

Connecticut State Board of Accountancy
January 05, 2010
Minutes

Acting Chairman Michael Weinshel called the meeting to order at 08:31 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
Richard P. Bond

Motion was made by Leonard Romaniello and seconded by James Ciarcia to approve the minutes of the December 01, 2009 Board Meeting. All voted in favor; no votes against and no abstentions.

Executive Director's Operations Update and Review:

- In a review of the 2010 Renewal Process, Mr. Guay informed the Board, as of January 04, 2010, 6, 941 renewals have been processed, which equals 78% of Connecticut's CPA Certificate, CPA License & Firm Permit holders.

The Board reviewed and noted, for the record, CPA Certificate Registration, CPA License & Firm Permit Applications approved by the Executive Director November 30, 2009 through January 04, 2010.

Motion was made by James Ciarcia and seconded by Leonard Romaniello to approve Mr. Richard Corcoran's petition to the Board concerning his work experience. The Board's approval stipulates Mr. Corcoran needs to earn and report 40 CPE Hours with 16 CPE Hours in attestation and ethics subject matter prior to the issuance of a CPA Certificate and CPA License. Mr. Philip DeCaprio opposed the vote; no abstentions.

Motion was made by Philip DeCaprio and seconded by Leonard Romaniello to waive Mr. Robert H. LaGoy's penalties as a result of being 4 CPE Hours short of completing the required 40 CPE Hours July 01, 2008 through June 30, 2009. Mr. LaGoy was diagnosed with cancer; due

to the battery of tests and procedures he was not able to obtain the remaining 4 CPE Hours required to renew his CPA License for 2010. All voted in favor; no votes against and no abstentions.

Motion was made by Richard Gesseck and seconded by Martha Triplett to deny Mr. William C. Bazilchuk's request for an extension to gather the 4 CPE Hours of ethics. Mr. Bazilchuk is seeking a six month extension in order to satisfy the ethics requirement. The Board's ruling is such that Mr. Bazilchuk must enter into a stipulated settlement agreement with a \$250.00 penalty. All voted in favor; no votes against and no abstentions.

Motion was made by Leonard Romaniello and seconded by Richard Sturdevant to deny Mr. Thomas DeBrizzi, Jr.'s request for the reinstatement of his CPA License # 3939. Mr. DeBrizzi has not renewed since 12/31/2005, however, has been issuing tax returns as a CPA. All voted in favor; no votes against and no abstentions. Mr. Michael Weinshel recused himself.

Motion was made by James Ciarcia and seconded by Leonard Romaniello to approve and accept the CPA Certificate Experience Verifications in the area of Industry Accounting for the following applicants: Ms. Xin Liu, Mr. Jeffrey M. Thomas, and Ms. Beverly J. Johnson. All voted in favor; no votes against and no abstentions.

Motion was made by Martha Triplett and seconded by Leonard Romaniello to approve the CPA Certificate Experience Verification in the area of Industry Accounting for Mr. Curt Nadeau. All voted in favor; no votes against and no abstentions.

Motion was made by Leonard Romaniello and seconded by Philip DeCaprio to table Ms. Amy Micun's CPA Certificate Experience Verification application in Industry Accounting. The Board needs a more specific and detailed explanation of Ms. Micun's experience in order to make a more informed decision. All voted in favor; no votes against and no abstentions.

Motion was made by Leonard Romaniello and seconded by Richard Sturdevant to add Mr. Albert G. Morales' CPA Certificate Experience Verification application to the agenda of the Board's January 05, 2010 Meeting. All voted in favor; no votes against and no abstentions.

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

- PCAOB Rule 4009 Determination PricewaterhouseCoopers LLP

Under Regulatory Activity, Ms. Adams expects to receive the approval shortly, from the AG's Office, in respect to the repealed superseded Regulations of the Experience Qualifications.

The Board also continued to discuss the changes made to the Experience Regulations, and the impact it has had and will continue to have on future applicants.

