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**THIS IS NOT A DISCIPLINARY
ACTION OR FINAL DECISION
OF THE BOARD**

8
9 **BEFORE THE**
10 **CALIFORNIA BOARD OF ACCOUNTANCY**
11 **DEPARTMENT OF CONSUMER AFFAIRS**
12 **STATE OF CALIFORNIA**

13 In the Matter of the Accusation Against:

Case No. AC-2021-30

14 **PAUL S. JOO, CPA, ACCT CORP**
15 **12966 Euclid Street, Ste. 210**
Garden Grove, CA 92840

ACCUSATION

16 **Certified Public Accountancy Corporation**
17 **Certificate No. 5728,**

and

18 **PAUL S. JOO**
19 **12966 Euclid Street, Ste. 210**
Garden Grove, CA 92840

20 **Certified Public Accountant Certificate No.**
21 **72145**

22 Respondents.

23
24
25 **PARTIES**

26 1. Patti Bowers (Complainant) brings this Accusation solely in her official capacity as
27 the Executive Officer of the California Board of Accountancy (CBA), Department of Consumer
28 Affairs.

1 2. On or about April 18, 2006, the CBA issued Certified Public Accountancy
2 Corporation Certificate Number 5728 to Paul S. Joo, CPA, Acct Corp (Respondent Firm). The
3 Certified Public Accountancy Corporation Certificate was in full force and effect at all times
4 relevant to the charges brought herein and will expire on April 30, 2022, unless renewed.

5 3. On or about September 20, 1996, the CBA issued Certified Public Accountant
6 Certificate Number 72145 to Paul S. Joo (Respondent Joo). The Certified Public Accountant
7 Certificate was in full force and effect at all times relevant to the charges brought herein and will
8 expire on October 31, 2021, unless renewed. Collectively Respondent Firm and Respondent Joo
9 are referred to as "Respondents".

JURISDICTION

11 4. This Accusation is brought before the CBA under the authority of the following laws.
12 All section references are to the Business and Professions Code unless otherwise indicated.

13 5. Code Section 5100.5 states:

14 (a) After notice and hearing the board may, for unprofessional conduct,
15 permanently restrict or limit the practice of a licensee or impose a probationary term
16 or condition on a license, which prohibits the licensee from performing or engaging in
17 any of the acts or services described in Section 5051.

18 6. Code Section 5109 states:

19 The expiration, cancellation, forfeiture, or suspension of a license, practice
20 privilege, or other authority to practice public accountancy by operation of law or by
21 order or decision of the board or a court of law, the placement of a license on a retired
22 status, or the voluntary surrender of a license by a licensee shall not deprive the board
23 of jurisdiction to commence or proceed with any investigation of or action or
24 disciplinary proceeding against the licensee, or to render a decision suspending or
25 revoking the license.

STATUTORY PROVISIONS

26 7. Section 5062 of the Code states:

27 A licensee shall issue a report which conforms to professional standards upon
28 completion of a compilation, review or audit of financial statements.

29 8. Section 5097 of the Code states:

(a) Audit documentation shall be a licensee's records of the procedures applied,
the tests performed, the information obtained, and the pertinent conclusions reached
in an audit engagement. Audit documentation shall include, but is not limited to,

1 programs, analyses, memoranda, letters of confirmation and representation, copies or
2 abstracts of company documents, and schedules or commentaries prepared or
3 obtained by Respondent.

4 (b) Audit documentation shall contain sufficient documentation to enable a
5 reviewer with relevant knowledge and experience, having no previous connection
6 with the audit engagement, to understand the nature, timing, extent, and results of the
7 auditing or other procedures performed, evidence obtained, and conclusions reached,
8 and to determine the identity of the persons who performed and reviewed the work.

9 (c) Failure of the audit documentation to document the procedures applied,
10 tests performed, evidence obtained, and relevant conclusions reached in an
11 engagement shall raise a presumption that the procedures were not applied, tests were
12 not performed, information was not obtained, and relevant conclusions were not
13 reached. This presumption shall be a rebuttable presumption affecting the burden of
14 proof relative to those portions of the audit that are not documented as required in
15 subdivision (b). The burden may be met by a preponderance of the evidence.

16 9. Section 5100 of the Code states:

17 After notice and hearing the board may revoke, suspend, or refuse to renew any
18 permit or certificate granted under Article 4 (commencing with Section 5070) and
19 Article 5 (commencing with Section 5080), or may censure the holder of that permit
20 or certificate for unprofessional conduct that includes, but is not limited to, one or any
21 combination of the following causes:

22 ...

