or auditing subjects**, or 60 hours of CPE, **thirty (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 **2 hours of ethics** that must be included as part of the CPE requirement when renewing or reinstating a license.

This change in the expiration date, grace period, and reinstatement process will also apply to those renewing a license in 2012.

CPA EXAM STATISTICS for 2010

JAN.-FEB

BREAKDOWN BY EXAM SECTION			
AUD*	126 sat 74 passed 59% pass rate	FAR*	107 sat 47 passed 44% pass rate
REG*	121 sat 62 passed 51% pass rate	BEC*	132 sat 63 passed 48 % pass rate

APRIL-MAY

BREAKDOWN BY EXAM SECTION			
AUD*	110 sat 52 passed 47% pass rate	FAR*	91 sat 47 passed 52% pass rate
REG*	108 sat 61 passed 56% pass rate	BEC*	139 sat 80 passed 58 % pass rate

JULY-AUGUST

BREAKDOWN BY EXAM SECTION			
AUD*	149 sat 64 passed 43% pass rate	FAR*	184 sat 107 passed 58% pass rate
REG*	174 sat 96 passed 55% pass rate	BEC*	228 sat 116 passed 51 % pass rate

*AUD = Auditing and Attestation
*REG = Regulation

*FAR = Financial Accounting and Reporting
*BEC = Business Environments and Concepts

OCTOBER-NOVEMBER

BREAKDOWN BY EXAM SECTION			
AUD*	176 sat 63 passed 36% pass rate	FAR*	235 sat 102 passed 43% pass rate
REG*	128 sat 55 passed 43% pass rate	BEC*	248 sat 107 passed 43% pass rate

DISCIPLINARY ACTIONS

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

2009-017 Terry L. Payne, 4828 – On January 5, 2009, an Indictment was filed against the Respondent in the Daviess County Kentucky Circuit Court. The Respondent was charged with 5 counts of unlawfully exercising control over money that belonged to Audubon Area Community Services, where from 2006 through 2007 he was serving as the Chief Financial Officer. On September 21, 2009, the Respondent entered into a Plea Agreement whereby he pled guilty to the 5 counts of taking funds belonging to his employer as mentioned above. Also on September 21, 2009 a Judgment was entered in the case whereby the Respondent’s guilty plea was accepted by the court and he was sentenced to serve 12 months in prison for each count. The sentences were to run consecutively for a total combined sentence of five years. However the imposition of that sentence was diverted for 5 years and the Respondent was placed under a Diversion Order. Some of the conditions of the diversion process included the Respondent paying \$24,000 in restitution to his former employer and returning to his former employer any other property of the employer that the Respondent had taken. The Respondent’s license was scheduled to expire as of July 1, 2010.

Statutory violation: The Respondent admits that by entering a guilty plea in the above referenced case, he in fact pled guilty to having committed a felony which constitutes a violation of KRS 325.340(1)(e).

Remedy: The Respondent’s individual license is permanently REVOKED. The Respondent understands that he is prohibited from ever submitting an application to the Board for consideration of reissuance or reinstatement of his license.

2009-041 Andrea Sinkhorn, 5922 - On December 2, 2009 a complaint regarding the Respondent from a former client was received in the Board office. On December 14, 2009 a copy of the complaint was sent to Ms. Sinkhorn to submit a response to the Board by December 30, 2009. Ms. Sinkhorn failed to respond to the complaint by the December 30 deadline. Due to the failure of Ms. Sinkhorn to respond, an investigator for the Board attempted to speak with the Respondent at her office on January 19, 2010 but she was not in the office at that time. On February 4, 2010, the executive director for the Board spoke with Ms. Sinkhorn who said she would deliver the records requested by the former client to the new CPA and that she would send a response to the complaint so it was received in the Board office no later than February 11. On February 10, 2010 a response from Ms. Sinkhorn was received in the Board office. According to the response Ms. Sinkhorn promised she would deliver the necessary records to the new CPA within the next week. However it appears from the response that Ms. Sinkhorn was unsure as to whether she prepared a final tax return for the former client for 2008. The new CPA never received the records from Ms. Sinkhorn on or before February 17, 2010. On February 19, 2010 the new CPA sent an email to the executive director in which he stated Ms. Sinkhorn had called him at 8:59 PM on February 18

