



CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO

CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO ACT, 2017

TO: Gerald L. Handsor, CPA, CA

AND TO: The Discipline Committee of CPA Ontario

The Professional Conduct Committee of CPA Ontario hereby makes the following Allegations of professional misconduct against GERALD L. HANDSOR, CPA, CA a member of CPA Ontario:

1. THAT, the said Gerald L. Handsor, in or about the period September 1, 2016 through November 30, 2016, while engaged to review the financial statements of A Bakery Limited as at September 30, 2015, failed to perform his professional services in accordance with generally accepted standards of practice of the profession contrary to Rule 206.1 of the Chartered Professional Accountants Code of Professional Conduct in that he failed to:
 - a) Refer to Accounting Standards for Private Enterprise (ASPE) in the Review Engagement Report or the Notes to the Financial Statements;
 - b) Ensure proper disclosure in the notes to the financial statements with respect to the balance sheet item "Other Assets – Goodwill \$26,050";
 - c) Ensure there is sufficient and appropriate assessment of whether the information being reported on is plausible in the circumstances;
 - d) Properly document the inquiry, analysis and discussion related to assessing the accounting policy used to account for income taxes and determining the plausibility of the provision "Deferred Income Taxes – Note 3 \$69,874"; and
 - e) Ensure proper disclosure in the financial statement Note 1 "Summary of Accounting Policies" with respect to deferred income taxes.

2. THAT, the said Gerald L. Handsor, in or about the period September 1, 2017 through September 30, 2017, while engaged to review the financial statements of A Bakery Limited as at September 30, 2016, failed to perform his professional services in accordance with generally accepted standards of practice of the profession contrary to Rule 206.1 of the Chartered Professional Accountants Code of Professional Conduct in that he failed to:

- a) Refer to Accounting Standards for Private Enterprise (ASPE) in the Review Engagement Report or the Notes to the Financial Statements;
- b) Ensure proper disclosure in the notes to the financial statements with respect to the balance sheet item "Other Assets – Goodwill \$26,050";
- c) Properly document the inquiry, analysis and discussion related to assessing the accounting policy used to account for income taxes and determining the plausibility of the provision "Deferred Income Taxes – Note 3 \$69,874";
- d) Carry out a proper analytical review of the balance sheet item "GST Recoverable ~~\$6,220~~^{\$2,910}" and sales cut-off; and
- e) Obtain a Letter of Engagement and a Letter of Representation.

*Changed
May 31/19
KE*

3. THAT, the said Gerald L. Handsor, in or about the period September 1, 2016 through November 30, 2016, while engaged to review the financial statements of XYZ Medical as at July 15, 2015, failed to perform his professional services in accordance with generally accepted standards of practice of the profession contrary to Rule 206.1 of the Chartered Professional Accountants Code of Professional Conduct in that he failed to:

- a) Refer to Accounting Standards for Private Enterprise (ASPE) in the Review Engagement Report or the Notes to the Financial Statements;
- b) Establish policies and procedures designed to mitigate the self-review independence threat and provide reasonable assurance that the firm and its personnel maintains independence in circumstances where the client is the member's largest fee client and the firm provides bookkeeping services to the client;
- c) Ensure proper disclosure in the notes to the financial statements regarding economic dependence where 95% of sales come from one customer;
- d) Ensure proper disclosure in the notes to the financial as to why no amortization is taken on the building;

- e) Ensure proper accounting for marketable securities in the financial statements at fair market value;
- f) Ensure proper disclosure of currency risk and market risk related to investments;
- g) Ensure proper disclosure of the accounting policy ^{used} related to account for income taxes;
- h) Ensure proper disclosure of the balance sheet item "Long-term Investment \$275,000" as an insurance policy;
- i) Ensure proper disclosure of related party balances including balance sheet items "Due to 1495647 Ontario Inc. \$753,794" and "Loans from Shareholders \$370,148" and in the statement of income "Management Fees \$450,082";
- j) Carry out sufficient discussion and enquiry with respect to the increase in capital assets from \$1,287,709 in 2014 to \$1,667,967 in 2015;
- k) Ensure depreciation was calculated and recorded on the balance sheet item "Building \$256,888";
- l) Ensure depreciation was calculated and recorded on the balance sheet item "Vehicles \$106,868"; and
- m) Carry out sufficient and appropriate discussion and inquiry regarding cut-off procedures.