23 (c) Dishonesty, fraud, gross negligence, or repeated negligent acts committed in
24 the same or different engagements, for the same or different clients, or any
25 combination of engagements or clients, each resulting in a violation of applicable
26 professional standards that indicate a lack of competency in the practice of public
27 accountancy or in the performance of the bookkeeping operations described in
28 Section 5052.

...

(e) Violation of Section 5097.

...

(g) Willful violation of this chapter or any rule or regulation promulgated by the
board under the authority granted under this chapter.

...

(j) Knowing preparation, publication, or dissemination of false, fraudulent, or
materially misleading financial statements, reports, or information.

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1 **REGULATORY PROVISIONS**

2 10. California Code of Regulations, title 16, section 41, states:

3 A firm shall enroll with a Board-recognized peer review program provider, and
4 shall cooperate with the Board-recognized peer review program provider with which
5 the firm is enrolled to arrange, schedule, and complete a peer review, in addition to
6 taking and completing any remedial or corrective actions prescribed by the Board-
7 recognized peer review program provider.

8 11. California Code of Regulations, title 16, section 58, provides that licensees engaged
9 in the practice of public accountancy shall comply with all applicable professional standards,
10 including but not limited to generally accepted accounting principles and generally accepted
11 auditing standards.

12 12. California Code of Regulations, title 16, section 63, states:

13 A licensee shall not advertise or use other forms of solicitation in any manner
14 which is false, fraudulent, misleading, or in violation of Section 17500 of the
15 Business and Professions Code.

16 **PROFESSIONAL STANDARDS**

17 13. Standards of practice pertinent to this Accusation and the engagements at issue
18 include, without limitation:

19 a. Generally Accepted Auditing Standards (GAAS) are issued by the Accounting
20 Standards Board (ASB), the senior committee of the American Institute of Certified Public
21 Accountants (AICPA) designated to issue pronouncements on auditing matters for nonissuers¹.
22 The “Compliance With Standards Rule” of the AICPA Code of Professional Conduct requires an
23 AICPA member who performs an audit of a nonissuer to comply with standards promulgated by
24 the ASB. Among the sections relevant herein are:

25 AU-C 200 – Overall Objectives

26 AU-C 210 – Terms of Engagement

27 AU-C 220 – Quality Control

28 AU-C 230 – Audit Documentation

AU-C 240 – Consideration of Fraud

¹ Nonissuers are entities not subject to the Sarbanes-Oxley Act of 2002 or the rules of the U.S. Securities and Exchange Commission.

- 1 AU-C 250 – Consideration of Laws and Regulations
- 2 AU-C 300 – Planning an Audit
- 3 AU-C 315 – Understanding the Entity and Assessing the Risks
- 4 AU-C 320 – Materiality
- 5 AU-C 330 – Procedures in Response to Risks and Evaluating Audit Evidence
- 6 AU-C 450 – Evaluation of Misstatements Identified
- 7 AU-C 500 – Audit Evidence
- 8 AU-C 580 – Written Representation
- 9 AU-C 700 – Forming an Opinion and Reporting

10 b. Generally Accepted Government Auditing Standards (GAGAS) are
11 promulgated by the U.S. Government Accountability Office (GAO) and are discussed in the
12 GAO’s Government Auditing Standards, 2011 Revision, as Amended (Yellow Book). Among the
13 sections relevant herein are:

- 14 Chapter 1 – Government Auditing: Foundation and Ethical Principles
- 15 Chapter 2 – Standards for Use and Application of GAGAS
- 16 Chapter 3 – General Standards
- 17 Chapter 4 – Standards for Financial Audits

18 c. In the State of California, Foster Care agencies are subject to oversight by The
19 State of California, Health and Human Services Agency, Department of Social Services (CDSS).
20 The requirements noted in this investigation are from the Audit Guide for AFDC-FC Funded
21 Non-Profit Organizations, as cited in the Foster Care Audits and Rates Letter No. 2015-01, which
22 is the current version as of March 25, 2020. The relevant section herein is Chapter 5, Post Audit
23 Actions.

24 d. The AICPA ASB issues the interpretive publication, AICPA Audit and
25 Accounting Guide for Government Auditing Standards and Single Audits (the Guide). It provides
26 auditors with a basic understanding of the procedures to be performed and of the reports that
27 should be issued for audits of financial statements conducted in accordance with GAGAS. Thus,
28 while the interpretive Guide is non-authoritative, AU-C section 200, Overall Objectives, requires

1 the auditor to consider applicable interpretive publications in planning and performing the audit
2 because interpretive publications are relevant to the proper application of GAAS in specific
3 circumstances. If the auditor does not apply the auditing guidance in an applicable interpretive
4 publication, the auditor should document how they complied with the requirements of GAAS in
5 the circumstances. The Guide is referenced herein by “AAG-GAS” number. The referenced
6 Guide is the version dated March 1, 2018. Among the Guide chapters relevant herein are:

7 Chapter 1 – Introduction and Overview of Government Auditing Standards

8 Chapter 2 – Government Auditing Standards – Ethical Principles and General Standards

9 Chapter 3 – Planning and Performing a Financial Statement Audit in Accordance with
10 Government Auditing Standards

11 Chapter 4 – Auditor Reporting Requirements and Other Communication

12 Considerations of Government Auditing Standards.

13 e. The AICPA Code of Professional Conduct is part of AICPA Professional
14 Standards. It includes The Rules of Conduct, Interpretations of Rules of Conduct, and Ethics
15 Rulings. The version relevant herein was effective on December 15, 2014. The standards are
16 referenced herein by “AICPA Code”. Among the sections relevant herein are:

17 0.300 – Principles of Professional Conduct

18 1.000 – Introduction, Members in Public Practice

19 1.100 – Integrity and Objectivity

20 1.130 – Preparing and Reporting Information

21 1.300 – General Standards

22 f. The AICPA Peer Review Program Manual is published by the AICPA for the
23 purpose of providing standards for administering, planning, performing, reporting on and the
24 acceptance of peer reviews of Certified Public Accountants (CPA) firms (and individuals)
25 enrolled in the AICPA Peer Review Program. They are effective for peer reviews commencing on
26 or after January 1, 2009. The standards are referenced herein by “PRP”. The sections relevant
27 herein are:

28 1000 – AICPA Standards for Performing and Reporting on Peer Reviews

1 2000 – Peer Review Standards Interpretations

2 4100 – Instructions to Firms Having a System Review

3 **COST RECOVERY**

4 14. Code Section 5107 states:

5 (a) The executive officer of the board may request the administrative law judge,
6 as part of the proposed decision in a disciplinary proceeding, to direct any holder of a
7 permit or certificate found to have committed a violation or violations of this chapter
8 to pay to the board all reasonable costs of investigation and prosecution of the case,
including, but not limited to, attorney’s fees. The board shall not recover costs
incurred at the administrative hearing.

9 (b) A certified copy of the actual costs, or a good faith estimate of costs where
10 actual costs are not available, signed by the executive officer, shall be prima facie
evidence of reasonable costs of investigation and prosecution of the case.

11 15. Code Section 5116 provides, in pertinent part, that the CBA may order any licensee
12 or applicant for licensure or examination to pay an administrative penalty as part of any
13 disciplinary proceeding. Administrative penalties shall be in addition to any other penalties or
14 sanctions imposed on the licensee or other person, including, but not limited to, license
15 revocation, license suspension, denial of the application for licensure, denial of the petition for
16 reinstatement, or denial of admission to the licensing examination. Payment of these
17 administrative penalties may be included as a condition of probation when probation is ordered.

18 **FACTUAL ALLEGATIONS**

19 16. On or about July 27, 2018, the CBA received a complaint from a not-for-profit
20 organization, BFC.² The allegations include incompetence on the part of Respondent Firm
21 causing the late filing of the client’s audit for the year ending December 31, 2017, and falsely
22 representing that a firm staff member was a CPA when the staff member was not licensed.

23 17. During the course of the investigation, the CBA received documentation from
24 Respondents, including documentation of the audit engagement for the subject of the complaint –
25 a Yellow Book audit for BFC for the year ended December 31, 2017.

26 18. The performance of the audit engagement failed to conform to standards including
27 GAAS, GAGAS and CDSS requirements. The audit lacked sufficient appropriate audit evidence

28 ² The client’s name is abbreviated for purposes of confidentiality.

1 to support either the financial statements or the opinion rendered thereon, Respondent Firm did
2 not have the necessary skills, knowledge, or the required Continuing Professional Education
3 (CPE) to perform a Yellow Book audit under GAGAS, and Respondents subordinated their
4 judgment due to extensive pressure from the client. Respondent Firm failed to obtain an
5 appropriate peer review report because it failed to include Yellow Book engagements in the list of
6 engagements provided to its peer reviewer for their last two peer reviews.

7 19. Since November 2015, Respondents have continued to allow an employee to
8 represent themselves as a CPA on Respondent Firm's business cards, and on the Respondent
9 Firm's website, despite notification from the CBA and representations by Respondents to the
10 CBA that the situation would be rectified. As of May 11, 2020, the firm's website lists staff
11 members as CPAs who cannot be located in the CBA's licensing database.

