

IOWA COMMISSION OF ACCOUNTANCY

IN THE MATTER OF  
GEORGE C. STEBBINS  
IOWA CPA CERTIFICATE  
NO. 628  
RESPONDENT

STIPULATION

WHEREAS, it has come to the attention of the Iowa Commission of Accountancy that George C. Stebbins failed to use generally accepted auditing standards and generally accepted accounting principals in the preparation of various financial statements; and

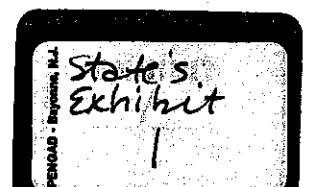
WHEREAS, the Iowa Commission of Accountancy has investigated this matter; and

WHEREAS, following the investigation, George C. Stebbins was given the opportunity to appear voluntarily with legal counsel before the Commission's Committee on Ethics and Enforcement to be apprised of the results of the investigation and to orally present additional data, views, and comments at an informal conference held on January 8, 1987; and

WHEREAS, George C. Stebbins with full knowledge of the investigation, its potential legal consequences, the right to counsel, and the right to formal adjudicatory proceedings under Iowa Code section 116.23, did appear voluntarily;

NOW THEREFORE, the Iowa Commission of Accountancy and George C. Stebbins do hereby stipulate and agree as follows:

1. George C. Stebbins admits the jurisdiction of the Iowa Commission of Accountancy over this action.
2. George C. Stebbins will submit a client list for all current audit, review and compilation engagements. The client list is to be submitted to the Commission office on or before May 1, 1987.
3. George C. Stebbins will develop a one year (May 1, 1987 thru April 30, 1988) consultation agreement with a firm of CPAs or individual CPA, approved by the Commission, to provide a pre-release review of audits, compilations and reviews. The reviewer will submit, on a quarterly basis, a list of reports and any comments made pertaining to the reports reviewed. A review will be conducted on all compilations once in the first six months and once again in the last six months. All other reports will be reviewed prior to their release. The consultation agreement shall be developed and implemented by May 1, 1987.



4. George C. Stebbins shall complete sixteen (16) hours of continuing professional education in 1987 and sixteen (16) in 1988 in the subjects of accounting and auditing which shall include the subjects of compilation and review. This requirement is to be a part of the required CPE for renewal as required in rule 10.3.

5. George C. Stebbins shall pay a fine of \$100, on or before May 1, 1987, for failure to respond to Commission correspondence.

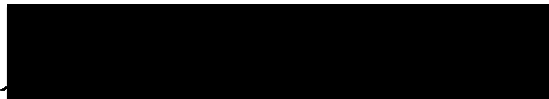
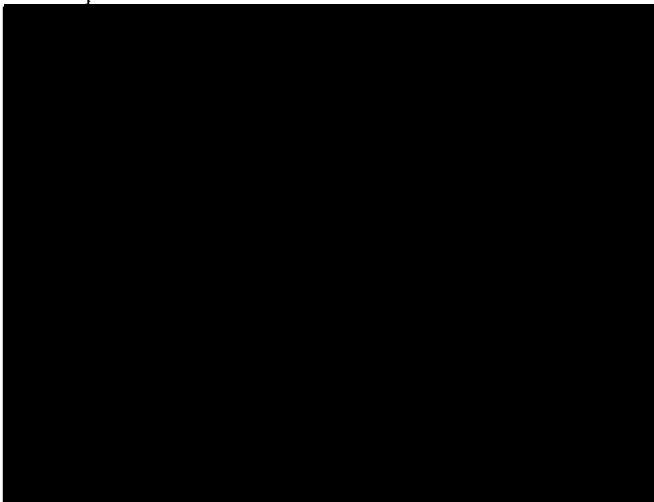
6. Failure to execute the provisions of this Stipulation shall result in the Commission setting a date for a formal hearing for failure to comply with an order of the Commission pursuant to Iowa Code Section 258A.3(2)(a).

7. This agreement shall constitute the entire agreement of the parties hereto and is intended to be a final disposition of all matters which are the subject of this stipulation. Satisfactory completion of the terms of this stipulation shall be considered a final disposition of this matter and no other proceedings shall be instituted in this matter.

8. This stipulation is voluntarily entered into by George C. Stebbins and George C. Stebbins fully realizes the legal consequences of this stipulation.

Dated this 10<sup>th</sup> day of March, 1987.

