

BEFORE THE
ACCOUNTANCY EXAMINING BOARD
OF IOWA

IN THE MATTER OF:)	CASE NO. 82-20
)	DIA NO. 89DOCPL-7
GRANT THORNTON)	
Permit Number 88-0295,)	FINDINGS OF FACT,
)	CONCLUSIONS OF LAW,
Respondent)	DECISION AND ORDER

A complaint was filed by William M. Schroeder, Executive Director of the Iowa Accountancy Examining Board (hereinafter the Board), and Daryl Henze, Board Chair, on August 7, 1989. The complaint alleged that the respondent had violated Iowa Code section 116.21 and 193A Iowa Administrative Code section 11.6(7). An Order and Notice of Hearing was issued on August 7, 1989, setting the hearing for this case on September 20, 1989 at 1:00 p.m. in the Highlander Inn (Gold Room), Iowa City, Iowa 42240. Present were the following members of the Board: Daryl Henze, CPA, Board Chair, Dorothy Votroubek, Accounting Practitioner, Gay Halvorson, CPA, Judy Kappmeyer, public member, Julie Bulkeley, public member, John Cain, CPA, and Ken Putzier, CPA. Present also was Teresa O'Connell Weeg, Assistant Attorney General, who appeared for the State. The respondent, Grant Thornton, was not present and was not represented by legal counsel. The State presented proof of service at the hearing and it is part of the record. Present also were members of the Board staff and a court reporter. Amy Christensen Couch, Administrative Law Judge from the Iowa Department of Inspections and Appeals, presided. The hearing was open to the public. After hearing the testimony and examining the exhibits, the Board discussed the decision to be rendered in the contested case in closed session pursuant to Iowa Code section 21.5(1)(f). The undersigned Administrative Law Judge was directed to prepare this Board's Decision and Order.

THE RECORD

The evidentiary record in this case includes the Complaint, the Order and Notice of Hearing, the return of service showing service on August 17, 1989, the recorded testimony of the witness, and State's Exhibits 1 through 7.

FINDINGS OF FACT

1. The respondent, Grant Thornton, is an accounting firm. The firm has its major office in Chicago and is registered in Iowa. The respondent, Grant Thornton, was properly served with the Complaint and Order and Notice of Hearing on August 17, 1989. (Return of service; testimony of Mr. William Schroeder).

2. The Accounting Examining Board subscribed to a clipping service, which submitted two newspaper articles to the Board office regarding the respondent, Grant Thornton. State's Exhibit 1 contains copies of two newspaper articles which were submitted to the Board office by the clipping service. The articles indicate that the respondent was being sued for work it had done regarding the Carriers Insurance Company. The public accounting firm listed in the articles, Alexander Grant and Company, is the same company which is the respondent in this case. At some point between 1982, when the articles appeared, and 1989, when the hearing was held, the name of the accounting firm was changed to Grant Thornton. The newspaper articles indicated that there was litigation involving the respondent regarding work that the accounting firm had done for a client. Board policy is that when an accountant or an accounting firm is the subject of pending litigation, the Ethics and Enforcement Committee of the Board waits until the litigation has been resolved before pursuing any further action. However, the Ethics and Enforcement Committee of the Board usually requires the accounting firm to update the Board every six months regarding the status of the litigation. (testimony of Mr. Schroeder, State's Exhibit 1).

3. The Ethics and Enforcement Committee of the Board opened a case file regarding this respondent in 1982. The committee monitored the litigation by asking for reports every six months from the respondent. The respondent sent the required reports until 1987. In 1987 Grant Thornton responded one time. However, this response was received only after a letter was sent by the Board office and by the Assistant Attorney General requesting information. (State's Exhibits 2 and 3; testimony of Mr. Schroeder).

4. On November 5, 1987, Grant Thornton sent the Committee on Ethics and Enforcement a letter advising the Board that the litigation against Grant Thornton was settled. On November 16, 1987, the Committee on Ethics and Enforcement sent Grant Thornton a letter requesting that Grant Thornton submit a copy of the settlement as required by Board Rule 15.2 to the Board. The Committee did not receive any response to that letter. On January 18, 1989, the attorney general's office requested a copy of the settlement from Grant Thornton. (State's Exhibit 4, 5 and 6; testimony of Mr. Schroeder).