12 **FIRST CAUSE FOR DISCIPLINE**

13 **(Gross and Repeated Acts of Negligence)**

14 20. Respondents are subject to disciplinary action under Code section 5100(c) in that
15 Respondents committed repeated acts of negligence in the performance of a Yellow Book audit
16 under Governmental Audit Standards. Respondents issued an audit report on the financial
17 statements of BFC, as of and for the years ended December 31, 2017, and 2016, on or about June
18 29, 2018. The acts that individually or in the aggregate constitute extreme departures are as
19 follows:

20 21. Respondents failed to obtain sufficient appropriate evidence to support either the
21 financial statements or the opinion rendered thereon. (AU-C 200.07, 200.08, 200.18, 200.19,
22 200.20, 200.21, 200.22, 200.23, 200.24, 200.25, 200.26, 200.27, 220.03, 220.08, 220.19, 230.05,
23 230.10, 230.13, 240.10, 300.08, 315 Appendix C, 320.05, 320.06, 320.08, 330.03, 330.05,
24 330.06, 330.07, 330.18, 330.22, 330.29, 330.30, 450.03, 450.05, 450.06, 450.11, 450.12, 500.04,
25 500.06 & 700.14; GAGAS 2.18, 3.61, 3.62, 4.15, 4.17, 4.46 & 4.47; AAG-GAS 1.05, 3.21, 3.30,
26 3.32, 4.05 & 4.07) The areas of insufficient evidence include, but are not limited to:

27 a. **Accounts Payable (AP)** - The auditor's search for unrecorded liabilities states
28 no single expenditure met their scope of \$10,000 for tolerable misstatement. Therefore, no items

1 were tested. The reported balance for AP is \$22,154. A scope of \$10,000 is not reasonable for an
2 account of only \$22,154, it does not allow for the possibility that multiple items could have
3 aggregated to reach the \$10,000 level. In addition, the audit program states procedures were
4 performed on an AP aging. No AP aging was included in the documentation.

5 b. **Expenses** - The work paper Test of Disbursements reports that 84.98% of
6 expenses were substantively tested. The listed expense categories had appropriate support with
7 the exception of “FOSTER FAMILY PMTS” of \$238,312. The Foster Family Expense Testing
8 work paper appears to rely on a comparative analysis based on a percentage of revenue (whether
9 total revenue or county fees is unclear) as evidence that the amount is correctly reported.
10 However, there is no explanation why the 45.82% calculated is considered an appropriate
11 expectation, or even how it was calculated. The total Foster Parent fees of \$238,312 is 45.82% of
12 \$520,104, while total reported revenue is \$586,355 and County fees are \$516,137. This 45.82%
13 was unclear based on the calculations that follows:

	2017	2016
Foster Parent fees	238,312	214,510
County fees	516,137	421,827

14
15
16
17 If the expectation is that the percentage would be comparable to the prior year, the expectation for
18 Foster Family fees should be \$262,456 (50.85% of \$516,137). This would indicate a potential
19 understatement of expense of \$24,144 (\$238,312 – \$262,456). Without further explanation and
20 documentation, the substantive testing of the Foster Family fees is not supported. In addition, the
21 Foster Family Expense Testing work paper states it addresses the assertions for completeness,
22 rights/obligations, and cutoff. It is not clear how the testing performed would address any of those
23 assertions. The result is that the expenses tested with appropriate support is \$238,768 (\$477,080 –
24 238,312), or 42.53% of total expenses. The remaining 57.47% of expenses had as the only
25 procedures performed, the scanning of the general ledger and an analytical comparison to the
26 prior year. Risk for the category “Expenses for Program and Supporting Services, and Accounts
27 Payable and Other Liabilities” was assessed as significant. However, the lack of evidence for
28

1 expense testing combined with the lack of evidence for accounts payable testing indicates a
2 failure to address the documented risk assessed.

3 c. **Donations and Other Revenue** - The work papers do not include any
4 procedures performed on, or sufficient appropriate audit evidence to support the \$70,127 reported
5 for donations and other income.

6 d. **Uncorrected Misstatements** - Respondents failed to accumulate and evaluate
7 all uncorrected misstatements, also known as “passed adjustments”. There were at least two
8 passed adjustments of \$1,887 and \$4,425.

9 e. **Risk Assessment** - The documentation fails to link the procedures performed to
10 the risks assessed.

11 22. The auditor’s reports are dated June 29, 2018, and the management representation
12 letter is dated July 2, 2018. The first draft of the reports were submitted to the client on June 27,
13 2018, however they required multiple revisions before receiving the approval of the client on July
14 2, 2018. Standards require the audit reports and the management representation letter have the
15 same date. (AU-C 200.20, 200.24, 220.17, 580.20 & 700.41)

16 23. Respondents are responsible for the performance of the audit in accordance with
17 professional standards, and signed off on the approval of the work papers. Consequently, in
18 addition to Respondent Firm’s employees making up the engagement team, Respondents are
19 subject to the CPE requirement for the Yellow Book. GAGAS 3.76 requires that persons
20 performing an audit under GAGAS, including planning, directing, performing procedures or
21 reporting, should maintain their professional competence through CPE. Specifically required
22 every two years are a minimum of:

23 (1) 24 hours of CPE directly related to government auditing, the government
24 environment, or the specific or unique environment in which the entity operates, and

25 (2) 56 hours of CPE that enhances the auditor’s professional proficiency to perform
26 audits (A&A).