For the Commission:



J. W. [Redacted]  
Counsel for Respondent

IN THE MATTER OF  
CERTIFICATE NO. 628  
ISSUED TO GEORGE C. STEBBINS

FINAL DECISION

The matter of George C. Stebbins certificate No. 628 came up for hearing on the 10th day of September, 1987 at 10:30 a.m. in the Gold Room, Highlander Inn, Iowa City, Iowa before a hearing panel comprised of Daryl Henze, Gaylon Halverson, A. E. Iverson, Kenneth Putzier, Diane McNulty, all members of the Iowa Accountancy Examining Board and holders of permits to practice, Jerry Coughlon, a public member of the Board, and Frank Bladon, AP member of the Board. George C. Stebbins, the licensee, was present and was represented by V. J. Villont, Attorney at Law. Theresa O'Connell Weeg, Assistant Attorney General, represented the State of Iowa.

The hearing proceeded with evidence offered by the State of Iowa and by Mr. Stebbins.

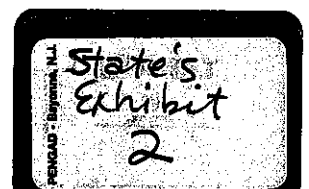
#### FINDINGS OF FACT

1. George C. Stebbins is the holder of Iowa CPA certificate No. 628.
2. George C. Stebbins failed to comply with item #3 of a Stipulation he had entered into with the Board on March 10, 1987.
3. Failure to comply with an order of the Board is a violation of Iowa Code Section 258A.3(2)(a)(1987).

#### CONCLUSIONS OF LAW

It is the opinion of the Iowa Accountancy Examining Board, based on the findings of fact enumerated above, that George C. Stebbins failed to comply with a Stipulation entered into with the Board and, under authority of Section 116.21 of the Code of Iowa, said Board suspends the Iowa Certified Public Accountant Certificate Number 628 issued to George C. Stebbins under Section 116.5.

The Board, under authority of Section 258A.3(2)(e) of the Code of Iowa, imposes a fine of \$1,000.00 (one thousand dollars) on George C. Stebbins. The fine is payable within 30 (thirty) days of receipt of the Final Decision.



The Board may reinstate George C. Stebbins Iowa CPA certificate (No. 628) and Iowa permit to practice when Mr. Stebbins meets all of the following conditions:

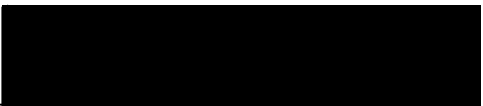
1. George C. Stebbins shall complete and submit the biennial renewal of certificate and permit to practice form, along with the appropriate fee, penalty and report of continuing education, prior to reinstatement, as required by Board rule 10.3.
2. George C. Stebbins shall complete 16 (sixteen) hours of continuing education in the areas of accounting and auditing which shall include the subjects of compilation and review. Mr. Stebbins shall submit a written plan for the completion of the 16 hours of continuing education prior to attending such education. The Board shall approve or reject the plan, within 30 days of receipt of such plan.

George C. Stebbins, upon completion of each approved continuing education program, shall submit to the Board, a signed affidavit of attendance and participation, 10 (ten) days after the date of completion. The sixteen hours of continuing education are in addition to those hours required by Board rule 10.3.

George C. Stebbins shall complete another 16 (sixteen) hours of continuing education in the areas of accounting and auditing which shall include the subjects of compilation and review. The sixteen hours of continuing education is in addition to that required by Board rule 10.3 and must be completed within one year after reinstatement of his CPA certificate and permit to practice.

3. George C. Stebbins, 10 (ten) days after the reinstatement of his CPA certificate and permit to practice shall submit in writing, the name of a firm of CPA's or an individual CPA, to be approved by the Board, to comply with item #3 of the March 10, 1987 Stipulation.

The consultation agreement shall be for 12 (twelve) months from the date the agreement is approved by the Board.

  
Daryl K. Henze, Chairman  
Iowa Accountancy Examining Board

10-2-87  
Date



- State's Exhibit 1 - stipulation before the Iowa Commission of Accountancy dated March 10, 1987
- State's Exhibit 2 - Final Decision, In The Matter of Certificate No. 628 issued to George C. Stebbins dated 10/2/87 with copy of return receipt card
- State's Exhibit 3 - letter dated October 15, 1987 (Henze to Villont) with attached amendment to the decision.
- State's Exhibit 4 - letter dated October 19, 1987 (Stebbins to Schroeder)
- State's Exhibit 5 - letter dated October 27, 1987 (Henze to Stebbins)
- State's Exhibit 6 - letter dated November 19, 1987 (Weeg to Stebbins)
- State's Exhibit 7 - statement of continuing education by George C. Stebbins dated November 25, 1987
- State's Exhibit 8 - copy of envelope (Stebbins to Board)
- State's Exhibit 9 - letter dated December 24, 1987 (Henze to Stebbins)
- State's Exhibit 10 - letter dated May 20, 1988 (Putzier to Stebbins)
- State's Exhibit 11- letter dated August 17, 1988 (Putzier to Stebbins)
- State's Exhibit 12 - letter dated August 29, 1988 (Stebbins to Putzier) with attached unexecuted consultation agreement
- State's Exhibit 13 - audit of Midwest Soya, Ltd. and Subsidiary
- State's Exhibit 14 - review comments re: Midwest Soya audit dated May 1988.
- State's Exhibit 15 - review comments re: audit of Midwest Soya dated June 1987