The Board continued their discussion on the requirements for obtaining a Firm Permit. In order to continue to strengthen Connecticut's Regulations.

Executive Director Guay provided the Board with a brief synopsis of a recent conversation he had with the New York State Executive Director on CPA Examination changes.

In Other Business, Richard Sturdevant asked Mr. Renner if the CSCPA would be willing to provide the Board with a report on the state of the Peer Review Program in 2009. Mr. Renner explained the earliest he could provide the Board with the requested information is May 2010.

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

Enforcement Docket- Public Session

A. REQUESTING SETTLEMENT APPROVAL

2009167-3345 Raymond Smyth- failure to renew license on a timely basis; ***request settlement approval for \$250 penalty, reinstatement as of December 15, 2009, and CPE earned by June 30, 2008.***

2008020-3338 Henry Berglewicz, CPA- failure to submit quality review on a timely basis; ***request settlement approval for copy of the 2006 report, a \$250 penalty, and reinstatement of firm permit as of December 15, 2009.***

Motion was made by Richard Sturdevant and seconded by Philip DeCaprio to approve Ms. Adams' settlement agreements in enforcement cases # 2009167-3345, against Mr. Raymond Smyth and # 2008020-3338, against Mr. Henry Berglewicz. All voted in favor; no votes against and no abstentions.

2009040-3214 Terrance Keefe- electronically submitting tax returns without allowing clients to review; Mr. Keefe has admitted that he should not have submitted the returns without review and approval by the client. He has waived all rights to any fees for the service and has submitted the amended return requested by the client. The client, Mr. Beebe, sends his thanks to the Board for its assistance in this matter; ***recommending settlement approval for letter of admonishment in licensing and enforcement files.***

The Board moved to table enforcement case # 2009040-3214, against Mr. Terrance Keefe. All voted in favor; no votes against and no abstentions.

B. SUMMARY SUSPENSION:

2009152-3328 Michael Plude- Pursuant to Section 4-182(c) of the Connecticut General Statutes, the Connecticut State Board of Accountancy summarily suspends the Certified Public Accountant License of Michael Plude, number 5802, based upon a finding that Mr. Plude's provision of services as a CPA, including but not limited to the preparation and filing of tax returns, pose a threat to the public's fiscal health, fiscal safety, and fiscal welfare. This finding is based upon the following facts:

1. Michael Plude was arrested but the Shelton Police Department and charged with felony health care fraud based, in part, upon his falsifying of employment documents of his client, Pioneer Gas, to claim health insurance coverage for himself and his family. He utilized his position as the Certified Public Accountant for Pioneer and his position on the Board of Naugatuck Valley Savings and Loan to hide the fraud from the operators of Pioneer Gas. He utilized his position as the CPA for Pioneer to assemble all of the payroll, employment, and insurance documents necessary to perpetrate this fraud.

Motion made by Philip DeCaprio and seconded by James Ciarcia to table and postpone the summary suspension. At this time, the Board has requested Ms. Adams to draft formal charges, schedule a hearing date, and coordinate efforts with the AG's Office in order to move forward with enforcement case # 2009152-3328, against Mr. Michael Plude. All voted in favor; no votes against and no abstentions.

C. REQUESTING ISSUANCE OF FORMAL CHARGES

2003011-2449 PAUL GREENBERG- *Counsel requests that the Board authorize the issuance of formal charges in the above captioned case for two counts of violating Section 20-280-15c(b) as follows:*

COUNT I. Violation of Section 20-280-15c(b) of the Regulations of Connecticut State Agencies, with respect to Gaylordsville Rest Home

Section 20-280-15c(b) of the Regulations of Connecticut State Agencies states, in relevant part, that a licensee shall not in the performance of professional services knowingly misrepresent the facts, nor subordinate his judgment to others.

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.

Mr. Greenberg prepared personal returns for the Ramsdens during the same years and 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.