Changed
May 2/19
Kl

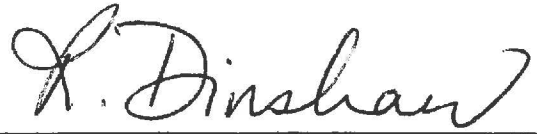
4. THAT, the said Gerald L. Handsor, in or about the period March 1, 2017 through March 31, 2017, while engaged to review the financial statements of CT Windsor as at December 31, 2016, failed to perform his professional services in accordance with generally accepted standards of practice of the profession contrary to Rule 206.1 of the Chartered Professional Accountants Code of Professional Conduct in that he failed to:

- ~~a) Refer to Accounting Standards for Private Enterprise (ASPE) in the Review Engagement Report or the Notes to the Financial Statements;~~
- b) Ensure that the balance sheet item "Cash Held in Trust \$7,332" was cross-referenced to the financial statement notes and had a corresponding liability in the balance sheet under "Current Liabilities" as indicated in the note to the financial statements "Cash Held in Trust"; and
- c) Obtain a Letter of Engagement and a Letter of Representation.

withdrawn
May 2/19
Kl

5. THAT, the said Gerald L. Handsor, in or about the period December 31, 2015 through March 31, 2016, while engaged to compile the financial statements of SAC Windsor as at December 31, 2015, failed to perform his professional services in accordance with generally accepted standards of practice of the profession contrary to Rule 206.1 of the Chartered Professional Accountants Code of Professional Conduct in that he failed to:
- a) Ensure that each page of the financial statements was marked "Unaudited – See Notice to Reader";
 - b) Record an offsetting liability for a bank account entitled "Bingo Lottery Trust Account" in the amount of \$8,887, included in the balance sheet item "Cash \$46,828" thereby causing the financial statements to be misleading.

Dated at Toronto, Ontario, this 9th day of January 2019.



R. DINSHAW, DEPUTY CHAIR
PROFESSIONAL CONDUCT COMMITTEE

CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO

CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO ACT, 2017

DISCIPLINE COMMITTEE

IN THE MATTER OF: Allegations against **GERALD LEVERN HANDSOR, CPA, CA**, under **Rule 206.1** of the CPA Code of Professional Conduct, as amended.

TO: Mr. Gerald Lavern Handsor

AND TO: The Professional Conduct Committee

DECISION AND ORDER MADE MAY 2, 2019

DECISION

The tribunal was satisfied that the amended Allegations were proven and constituted a breach of and **Rule 206.1** of the CPA Code of Professional Conduct. Having breached this Rule, the tribunal determined that Gerald Lavern Handsor ("Mr. Handsor") has committed professional misconduct.

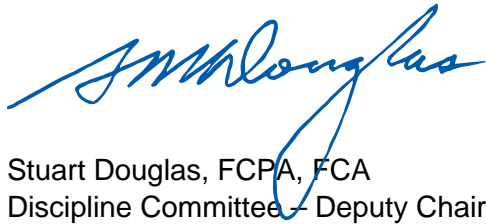
ORDER

The tribunal orders the following:

1. Mr. Handsor be reprimanded in writing by the Chair of the hearing.
2. Mr. Handsor shall pay a fine of \$5,000 to CPA Ontario by Monday, November 2, 2020.
3. Mr. Handsor's practice is restricted to non-assurance engagements, restricting him from performing audit or review engagements.
4. Notice of the Decision and Order, disclosing Mr. Handsor's name, shall be given in the form and manner determined by the Discipline Committee:
 - (a) to all members of CPA Ontario;
 - (b) to the Public Accountants Council for the Province of Ontario;
 - (c) to all provincial bodies;and shall be made available to the public.
5. Notice of the restriction on practice disclosing Mr. Handsor's name is to be given by publication on the CPA Ontario website and in the *Windsor Star*. All costs associated with the publication shall be borne by Mr. Handsor and shall be in addition to any other costs ordered by the Discipline Committee.

6. In the event Mr. Handsor fails to comply with the requirements of this Order, he shall be suspended from membership in CPA Ontario until such time as he does comply, provided that he complies within 30 days from the date of his suspension. In the event he does not comply within 30 days of suspension, Mr. Handsor's membership in CPA Ontario shall be revoked, and notice of the revocation of his membership, disclosing his name, shall be given in the manner specified above, and in a Windsor area newspaper. All costs associated with this publication shall be borne by Mr. Handsor and shall be in addition to any other costs ordered by the tribunal.
7. Mr. Handsor shall pay costs of \$20,000 to CPA Ontario by Monday, November 2, 2020.

DATED at Toronto this 2nd day of May, 2019



Stuart Douglas, FCPA, FCA
Discipline Committee – Deputy Chair

**CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO
CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO ACT, 2017**

DISCIPLINE COMMITTEE

IN THE MATTER OF: Allegations against **GERALD LEVERN HANDSOR, CPA, CA**, under **Rule 206.1** of the CPA Code of Professional Conduct.