5. Grant Thornton did not respond to the letter from the attorney general's office. (testimony of Mr. Schroeder).

6. The Committee on Ethics and Enforcement then scheduled an informal conference for August 7, 1989 at 9:00 a.m. in Conference Room A/B of the Iowa Department of Commerce, 1918 S.E. Hulsizer, Ankeny, Iowa. Notice of this conference was sent in a letter to Grant Thornton on July 18, 1989. The State submitted proof of service showing that Grant Thornton received the letter on July 20, 1989. The letter, in addition to advising Grant Thornton of the informal discussion, requested acknowledgment of receipt of

the letter within seven days of receipt and instructed Grant Thornton to advise the committee as to whether it would attend the informal discussion on August 7, 1989. Grant Thornton never contacted the Board office. Grant Thornton did not appear at the informal discussion on August 7, 1989. The committee then drafted a Complaint and an Order and Notice of Hearing setting hearing for September 20, 1989. The respondent was served on August 17, 1989 with the Order and Notice of Hearing. (testimony of Mr. Schroeder; proof of service card; State's Exhibit 7).

7. The respondent did not appear at the hearing.

8. Grant Thornton does not have an office in Iowa. The Chicago office is registered with the Accountancy Examining Board of the State of Iowa. At least one individual partner of the Grant Thornton firm is registered in Iowa. (testimony of Mr. Schroeder).

CONCLUSIONS OF LAW

1. Iowa Code section 116.21 states the following: "After notice and hearing as provided in section 116.23, the board may revoke or may suspend for a period not to exceed two years, any certificate issued under section 116.5, or any registration granted under section 116.6, or any license issued under section 116.7 or 116.8, or may revoke, suspend, or refuse to renew any permit issued under section 116.20, or may censure the holder of any such permit, for any one or any combination of the following causes: . . . 4. Violation of a rule of professional conduct promulgated by the board under the authority granted by this chapter."

2. 193A Iowa Administrative Code section 11.6(7) states the following: "Communications. A CPA, PA or AP shall, when requested, respond to communications from the Board within 30 days of the mailing of such communications by registered or certified mail."

3. The respondent is guilty of violating Iowa Code section 116.21 (1989) and 193A Iowa Administrative Code 11.6(7), in that it failed to respond to Board communications.

DECISION AND ORDER


The litigation involving the respondent raised serious questions regarding the audit practices of Grant Thornton. The Accountancy Examining Board cannot determine if there were audit problems or not regarding Grant Thornton because Grant Thornton has not responded to the Board's request for information and has not provided the Board with a copy of the settlement document. Request for information is part of the Board's duty to determine whether disciplinary action is required with respect to a certain licensee. This accounting firm would not respond to the Board's request for information until a letter from the attorney general

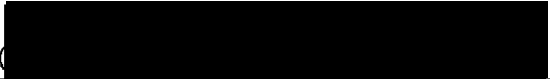
was sent to the Board, and has not responded at all since 1987. The respondent has ignored the request by the Committee on Ethics and Enforcement for informal discussion. The firm did not say they would not attend. The firm has ignored the fact that the Board has requested information, set up informal discussion procedures, and has filed formal charges against this respondent. It is the Board's duty to regulate accounting licensees to ensure that their practices are conducted safely, professionally and according to the law. The Board cannot execute its statutory and regulatory duties if licensees fail to respond to Board requests for communication. The Respondent in this case has flaunted the Board's effort to resolve this pending case. Given the current state of affairs, it is impossible for the Board to discover whether there was substandard work involved in the case which was the subject of litigation.

It is hereby the ORDER of the Accountancy Examining Board of the State of Iowa that permit number 88-0295 issued to the respondent, Grant Thornton, is suspended until the respondent, Grant Thornton, provides this Board with a copy of the settlement as requested by the Board. Furthermore, it is the further ORDER of the Board that the respondent is fined \$1,000.00 to be paid within 30 days of receipt of this decision. It is the further ORDER of the Board that the Board staff is directed to send a copy of this decision to the firm, Grant Thornton, and also to each individual partner registered to practice in Iowa.

Iowa Code section 116.23(10) (1987) 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 30 days after 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 3rd day of October, 1989


Daryl Henze
Chairperson
Iowa Accountancy Examining Board


Amy Christensen Couch
Administrative Law Judge

ACC/jmm

cc: Grant Thornton

Those partners of Grant Thornton
registered to practice in Iowa

Teresa O'Connell Weeg

Accountancy Examining Board