Therefore, 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. Violation of Section 20-280-15c(b) of the Regulations of Connecticut State Agencies, with respect to Yorkshire Manor

Section 20-280-15c(b) of the Regulations of Connecticut State Agencies states, in relevant part, that a licensee shall not in the performance of professional services knowingly misrepresent the facts, nor subordinate his judgment to others.

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.

Mr. Greenberg prepared personal returns for Ms. Frosolone and Ms. Pascale and 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.

Therefore, 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 Gesseck and seconded by Philip DeCaprio to issue formal charges in enforcement case # 2003011-2449, against Mr. Paul Greenberg. The Board authorized the issuance of formal charges for two counts of violating Section 20-280-15c(b), which stipulates a licensee shall not knowingly misrepresent facts, nor subordinate his judgment. All voted in favor; no votes against and no abstentions.

D . RECOMMENDING AND REQUESTING DISMISSAL

2009039-3213 William Marhefsky– failing to oversee employee in tax practice; Mr. Marhefsky performed tax service for Mr. and Mrs. Beebe. When he sold his tax practice to Mr. Keefe (see requesting settlement section), the Beebes believed that Mr. Marhefsky remained the senior partner of the practice. The purchaser, Mr. Keefe, failed to allow Mr. and Mrs. Beebe to review their returns prior to filing, resulting in some mistakes and the need for an amended return. Mr. Marhefsky did not know about the issue. He resides in Florida and maintains his Connecticut CPA license; ***recommending dismissal– no violation/no probable cause.***

Motion made by Leonard Romaniello and seconded by Martha Triplett to dismiss enforcement case # 200939-3213, against Mr. William Marhefsky. Ms. Adams did not find any violation or probable cause to pursue this matter. All voted in favor; no votes against and no abstentions.

2009057-3231 Martin Bernstein– negligence in acting as CPA to the Estate of Ethel Grass and failure to supply records. Carol Grass, daughter of the deceased, complains that Mr. Bernstein overcharged the estate, failed to provide her with copies of checks issued by the estate, and purposely held her mother’s estate open for over 10 years. At the compliance meeting, Mr. Bernstein and his attorney supplied copies of all of the bills issued to and paid by the estate. Mr. Bernstein explained that since he is not the executor, he did not have possession of the cancelled checks, but did provide copies of the checks made at the time of deposit. This estate was contested and has been heavily litigated and is now closed; ***recommending dismissal– no probable cause, no violation.***

Motion made by Richard Sturdevant and seconded by Leonard Romaniello to dismiss enforcement case # 2009057-3231, against Mr. Martin Bernstein. Ms. Adams found no probable

cause or violation to pursue charges against Mr. Bernstein. All voted in favor; no votes against and no abstentions.

2009136-3310 Jay Smolin– allegations regarding sale of illegal tax shelters for KPMG Counsel followed up on the information provided by KPMG regarding Jay Smolin indicating that he sold 8 of these tax shelters. The Bate stamped documents provided by KPMG, provide evidence that two of Mr. Smolin’s client’s were interested in the shelters and signed agreements with KPMG, signed by Mr. Smolin, regarding attending information sessions provided by the product vendor. Nothing in the documentation indicates that either client ever purchased a shelter or that Mr. Smolin participated in facilitating the sale of any shelters. KPMG avers that these are the only documents it posses or has possessed regarding any participation by Mr. Smolin. Mr. Smolin’s attorney requests dismissal of the case; ***recommending dismissal– no violation/no probable cause.***

Motion made by Richard Sturdevant and seconded Leonard Romaniello to dismiss enforcement case # 2009136-3310, against Mr. Jay Smolin. Ms. Adams found no violation or probable cause with which to move forward with this matter. All voted in favor; no votes against and no abstentions.

