

SCENE 1: Introduction & PTA Meeting

NARRATOR (Ryan)

Today I want to talk to you about the perils of failure to comply with Peer Review, and taking on an engagement outside of your area of practice or expertise. Doing so can cause significant harm to both you, and your client. Let's take a look at a common example of this scenario.

PTA PRESIDENT (Cassandra)

It's September 5, 2015. Welcome to the first meeting of the Elementary PTA for the new school year! Our first order of business is that we need an audit of the PTA's books. Do we have any volunteers?

CROWD

Hey, Brenda Big is a CPA. Let's have her do it.

{CROWD CHIMES IN}

Good idea! Yeah Brenda, you can do it!

BRENDA BIG (Leona)

I only do tax services.

PTA PRESIDENT (Cassandra)

Brenda, the school is requiring a report on the books, and we don't really have it in the budget to hire an outside CPA. Brenda, can you please help us out with this little audit? We only do a small amount of transactions each school year.

CROWD

Come on Brenda. It will really help us out!

BRENDA BIG (Leona)

Well ok. I guess I can do it this time.

CROWD

Thank you! Thanks Brenda!

NARRATOR (Ryan)

Deep down, Brenda has a feeling this is a bad idea. Brenda has just agreed to an attest engagement without having the appropriate experience and qualifications.

In addition, there are costly peer review requirements that Brenda is not thinking about.

SCENE 2: A year and a half later – Brenda Big doing her permit renewal online

BRENDA BIG (Leona)

Ok, let's get this registration knocked out for the Kansas Board of Accountancy. I'm logged in now. I need the permit. Check. CE? 80 hours, including 2 hours of ethics. Services provided? Tax? Yes. Audits? Well I did that little audit for the PTA, but I wasn't paid for it, so that doesn't apply to me. No to that one. Affirm under penalty of perjury that all information is correct. Done. Make payment. Done. I am good to go.

SCENE 3: Brenda Big gets letter from the Board

NARRATOR (Ryan)

It looks like Brenda received a certified letter from the Kansas Board of Accountancy. Let's see what this is about.

{Brenda opens letter}

(Reads letter)

Dear Ms. Big:

The Kansas Board of Accountancy has received information indicating that you have performed an audit for the Elementary PTA, with an issue date of December 31, 2015. Our records indicate that you did not report this service to the Board on your permit renewal application; you did not register as a firm; you did not provide a peer review letter of completion to the Board within 18 months of the date of the issuance of the audit report, as is required in K.S.A. 1-501, and the audit did not conform with applicable professional standards. Enclosed is a Petition for Disciplinary Action and a Notice of Hearing before the Kansas Board of Accountancy.

SCENE 4: Hearing for Brenda Big at the OAB

BOARD CHAIR (John)

I hereby call to order this meeting of the Kansas Board of Accountancy. The first order of business is the hearing in the matter of Brenda Big. Ms. Big, the Kansas Board of Accountancy alleges that you violated the statutes and regulations governing the practice of certified public accountancy in this State, as you did not report this service on your permit renewal application; you did not register as a firm with the Board; you did not provide a Peer Review letter of completion to the Board within 18 months of the issue date of the audit report, and the audit failed to conform with applicable professional standards. How would you like to respond to these allegations?

BRENDA BIG (Leona)

I was just trying to help out, and I thought the audit would be a simple process. I didn't even get paid for that audit.

BOARD CHAIR (John)

We have now reviewed the evidence. As a CPA, it is your ethical and professional duty to only perform services that you are qualified to perform, regardless of whether or not you are compensated. The Board orders a \$1,000 fine for failing to comply with applicable professional standards; a \$1,000 fine for fraud, dishonesty or deceit in obtaining a permit by failing to notify the Board on your application that you performed attest services; a \$500 fine for violation of the Accountancy Act in not timely registering as a firm; and a \$500 fine for failure to timely comply with peer review. This hearing is now adjourned.

SCENE 5: Brenda calls her husband

BRENDA BIG (Leona)

{Talking on the phone to her husband}

Honey, I got fined by the Board of Accountancy for doing that audit for the PTA. I am so embarrassed and frustrated with myself. I wish I'd never agreed to do that audit.

SCENE 6: Conclusion

NARRATOR (Ryan)

So what have we learned today?

Brenda succumbed to the peer pressure to perform an audit she was not qualified to do. Before taking on any type of engagement, it is your responsibility to understand any specific requirements associated with the services you want to provide. Also, it is your responsibility to take the appropriate CE to familiarize yourself with the professional standards applicable to any services you will perform. Also, be sure to report ALL services you provide on any registration required to be filed with the Board. If you have questions, you should contact the Kansas Board of Accountancy.