and left a message requesting to meet with him on the 19th to go through boxes at his office that Ms. Sinkhorn had left there. He called her back on the morning of the 19th but could only leave a voice mail message in which he suggested that she simply drop off the 2008 tax return and the QuickBooks copy she claimed to have prepared for the former client. The new CPA did not hear from Ms. Sinkhorn for the rest of that day. On February 26, 2010 the new CPA forwarded to the executive director a copy of an email he had sent to the former client of Ms. Sinkhorn regarding her failure to drop off the materials requested. The executive director was out of the office at that time but was able to advise another staff member to have the investigator interview Ms. Sinkhorn. The interview was conducted on March 15, 2010. On March 19, 2010 the executive director sent a letter to Ms. Sinkhorn, in which she was directed to provide the material to the new CPA no later than March 26. On April 8, 2010 the executive director confirmed with the new CPA that the records had not been delivered. On May 5, 2010 the executive director sent a letter to Ms. Sinkhorn and included a copy of a release that the new CPA had prepared to obtain from Ms. Sinkhorn copies of the documents the new CPA deemed necessary to assist Ms. Sinkhorn's former client. The letter stated that the documents were to be delivered to the new CPAs office no later than May 12, 2010 or Ms. Sinkhorn was to write and advise the executive director why the documents could not be presented by that date. No response was received to that letter. The Respondent failed to produce the records requested by her former client. As a result of her failure to return the records requested the complaining party was forced to incur additional fees charged by the new CPA to prepare and file her 2008 and 2009 returns. The Respondent's license expired as of July 1, 2010. As a result the Respondent is prohibited from using the title "CPA" and performing any type of public accounting service. The parties have agreed to resolve this matter as follows.

Statutory violations: Based upon the foregoing Statement of Fact the Respondent admits that she failed to provide the records of her former client to the new CPA as requested which is in violation of KRS 325.420(2) and a basis to take action against her as provided for in KRS 325.340(1)(c).

Terms and conditions: The Respondent's license shall not be renewed. In addition the Respondent is voluntarily surrendering her license as if it was revoked. The Board may consider reinstating the Respondent's license in the future provided she is able to document that she is capable of performing her daily responsibilities as a CPA. With any request for reinstatement, the Respondent shall submit proof that she has completed, within two years prior to the date she is requesting reinstatement, 140 hours of CPE, 40 of which must have been in accounting or auditing topics. The 140 hours consist of the 60 hours of CPE she was to have completed to renew her license in 2010 and an additional 80 hours of CPE that all CPAs must complete as part of the reinstatement process and pay the reinstatement fee in effect at that time. Following satisfaction of the above terms the Respondent's license may be reinstated but shall be subject to the following conditions: The Respondent shall pay a \$2,000 fine within 30 days from the date her license is reinstated; her practice shall be monitored for a period of 2 years beginning from the date the license is reinstated; the Respondent shall be responsible for all costs associated with this monitoring.

2011-003 James and William Critchfield - In July of 1977 the Board approved an initial license for the Firm. Since the granting of the initial license the Firm license has continuously been renewed through 2009. Each time the license was renewed the Critchfields indicated the Firm was performing audits. The Firm was also continuously enrolled in a peer review program during that time period and had submitted copies of the necessary peer review documents to the Board. In September of 2007 the Firm received an unmodified peer review report and was advised the due date for its next review would be May 31, 2010. When the firm license was renewed in 2009 James Critchfield noted on the renewal form that the Firm had provided attest services since its last renewal (2007) and intended to continue to provide them until at least June 30, 2010. In September of 2010 Board staff sent a letter to James Critchfield requesting a copy of the peer review report that should have been completed in May of 2010. On October 16, 2010 an email was received in the Board office from James Critchfield. In the email Mr. Critchfield was requesting guidance as to peer review since he and his brother were planning to only perform tax and bookkeeping services and did not want to undergo a peer review. On October 18, 2010 the executive director for the

Board responded to the email. In that response James Critchfield was advised that the firm was still required to undergo a peer review since it should have been completed in May of 2010 and the Board would not let them retire and close the Firm without having completed a peer review. On October 21, 2010 a letter was received in the Board office from the Critchfields. In the letter the Critchfields stated they were retiring from public accounting. As a result of that decision they were surrendering their licenses and wanted the Firm license cancelled without having to undergo the required peer review.