27 24. For the two years ended October 31, 2019, Respondent Joo obtained only 1 hour of
28 CPE qualifying as governmental and 36 hours that qualify as A&A. For the two years ended

1 October 31, 2017, Respondent Joo obtained only 4 hours of CPE qualifying as governmental and
2 50.5 hours that qualify as A&A. Respondent Joo did not obtain the required CPE for either of the
3 two year periods ending October 31, 2019, or October 31, 2017. CBA obtained the CPE records
4 for the other two members of the engagement team, JK and FR.³ JK reported 102.5 hours of CPE
5 for the two-year period from October 30, 2016, to December 27, 2018, however there was no
6 GAGAS CPE reported. FR reported 110 hours for the four-year period from July 14, 2016, to
7 November 21, 2019. For FR's four year period there was no GAGAS CPE reported, nor the 56
8 hours of CPE required every two years that would enhance FR's proficiency to perform audits.
9 Neither Respondent Joo nor either member of the engagement team met the Yellow Book CPE
10 requirements to perform this audit. (GAGAS 1.12, 1.24, 2.15, 2.16, 3.60, 3.61, 3.62, 3.64, 3.66,
11 3.69, 3.71, 3.76, 3.78, 3.82 & 3.89; AAG-GAS 3.10)

12 25. Respondents subordinated their judgment by withdrawing a significant deficiency
13 reported in the original draft of the audit. The change was the result of significant pressure from
14 BFC. The change not only lacked sufficient appropriate evidence to support it, but was in direct
15 conflict with the audit evidence documented. (AU-C 200.16, 200.17, 200.18, 230.02, 230.12,
16 240.08, 240.31, 240.33, 240.34, 240.44, 250.06, 250.07, 250.08, 250.10, 250.15, 250.18, 250.20,
17 300.10, 300.14, 315.14, 315.26, 315.27, 315.31, 315.32, 330.08, 330.09, 330.10, 330.11, 330.28
18 & 330.30; GAGAS 1.04, 1.11, 1.14, 1.17, 1.18, 1.19, 3.01, 3.04, 3.14, 3.60, 3.61, 3.62, 3.63, 3.64,
19 3.85, 3.86 & 4.15; AAG-GAS 2.03, 2.10, 3.12, 3.33, 4.07 & 4.56; AICPA Code 0.300.030.02,
20 0.300.030.03, 0.300.040.03, 0.300.050.03, 1.000.010.02, 1.000.010.16, 1.000.020.01,
21 1.100.001.01, 1.130.010.01 & 1.130.020.01)

22 26. The original draft of the audit reports were submitted to the client for approval on
23 June 27, 2018. The "Independent Auditor's Report on Internal Control over Financial Reporting
24 and on Compliance Based on an Audit of Financial Statements Performed in Accordance with
25 Government Auditing Standards" included with the initial draft, reported a significant deficiency
26
27

28 ³ The name are abbreviated for purposes of confidentiality.

1 in the client's internal controls, which was a repeated finding from the prior year's (2016) finding
2 for limited segregation of duties.

3 27. BFC first notified the auditor on June 27, 2018, that it wanted the deficiency
4 removed. The removal of the significant deficiency was only one of many "corrections" requested
5 by BFC. The reporting of a significant deficiency was not acceptable to the client's management
6 because they believed that they were doing what was necessary to remain in compliance with the
7 CDSS.

8 28. Respondent Joo discusses the issue in an email to BFC dated July 2, 2018, including
9 in paragraph 3 of Fact#2:

10 The issues that cause the delay was your instance that we remove the potential
11 Significant Deficiency in our internal control report "because CDSS has accepted a
12 remediation plan" and you could not accept the fact that we had to make a
13 determination under Government Auditing Standards and other professional
14 pronouncements. CDSS does not control auditing and reporting standards,
15 Government Auditing Standards are issued by the Federal Office of Management and
16 Budget. We did ultimately concluded that the increased oversight provided by the
17 Board and the use of an outside bookkeeping service provided enough control to
18 make a material misstatement unlikely, which is the standard we have to adhere. [sic]

19 29. In a letter from Respondent Joo to the CBA, dated December 7, 2018, Respondent
20 Joo repeats the same statements. However, this is not substantiated. In fact, the opposite is clearly
21 documented by Respondents in the audit work papers as follows:

22 a. The outside accounting firm employs the Executive Director's (ED) wife, SZ3⁴
23 who is also an employee of the client. The internal control documentation states the ED's wife's
24 duties are:

25 i. At the client:

- 26 A. Assistant social worker;
27 B. Authorized signer on bank accounts;
28 C. Copies the checks received, prepares the bank deposits and takes
29 them to the bank; and
30 D. Delivers copies of bank statements, cancelled checks, register and
31 deposits slips to accountant.