FINDINGS OF FACT

1. On February 5, 1963, George C. Stebbins, the Respondent, was issued Iowa certified public accountant (CPA) certificate number 628 by the Board. (testimony of Mr. William Schroeder)

2. On March 10, 1987, the Respondent entered into a written Stipulation with the Board in which he agreed to a number of provisions. These provisions included (a) that he would develop and implement by May 1, 1987 a one-year consultation agreement with a firm of CPAs or an individual CPA, approved by the Board, to provide pre-release review of audits, compilations and reviews; (b) that he would complete sixteen hours of continuing education in 1987 and sixteen hours in 1988 in the subjects of accounting and auditing which included the subjects of compilation and review; and (c) that he would pay a \$100.00 fine to the Board by May 1, 1987. Mr. Stebbins did not comply with the terms of the Stipulation. (State's Exhibit 1; testimony of Mr. Schroeder)

3. On September 10, 1987, hearing was held before the Board. The Board found that Mr. Stebbins had failed to comply with terms of the Stipulation and suspended Mr. Stebbins' certificate, fined him \$1,000.00 to be paid within thirty days of the decision, and set certain conditions. The conditions included the requirements that (a) Mr. Stebbins complete an extra sixteen hours of continuing education in the areas of accounting and auditing which included the subjects of compilation and review prior to reinstatement; (b) Mr. Stebbins complete an additional sixteen hours within one year of reinstatement; and (c) Mr. Stebbins submit a name or names of CPAs for Board approval within ten days of reinstatement of his CPA certificate to comply with the consultation agreement requirement of the March 10, 1987 Stipulation. The Board's Final Decision was dated October 2, 1987, and was amended by letter dated October 15, 1987. (testimony of Mr. Schroeder; State's Exhibits 2 and 3)

4. Mr. Stebbins did not comply with the Board's Final Decision. Mr. Stebbins did not pay the \$1,000.00 fine within thirty days of the decision. Mr. Stebbins paid the fine after receiving a letter regarding the failure to pay from the Board's attorney. The Board received Mr. Stebbins' check on December 23, 1987. Mr. Stebbins also did not submit the name of a CPA for Board approval within ten days of the Final Decision dated October 2, 1987. (testimony of Mr. Schroeder, Mr. Stebbins; State's Exhibits 4, 6, 8, 9).

5. Mr. Stebbins also did not comply with the Final Decision requirement regarding continuing education. Mr. Stebbins completed the required continuing education for 1987. He did not complete the required sixteen hours of continuing education for the one year period following reinstatement, and had not completed it by the date of the hearing. (testimony of Mr. Stebbins; Mr. Schroeder; State's Exs. 1, 2, 3, 4, 5, 7;

Respondent's Exhibit A).

6. Mr. Stebbins' certificate and permit to practice were renewed on December 24, 1987. (testimony of Mr. Stebbins, Mr. Schroeder; State's Exs. 4, 7)

7. Mr. Stebbins also has not complied with the requirement that he develop a consultation agreement with a CPA firm to provide pre-release review of audits, compilations and reviews. Mr. Stebbins signed the Stipulation which provided that the consultation agreement was to be developed and implemented by May 1, 1987. Mr. Stebbins submitted the name of a CPA firm which was approved by the Board, but was never able to implement a consultation agreement with that firm. Mr. Stebbins did not develop and implement a consultation agreement with another CPA, even after having been given a specific January 22, 1988 deadline by the Board and receiving numerous letters from the Board. Mr. Stebbins submitted a signed consultation agreement for Board approval at the hearing on January 26, 1989. Mr. Stebbins performed an audit of Midwest Soya and released it in 1988 without review by another CPA in violation of the Stipulation and Board's Final Decision. Mr. Stebbins has not submitted any evidence that any consultant has done pre-release review of audits, compilations, and reviews as required by the Stipulation and Final Decision. (testimony of Mr. Stebbins, Mr. Schroeder, Dr. George Welch; Respondent's Exs. A and B; State's Ex. 1, 2, 4, 5, 7, 9, 10, 11, 12, 13).