BETWEEN:

**Chartered Professional Accountants of Ontario
Professional Conduct Committee**

-and-

Mr. Gerald Levern Handsor

APPEARANCES:

For the Professional Conduct Committee: Paul Farley, Counsel
W. David Sanderson, Investigator

For Mr. Handsor: Not Present and Not Represented

Heard: May 2, 2019

Decision and Order effective: May 2, 2019

Release of written reasons: June 11, 2019

REASONS FOR THE DECISION AND ORDER MADE MAY 2, 2019

I. OVERVIEW

- [1] This hearing is about whether the allegations that Mr. Handsor failed to perform his professional services in accordance with the generally accepted standards of practice of the profession were established and amounted to professional misconduct.
- [2] Mr. Handsor obtained his CPA designation in 1984 and he held a public accounting licence until October 31, 2018. At the time of the allegations Mr. Handsor was working as a sole practitioner in Windsor, Ontario. His practice involved a few audits, review engagements, and personal tax returns.
- [3] The Chartered Professional Accountants of Ontario (“CPA Ontario”) conducted three reviews of Mr. Handsor’s practice over a three-year period. In April 2017, the Practice Inspection Committee (“PIC”) determined that Mr. Handsor had failed to demonstrate sufficient corrective action and consequently, filed a complaint with the Professional

Conduct Committee (“PCC”). The PCC wrote to Mr. Handsor to request a response to the complaint made by the PIC. In that response, the PCC identified areas of concern and appointed Mr. Sanderson to investigate on behalf of PCC.

- [4] Mr. Handsor did not provide Mr. Sanderson with all the files he requested, nor did he agree to meet with him. On April 19, 2018, the PCC laid an allegation against Mr. Handsor for failing to provide information properly requested by the PCC and its investigator, Mr. Sanderson. A hearing before the Discipline Committee was held on July 19, 2018. The Panel found the allegation had been proven and that Mr. Handsor had committed professional misconduct [[Discipline Committee Decision, July 19, 2018](#)]. The tribunal ordered Mr. Handsor to comply with Mr. Sanderson’s requests or face suspension.
- [5] Mr. Handsor complied with the Order and provided the requested documentation to Mr. Sanderson. Upon review of this documentation, the PCC was of the view that Mr. Handsor had failed to perform his professional services in accordance with the generally accepted standards of practice of the profession, leading to the hearing of the Allegations before this Panel.
- [6] The Allegations of the PCC relate to the presentation and disclosure of financial statements prepared by Mr. Handsor for one client over two financial years; for another two clients each relating to a single financial year; and to the compilation of financial statements for a fourth client over one financial year.
- [7] The onus was on the PCC to show, on a balance of probabilities, that Mr. Handsor’s conduct breached the CPA Code of Professional Conduct, and constituted professional misconduct.

II. PRELIMINARY ISSUES

Proper Notice of the Allegations

- [8] Mr. Handsor did not attend the hearing nor did he have a representative attend on his behalf. To proceed in his absence, the Panel had to be satisfied that he had received proper notice of the hearing.
- [9] The PCC filed the Affidavit of Caroline Kelly, the Legal Coordinator at CPA Ontario, sworn on May 1, 2019 (Exhibit 1). In her affidavit Ms. Kelly advised that on March 5, 2019, Mr. Handsor was sent an email from the Adjudicative Tribunals Assistant Secretary, Kristen Couch, to his email address of record with CPA Ontario, requesting that he provide to her, on or before March 28, 2019, his availability for a two-day hearing of the allegations laid against him. Mr. Handsor did not respond to Ms. Couch’s email. On April 1, 2019, Ms. Couch emailed a Notice of Hearing to Mr. Handsor, confirming that the hearing was scheduled to proceed on May 2, 2019, at 10:00 a.m. Ms. Couch requested that Mr. Handsor provide acknowledgment of receipt of the Notice of Hearing by signing a letter enclosed with the Notice. Ms. Couch received a response on April 26, 2019 from Mr. Handsor confirming that he would not be in attendance at the hearing.