32 ⁴ The names of the client staff are abbreviated for confidentiality.

- 1 ii. At the accounting firm:
- 2 A. Part time accountant;
- 3 B. Prepares the payroll checks;
- 4 C. Performs the bank reconciliations; and
- 5 D. Performs all primary bookkeeping including adjustments.

6 Because of the wife’s all-encompassing responsibility for and unfettered access to both incoming
7 and outgoing funds as indicated above, there is clearly no independent outside control provided.

8 30. As for the reportedly increased oversight by the Board, the documentation indicates
9 the first reference to such increased oversight was reported in the December 30, 2017 meeting
10 minutes. This is the earliest such oversight could have occurred. More likely, it was implemented
11 at the March 24, 2018 meeting, because the identical documents are listed in the minute’s
12 addendum. This is corroborated by BFC’s summary, which states: “So this will be added to the
13 list CZ for the March Board Meeting as the first time the agency is able to meet the reporting
14 requirements of the CDSS Corrective Action Plan.”

15 31. The Test of Controls work paper states the auditor verified monthly bank
16 reconciliations had been implemented by examination of the December 2017 bank reconciliation
17 and approval by the ED. However, the December 2017 bank reconciliation for the main checking
18 account, WFB-7245, was not performed in a timely manner. It reflects activity from January 1,
19 2018, to April 18, 2018, indicating that the reconciliation was completed around April 18, 2018.
20 This clearly documents that the improved controls for bank reconciliations had not been
21 implemented before December 31, 2017.

22 32. Respondents provided a binder with 435 pages of emails between the firm, the client
23 and CDSS. During the six-day period, from the time Respondents submitted the first draft of the
24 audit on June 27, 2018, until the first time a draft was acceptable to the client on July 2, 2018,
25 there are at least 57 emails back and forth. These emails demonstrate a deteriorating relationship
26 between the auditor and the client.

27 33. The CDSS Final Management Decision letter dated September 8, 2017, does indicate
28 that they approved the corrective action plan (CAP), and includes a statement “The CDSS expects

1 that the finding identified will not be repeated and identified in the next FAR (Financial Audit
2 Report) for CYE December 31, 2017.”

3 34. In the current Audit Guide for AFDC-Funded Non-Profit Organizations, Chapter 5,
4 under Corrective Action, it states “[t]he NPO has 60 days from the date of the MDL
5 (Management Decision Letter) to comply with corrective action.” This 60 day time frame
6 required the controls be implemented no later than November 7, 2017.

7 35. As demonstrated above, Respondents’ documentation clearly indicates that the
8 improved controls had not been implemented before the end of the audit period, December 31,
9 2017. This means the same controls in place during the prior year, which resulted in the finding
10 for 2016, remained unchanged through the end of the audit period at December 31, 2017.
11 Consequently, a finding of no deficiencies in the current audit year is not supported. Correct
12 treatment would have been a finding for the current year, and the Corrective Actions noted as
13 having been implemented in March 2018.

14 36. Respondents demonstrated a lack of due care and the lack of appropriate skills and
15 knowledge, indicating a lack of competence for this audit. (AU-C 200.18, 220.03, 220.08, 220.10,
16 220.16, 220.17 & 230.02; GAGAS 1.12, 1.19, 2.15, 2.16, 2.18, 3.01, 3.60, 3.61, 3.62, 3.63, 3.64,
17 3.66, 3.69, 3.70, 3.71, 3.72, 3.76, 3.78, 3.82 & 3.89; AAG-GAS 1.01, 1.05, 2.02, 2.03, 3.10, 3.33
18 & 4.02; AICPA Code 1.300.010.01, 1.300.010.02 & 1.300.010.03)

19 37. In addition to the deficiencies in the performance of the audit documented above, a
20 lack of due care, skills, knowledge and competence are demonstrated by:

21 a. In both the prior year (2016), and the current year (2017), Respondent Firm was
22 informed of corrections or missing required information by the CDSS as follows:

23 i. For the 2016 audit, in an email dated July 6, 2017, CDSS notified them
24 that they were missing one sentence in the Independent Accountant’s Report for the year ended
25 December 31, 2016, and CDSS provided them the missing language .