8. Mr. Stebbins suffered a heart attack in May 1988 and a related arrhythmia attack in June 1988. Although the Board is sympathetic, and recognizes that Mr. Stebbins could not work during that period of time, Mr. Stebbins had over a year prior to his heart attack to comply with the requirements, and several months after it to comply. Mr. Stebbins also offered the press of the tax season as a reason for being unable to perform the requirements. The Board does not accept this explanation as an adequate explanation for Mr. Stebbins' failure to comply with the requirements of the Stipulation and Final Decision. (testimony of Mr. Stebbins; Respondent's Ex. A; State's Ex. 12)

9. Mr. Stebbins performed an audit for Midwest Soya, Ltd. and Subsidiary in 1987 which he released in early 1988 as discussed above. This audit failed to meet generally accepted auditing standards and generally accepted accounting principles in the following several respects:

(a) The audit report is not dated. This is a serious omission. The audit report date identifies the end of the audit process. The responsibilities of the auditor change on the date of the audit, so leaving off the date leaves those responsibilities up in the air. Mr. Stebbins performed an audit for Midwest Soya in 1986 which he also did not date.

(b) The current financial statement amounts are in the right



column and the comparative amounts are in the left column. This is the opposite of the way the amounts should appear. This is a minor error.

(c) The changes in working capital should be shown for the individual accounts, not just for the aggregate. This is a significant noncompliance.

(d) Mr. Stebbins used note number five to explain audit procedures and findings. Notes to financial statements are part of the financial statement and are supposed to be the client's communication to the users of the financial statement. The auditor should never use the financial statement to explain his audit procedures or findings. This misuse of the notes is of concern and was substandard practice. (testimony of Dr. Welch; State's Exhibits 13, 14, 15)

#### CONCLUSIONS OF LAW

1. The Respondent Mr. Stebbins violated Iowa Code section 258A.3(2)(a) (1987) when he failed to comply with the Board's Final Decision dated October 2, 1987, as amended on October 15, 1987 in the following ways:

(a) He has failed to implement a consultation agreement;

(b) He performed an audit and released it without having it reviewed prior to release by a consultant; and

(c) He failed to complete the required sixteen hours of continuing education which was to be completed within one year after his reinstatement on December 24, 1987. (Findings of Fact numbers 2, 3, 4, 5, 7)

2. The Respondent Mr. Stebbins violated Iowa Code section 116.21(4) 1987 and 193A. Iowa Administrative Code section 11.4 when he performed an audit for Midwest Soya, Inc. and Subsidiaries which failed to meet generally accepted auditing standards and generally accepted accounting principles in several respects. (Findings of Fact numbers 7 and 9)

#### ORDER

The Respondent has not demonstrated good faith or diligent effort to comply with the prior order of the Board. He specifically and intentionally ignored the Board's requirements of him. He failed to meet generally accepted accounting principles and generally accepted auditing standards.

It is hereby the ORDER of the Accountancy Examining Board of the State of Iowa that:

(1) The Respondent's permit to practice as a certified public accountant is revoked and the Respondent must send his

permit to practice to the Board offices within ten days of the receipt of this order;

(2) The Respondent may not issue the audit report dated November 30, 1988 for Midwest Soya, Ltd. and Subsidiary;

(3) The Respondent may not sign a tax return as a CPA;

(4) The Respondent may not display his CPA certificate at his place of business where he performs write-up (bookkeeping) and/or tax services;

(5) The Respondent may not hold himself out as a CPA. This includes but is not limited to advertising in the telephone directory yellow pages, newspaper advertisements, any other form of advertising, stationary, or signs; and

(6) The Respondent may not practice public accounting. This means he cannot perform audit, review, or compilation services for the public. If he continues to do write-up (bookkeeping) work, any financial statements as a result of that bookkeeping process shall be accompanied by the following statement:

"I have prepared the accompanying [list of financial statements and their dates] of XYZ Company. All information included in these financial statements is the representation of the management (owners) of XYZ Company. I do not perform audits and thus I do not express an opinion on these financial statements.";

and NOT the wording specified by the American Institute of Certified Public Accountants for compilations.

Iowa Code section 116.23 (10) (1978) provides that "Anyone adversely affected by an order of the board may obtain a review of that order by filing a written petition for review with the district court within thirty days after the entry of the order. The petition shall state the grounds upon which the review is asked and shall pray that the order of the board be modified or set aside in whole or in part. A copy of the petition shall be immediately served upon any member of the board and the board shall then certify and file in the court a transcript of the record upon which the order complained of was entered."

Dated this 7th day of March, 1989.

[REDACTED]

Gaylon L. Halverson  
Chairperson  
Iowa Accountancy Examining Board

[REDACTED]

Amy Christensen Cochrane  
Administrative Law Judge

ACC/jmm

Copy to:

Jay Villont for the Respondent  
Theresa O'Connell Weeg for the State