2009131-3305 Christopher LaRose– negligence in tax preparation; Ms. Whitlock complains of failing to properly classify income on her tax return; this individual is not a licensee. Counsel found no evidence that he has ever utilized the title in conjunction with his tax work; ***recommending dismissal– no jurisdiction.***

Motion made by Leonard Romaniello and seconded by Martha Triplett to dismiss enforcement case # 2009131-3305 for lack of jurisdiction. All voted in favor; no votes against and no abstentions.

2009135-3308 Giulio Cessario- falsifying tax returns to inflate the value of his business; the Connecticut River Community Bank provided a loan to the individual who purchased the fitness business that Mr. Cessario owned with a partner. The bank alleged that Mr. Cessario supplied an inaccurate tax return for 2006, inflating revenue by approximately 30,000, in order to ensure that the loan was approved. The buyer has since defaulted on the loan. In the compliance meeting, Mr. Cessario provided counsel with copies of all of the sales tax revenue returns and the 2002-2006 tax returns as well as copies of several letters to the bank accompanying the same information at and around the time of the closing on the fitness business sale and the loan. Mr. Cessario is also holding a \$90,000 note from the buyer which is also in default. The bank clearly relied on the information as a whole to assess the viability of the loan. Any misinformation held by the bank was not based upon documents provided by Mr. Cessario; ***recommending dismissal– no probable cause, no violation.***

Motion made by Martha Triplett and seconded by Leonard Romaniello to dismiss enforcement case # 2009135-3308. Ms. Adams did not find any probable cause, or violation. All voted in favor; no votes against, and no abstentions.

2009145- 3321 Anthony DeFilio– Failure to file tax returns per client instructions. Mr. DeFilio first filed tax returns for Gary Helbling. When he married, Kristin Parenteau, Mr. DeFilio filed tax returns for both Gary Helbling and Kristin Parenteau . In 2008, the couple began divorce proceedings, Mr. DeFilio prepared the tax returns for both. Mr. Helbling indicated that he wished to file separately due to the impending divorce; Kristin Parenteau to file jointly. Mr.

DeFilio provided copies to Kristin Parente but did not file her returns. She hired another CPA to file her return; ***recommending dismissal– no violation/no probable cause.***

Motion made by Leonard Romaniello and seconded by Martha Triplett to dismiss enforcement case # 2009145-3321. Ms. Adams found no violation, or probable cause to move forward with. All voted in favor; no votes against and no abstentions.

2009153-3329 Robert Demers, Jr.– practicing under his father’s license; Mr. Demers, Sr. has not practiced as a CPA since the late 1960s. In the 1980s, Mr. Demers, Jr.’s license application was processed under his father’s license and he continued to renew that license through 2009. The error was discovered when reviewing the 2010 license renewal application and the license records have been corrected; ***recommending dismissal– no probable cause/no violation.***

Motion was made by Richard Sturdevant and seconded by Martha Triplett to dismiss enforcement case # 2009153-3329. Ms. Adams found no probable cause, or no violation. All voted in favor; no votes against and no abstentions.

A motion was made by Richard Sturdevant and seconded by Leonard Romaniello to enter into the Executive Session of the Board Meeting at 11:39AM A.M. 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 James Ciarcia and seconded by Richard Sturdevant to close out the Executive Session of the Board Meeting at 11:45 A.M. All voted in favor; no votes against and no abstentions.

A motion was made Leonard Romaniello and seconded by Richard Sturdevant to enter into Executive Session with Executive Director Mr. Guay to discuss personnel matters at 11:45 A.M. All voted in favor; no votes against and no abstentions.

A motion was made by Martha Triplett and seconded by Leonard Romaniello to exit the Executive Session on personnel matters at 12:02 P.M. All voted in favor; no votes against and no abstentions.

A Motion was made by Martha Triplett and seconded by Leonard Romaniello to adjourn the January 05, 2010 Board Meeting of the Connecticut State Board of Accountancy at 12:02 P.M. All voted in favor; no votes against and no abstentions.