Statutory violations: The Firm, by and through the Critchfields and the Critchfields individually admit that they prepared and issued audit reports as set forth above without having completed their scheduled peer review. This failure to complete the peer review is in violation of KRS 325.301(8) which constitutes a basis to take action against the Firm's and the Critchfields licenses pursuant to KRS 325.340(1)(c).

Remedy: The licenses of the Firm and the Critchfields are voluntarily surrendered as if revoked. If the Firm or either of the Critchfields wish to reinstate their licenses in the future they shall: comply with the reinstatement requirements in effect at that time; pay a \$1,000 fine if their request to reinstate their license is granted. The fine is due and payable no later than 30 days from the date any reinstatement request is granted; and immediately enroll in a peer review program.

2011-005 Daniel Lowe, 4882 – The Respondent renewed his license online in 2010 and indicated he had completed 60 hours of CPE. Under the authority of 201 KAR 1:100, Section 7(2), the Respondent was chosen at random to submit documentation to substantiate he completed these hours. A letter requesting the documentation was mailed on September 20, 2010 to the Respondent at the address which is on file with the Board. The Respondent was able to substantiate he had completed 54 of the 60 hours of CPE required to renew a license in 2010. He was unable to establish that he had completed 2 hours in ethics related courses during the CPE reporting period. The Respondent noted that he had misplaced a box that contained a file where the remaining documents were located. After reviewing the above mentioned documents the parties have agreed to settle this matter as set forth below.

Statutory violations: 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 which is a basis to take action against his license pursuant to KRS 325.340(1)(c).

Remedy: The Respondent was ordered to complete 12 hours in CPE courses, four (4) of which are to be in courses related to ethics topics. Documentation to support completion of these hours must be submitted to the Board within 10 days of completion. He was also ordered to pay a fine in the amount of \$250.

2011-008 Timothy W. Stephens, 4544 - The Respondent renewed his license online in 2010 and indicated he had completed 60 hours of continuing professional education. Under the authority of 201 KAR 1:100, Section 7(2), the Respondent was chosen at random to submit documentation to substantiate he completed these hours. A letter requesting the documentation was mailed on September 20, 2010 to the Respondent at the address which is on file with the Board. The Respondent was able to substantiate he had completed 36 hours of the 60 hours of CPE required when he renewed his license on June 21, 2010. He was also to establish that he had obtained two (2) hours in ethics related courses but this course was completed after he renewed his license. The Respondent indicated in a letter attached to the completion documents that he had completed a Federal Tax Update Course that would have qualified for 24 CPE credit hours but was unable to locate the completion documents. After reviewing the above mentioned documents the parties have agreed to settle this matter as set forth below.

Statutory violations: 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 which is a basis to take action against his license pursuant to KRS 325.340(1)(c).

Remedy: The Respondent was ordered to complete 48 hours in CPE courses four (4) of which shall be in courses related to ethics topics. Documentation to support completion of these hours must be submitted to the Board within 10 days of completion. He was also ordered to pay a \$500 fine.

2011-009 Cindy Clark Wimpy, 10818 - The Respondent renewed her license online in 2010 and indicated she had completed 60 hours of continuing professional education. Under the authority of 201 KAR 1:100, Section 7(2), the Respondent was chosen at random to submit documentation to substantiate she completed these hours. A letter requesting the documentation was mailed on September 20, 2010 to the Respondent at the address which is on file with the Board. No response to the letter was received from the Respondent and the letter was not returned by the US Postal Service. A second letter requesting the documentation was mailed on October 15, 2010 to the same address as the previous letter. No response to the letter was received from the Respondent and the letter was not returned by the US Postal Service.

Statutory violations: 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 which is a basis to take action against her license pursuant to KRS 325.340(1)(c).

Remedy: The Respondent was ordered to complete 120 hours in continuing professional education courses. Four (4) of these hours shall be ethics related courses. Documentation to support completion of these hours must then be submitted to the Board within 10 days of completion. She was also ordered to pay a \$500 fine.

2011-013 Sherrie L. Combs, 5418 - The Respondent renewed her license online in 2010 and indicated she had completed 60 hours of continuing professional education. Under the authority of 201 KAR 1:100, Section 7(2), the Respondent was chosen at random to submit documentation to substantiate she completed these hours. A letter to the Respondent requesting the documentation was mailed on September 20, 2010 to her address which is on file with the Board. In response to the letter Ms. Combs was able to verify that prior to renewing her license she had actually completed only 40 of the 60 hours of CPE required to have renewed her license. Ms. Combs also included copies of documents to substantiate she completed 22 of the 60 hours of CPE after she renewed her license. After reviewing the above mentioned documents the parties have agreed to settle this matter as set forth below.