26 ii. For the 2017 audit, in an email dated July 18, 2018, CDSS notified them
27 that a Summary Schedule of Prior Audit Findings was required, but had not been provided.
28

1 iii. Also for the 2017 audit, in an email dated July 31, 2018, CDSS notified
2 them that the Table of Contents required corrections.

3 b. The auditor is responsible to have the appropriate knowledge regarding what
4 reports are required through an understanding of the laws and regulations that govern the entity.
5 (AU-C 250.12; AAG-GAS 3.11, 3.43 & 3.47)

6 c. Respondents failed to obtain the required understanding with those charged
7 with governance (AU-C 210.06, 210.09 & 210.10). The engagement letter omits certain
8 information required under GAGAS as follows:

9 i. The stated audit objective omits that the engagement will be in
10 accordance with Government Auditing Standards in addition to GAAP.

11 ii. In addition, it omits that the audit will include the Report on Internal
12 Control.

13 d. Respondents failed to obtain all the required representations from management.
14 (AU-C 580.06 & 580.10; AAG-GAS 3.67) The Management Representation letter omits the
15 following:

16 i. That the engagement was in accordance with Government Auditing Standards
17 in addition to GAAP.

18 ii. That they have fulfilled their responsibilities as set out in the terms of the
19 audit engagement letter.

20 iii. It was not appropriately tailored to include additional representations
21 required for an audit in accordance with GAGAS, including, but not limited to if they have a
22 process to track the status of audit findings and recommendations.

23 e. As demonstrated in paragraphs 23 and 24 above, none of the engagement team
24 members obtained the CPE required by the Yellow Book. (GAGAS 3.69, 3.70, 3.71, 3.72, 3.76,
25 3.78, 3.82 & 3.89)

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1 **SECOND CAUSE FOR DISCIPLINE**

2 **(Failure to Obtain Sufficient Audit Evidence)**

3 38. Respondents are subject to disciplinary action under Code section 5100(e) in
4 conjunction with Code section 5097, in that Respondents failed to obtain sufficient appropriate
5 audit evidence to support either the financial statements issued or the opinion rendered thereon as
6 set forth in paragraphs 21-37 above and incorporated herein by reference.

7 **THIRD CAUSE FOR DISCIPLINE**

8 **(Report Failing to Conform to Professional Standards)**

9 39. Respondents are subject to disciplinary action under Code section 5100(g) in
10 conjunction with Code section 5062, in that Respondents failed to obtain sufficient appropriate
11 audit evidence to support either the financial statements issued or the opinion rendered thereon.
12 Consequently, the auditor's report issued is inappropriate and does not comply with professional
13 standards, as set forth in paragraphs 21-37 above and incorporated herein by reference.

14 **FOURTH CAUSE FOR DISCIPLINE**

15 **(Failure to Comply with Professional Standards)**

16 40. Respondents are subject to disciplinary action under Code section 5100(g) in
17 conjunction with California Code of Regulations, title 16, section 58, in that Respondents' audit
18 engagement did not comply with professional standards including GAAS, GAGAS, CDSS
19 requirements and the AICPA Code of Conduct, as set forth in paragraphs 21-37 above and
20 incorporated herein by reference.

21 **FIFTH CAUSE FOR DISCIPLINE**

22 **(Failure to Comply with Peer Review Responsibilities)**

23 41. Respondents are subject to disciplinary action under Code section 5100(g) in
24 conjunction with California Code of Regulations, title 16, section 41, in that Respondents failed
25 to comply with the Peer Review Program (CPRP) by failing to report their GAGAS engagement
26 to their peer reviewer, as set forth as follows:

27 42. Respondents failed to cooperate with the peer review program, by failing to notify the
28 peer reviewer that they had performed Yellow Book audits under GAGAS, which is a category

1 of “must-select” engagements. For the two most recent peer reviews, Respondents failed to
2 include Yellow Book engagement(s) in the lists of engagements or the firm representation letters
3 to their peer reviewer. (PRP 1000.58, 1000.63, 1000.96(i), 1000.208(8)(b)(i)(2),
4 1000.208(8)(b)(ii), 1000.208(8)(b)(iv), 2000.63-1, 4100.11, 4100.13(c)(v), 4100.18(a), 4100.39
5 & 4100.41)

6 43. Standards require that a peer review report include a description of any must-select
7 engagements. The two most recent peer reviews covered the years ended February 28, 2019, and
8 February 29, 2016, neither report included an audit under GAGAS.

9 44. The audit at issue in this investigation was a Yellow Book audit as of and for the year
10 ended December 31, 2017, dated June 29, 2018. This engagement should have been included in
11 the firm’s most recent peer review for the year March 1, 2018, through February 28, 2019, and
12 was not.