Statutory violations: The Respondent was required to have completed 60 hours of CPE prior to renewing her license. 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 which is a basis to take action against her license pursuant to KRS 325.340(1)(c).

Remedy: The Respondent was ordered to complete an additional 40 hours in CPE courses. The 22 hours completed after the renewal of her license may be used to reduce the 40 hours to 18 hours. Documentation to support completion of these 18 hours must be submitted to the Board within 10 days of completion of these additional hours. These hours may not be used to renew the Respondent's license in 2012. She was also ordered to pay a \$500 fine and participate in the 2012 CPE audit.

2011-015 Murray L. Gipe, 7406 – The Respondent renewed his license online in 2010 and indicated he had completed 60 hours of continuing professional education. Under the authority of 201 KAR 1:100, Section 7(2), the Respondent was chosen at random to submit documentation to substantiate he completed these hours. A letter to the Respondent requesting the documentation was mailed on September 20, 2010 to his address which is on file with the Board. In response to the letter Mr. Gipe was able to verify that prior to renewing his license he had actually completed only 56.5 of the 60 hours of CPE required to have renewed his license. Mr. Gipe also included copies of documents to substantiate he completed 3.5 of the

60 hours of CPE after he renewed his license. After reviewing the above mentioned documents the parties have agreed to settle this matter as set forth below.

Statutory violations: The Respondent was required to have completed 60 hours of CPE prior to renewing his license. 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 which is a basis to take action against his license pursuant to KRS 325.340(1)(c).

Remedy: The Respondent was ordered to complete an additional 7 hours in CPE. The 3.5 hours completed after the renewal of his license may be used to reduce the 7 hours to 3.5 hours. Documentation to support completion of these 3.5 hours must be submitted to the Board within 10 days of completion. These hours may not be used to renew the Respondent's license in 2010. He was also ordered to pay a \$250 fine and participate in the 2012 CPE audit.

2011-016 Jesse G. Oakley, 2512 - The Respondent renewed his license online in 2010 and indicated he had completed 60 hours of continuing professional education. Under the authority of 201 KAR 1:100, Section 7(2), the Respondent was chosen at random to submit documentation to substantiate he completed these hours. A letter to the Respondent requesting the documentation was mailed on September 20, 2010 to his address which is on file with the Board. In response to the letter Mr. Oakley was able to verify that prior to renewing his license he had actually completed only 48 of the 60 hours of CPE required to have renewed his license. Mr. Oakley also included copies of documents to substantiate he completed 24 of the 60 hours of CPE after he renewed his license. The 24 hours were double the deficiency in hours he should have completed prior to renewing his license. After reviewing the above mentioned documents the parties have agreed to settle this matter as set forth below.

Statutory violations: The Respondent was required to have completed 60 hours of CPE prior to renewing his license. 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 which is a basis to take action against his license pursuant to KRS 325.340(1)(c).

Remedy: The Respondent was ordered to pay a \$500 fine and participate in the 2012 CPE audit.

2011-017 Thomas W. Spencer, 5508 - The Respondent renewed his license online in 2010 and indicated he had completed 60 hours of continuing professional education. Under the authority of 201 KAR 1:100, Section 7(2), the Respondent was chosen at random to submit documentation to substantiate he completed these hours. A letter to the Respondent requesting the documentation was mailed on September 20, 2010 to his address which is on file with the Board. In response to the letter Mr. Spencer was able to verify that prior to renewing his license he had actually completed only 34.5 of the 60 hours of CPE required to have renewed his license. Mr. Spencer also included copies of documents to substantiate he completed 50 hours in CPE courses after he renewed his license. After reviewing the above mentioned documents the parties have agreed to settle this matter as set forth below.

Statutory violations: The Respondent was required to have completed 60 hours of CPE prior to renewing his license. 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 which is a basis to take action against his license pursuant to KRS 325.340(1)(c).

Remedy: The Respondent was ordered to complete an additional 51 hours in CPE courses. The 50 hours completed after the renewal of his license may be used to reduce the 51 hours to 1 hour. Documentation to support completion of this 1 hour must be submitted to the Board within 10 days of completion. He was also ordered to a \$500 fine and participate in the 2012 CPE audit.



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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".