13 45. Respondents also completed a Yellow Book audit for BFC as of and for the year
14 ended December 31, 2016, dated June 29, 2017. Based on Respondent’s representations to the
15 CPRP on November 10, 2015, Respondents were required to notify the CPRP that Respondents
16 were performing GAGAS audits. It would have required the completion of a peer review that
17 included a GAGAS audit within 18 months, by December 31, 2018.

18 46. The instructions to firm’s having a system review peer report are quite clear that the
19 firm must identify any must-select engagements in the listing of engagements provided to their
20 peer reviewer. Those instructions include PRP 4100.11, which states:

21 Each firm should be aware that failure to represent its accounting and auditing
22 practice accurately, as defined by the AICPA Standards for Performing and Reporting
23 on Peer Reviews, will be deemed a matter of noncooperation with the program. As a
24 result, the firm will be subject to a hearing before the Peer Review Board to
25 determine if the firm’s enrollment in the program should be terminated. If the firm’s
26 enrollment is terminated for omission or misrepresentation of information relating to
27 its accounting and auditing practice, the matter will be referred to the AICPA
28 Professional Ethics Division for firms with AICPA members for investigation of a
possible violation of the AICPA Code of Professional Conduct.

47. The instructions also clearly state in section PRP 4100.13(c)(v) that engagements
subject to Government Auditing Standards should be identified on the engagement listing, and

1 provides a sample list, PRP 4100.39, Appendix B. In addition, section PRP 4100.18(a) specifies
2 Yellow Book audits as must-select.

3 **SIXTH CAUSE FOR DISCIPLINE**

4 **(False or Misleading Reports and Statements)**

5 48. Respondents are subject to disciplinary action under Code section 5100(j), in that
6 Respondents issued reports that were false and misleading, set forth as follows:

7 49. As explained in Paragraphs 25-35 above, Respondents' subordination of judgment
8 resulted in the knowing preparation and dissemination of false and misleading information by
9 reporting that the corrective action plan approved by the CDSS had been implemented, when it
10 had not been implemented until after the period under audit.

11 50. As explained in Paragraphs 41-47 above, Respondents also prepared false or
12 materially misleading reports by failing to include Yellow Book audits on the list of engagements
13 for purposes of peer review.

14 **SEVENTH CAUSE FOR DISCIPLINE**

15 **(False or Misleading Advertising)**

16 51. Respondents are subject to disciplinary action under Code section 5100(g) in
17 conjunction with California Code of Regulations, title 16, section 63, in that Respondents violated
18 the advertising regulations as set forth as follows:

19 52. Respondents knew the audit manager FR's CPA license was delinquent since at least
20 2015.

21 53. During a prior investigation, covering Respondents' failed peer reviews for the years
22 ending February 28, 2013, and February 28, 2009, the same issue of FR's delinquent license was
23 addressed with Respondents. During the exit conversation on November 17, 2015, it was
24 discussed with Respondents the regulations regarding inactive status. Respondents assured CBA
25 that the status of the licenses for all the CPAs on staff will be current going forward, and the
26 website will be corrected.

27 54. On or about January 13, 2017, the CBA sent Respondents an email informing them
28 that they must correct the website because FR's license is delinquent, which prohibits the use of

1 the title CPA or CPA (Inactive). In response, Respondents sent an email on or about January 16,
2 2017, stating that FR will contact the CBA tomorrow to keep his license as “‘Inactive’ after he
3 paid his due [sic]”.

4 55. Respondents permitted FR to distribute business cards with Respondent Firm’s name
5 that falsely represented FR as a CPA.

6 **PRAYER**

7 WHEREFORE, Complainant requests that a hearing be held on the matters herein alleged,
8 and that following the hearing, the California Board of Accountancy issue a decision:

9 1. Revoking or suspending, restricting, limiting or otherwise imposing discipline upon
10 Certified Public Accountancy Corporation Certificate Number 5728, issued to Paul S. Joo, CPA,
11 Acct Corp;

12 2. Revoking or suspending, restricting, limiting or otherwise imposing discipline upon
13 Certified Public Accountant Certificate Number 72145, issued to Paul S. Joo;

14 3. Ordering Paul S. Joo, CPA, Acct. Corp. and Paul S. Joo to pay the California Board
15 of Accountancy the reasonable costs of the investigation and enforcement of this case, pursuant to
16 Business and Professions Code section 5107;

17 4. Ordering Paul S. Joo, CPA, Acct. Corp. and Paul S. Joo to pay the California Board
18 of Accountancy an administrative penalty pursuant to Business and Professions Code section
19 5116; and,

20 5. Taking such other and further action as deemed necessary and proper.

21
22
23 DATED: 08/18/2021

Patti Bowers

PATTI BOWERS
Executive Officer
California Board of Accountancy
Department of Consumer Affairs
State of California
Complainant

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