- [10] The PCC also filed a registered letter sent by Mr. Handsor to the Deputy Chair of the PCC dated April 24, 2019 which enclosed a letter addressed to the Discipline Committee (Exhibit 2). The letter indicated that Mr. Handsor would not be attending the hearing, and raised the issue of his mental health as a reason for not attending. The letter also took issue with the manner in which he had been treated by CPA Ontario and asserted that he was being punished for wrong-doings that affected no one.
- [11] Having reviewed the foregoing evidence, the Panel was satisfied that Mr. Handsor had received proper notice of the hearing. The Panel notes that while Mr. Handsor suggested in his letter of April 24, 2019 that he was not attending the hearing primarily due to his health, he presented no evidence in support of that position. He also did not seek an adjournment or take the position that he lacked the capacity to understand the nature of the tribunal hearing or appreciate the consequences of the process.
- [12] The Panel further notes that at the hearing into the allegation of his failure to cooperate with the investigation on July 19, 2018, evidence submitted by Mr. Handsor relating to his mental health was found insufficient to support a finding of incapacity, as set out in the tribunal's Reasons for Decision and Order [[Discipline Committee Decision, July 19, 2018](#)]. Accordingly, the Panel decided to proceed in his absence.
- [13] A denial of the allegations was entered on Mr. Handsor's behalf.

Amendment of the Allegations

- [14] At the outset of the hearing, counsel for the PCC requested leave to withdraw particular (a) of Allegation No. 4, and amend particular (d) of Allegation No. 2 and particular (g) of Allegation No. 3.
- [15] The "GST Recoverable" amount in Allegation No. 2(d) was misquoted and should have read "\$2,910", and proper disclosure of the accounting policy in Allegation No. 3(g) was not "related" to but "used" to account for income taxes. These particulars were amended and Allegation 4(a) was withdrawn accordingly.

III. ISSUES

- [16] The Panel identified the following issues arising from the allegations:
- A. Did the evidence establish, on a balance of probabilities, the facts on which the allegations by the PCC were based?
 - B. If these facts were established on the evidence on a balance of probabilities, did these facts constitute professional misconduct?

IV. DECISION

- [17] The Panel found that the evidence established, on a balance of probabilities, the facts on which the amended allegations by the PCC were based.
- [18] The Panel was satisfied that the facts alleged constituted a breach of Rule 206.1, and,

having breached this Rule, Mr. Handsor had committed professional misconduct.

V. REASONS FOR THE DECISION

Findings regarding Conduct of Mr. Handsor

[19] The PCC called Mr. David Sanderson, FCPA, FCA, CPP, CPA (Illinois) as its witness. Based on his education and experience as set out in his CV (Exhibit 4), Mr. Sanderson was qualified by the Panel as an expert on the professional standards required for a review engagement.

A Bakery Limited September 30, 2015 financial statements

[20] The evidence demonstrated that neither these financial statements nor the Review Engagement Report for A Bakery Limited (“A Bakery”) referenced Accounting Standards for Private Enterprises (ASPE). The CPA Canada Handbook (“Handbook”) Section 1400.16 required an enterprise that prepares its financial statements in accordance with Canadian accounting standards for private enterprises to state this prominently in the notes to its financial statements. Omitting this reference was a failure to meet the standard. Mr. Handsor signed and released these financial statements. Mr. Sanderson testified that when he asked Mr. Handsor about this shortcoming, he responded that he was not aware of this standard.

[21] A Bakery disclosed on its balance sheet an item of “Other Assets – Goodwill” in an amount that was material. No description or disclosure was provided respecting this asset. Handbook Section 3604.21 required that an intangible asset be recognized only if the cost of the asset can be measured reliably. Handbook Section 3604.24 required that the intangible asset be measured initially at cost. Handbook Section 3604.64 required an intangible asset that is subject to amortization be tested for impairment. The documentary evidence did not show a disclosure that the balance sheet item of goodwill was initially measured or tested for impairment. Mr. Sanderson testified that when he asked Mr. Handsor about this lack of disclosure, Mr. Handsor acknowledged that he omitted this disclosure.

[22] Mr. Sanderson provided his opinion that, in both the financial statements and working papers for A Bakery, there was a general failure to ensure a sufficient and proper assessment of whether the information being reported was plausible under the circumstances. Handbook Section 8100.15 set out the standards applicable to review engagements, including inquiry, analytical procedures and discussion to assess the plausibility of information being reported. Mr. Sanderson provided that there were numerous instances of improper disclosure and improper descriptions and, in his opinion, the assessment was not carried out in compliance with the standards.

[23] A Bakery disclosed on its balance sheet a liability of “Deferred Income Taxes” in an amount that was material. The evidence exhibited there was no documentation of the inquiry, analysis and discussion by Mr. Handsor of the accounting policy used to account for income taxes or the plausibility of this provision in Note 3 of the Financial Statements

(Deferred Income Tax) or elsewhere. Handbook Section 3465.51 required that income tax liabilities be measured using the income tax rates and laws expected to apply when the liability is settled. Mr. Sanderson testified that when he asked Mr. Handsor about this issue, Mr. Handsor confirmed that he had not reviewed the deferred income tax for plausibility and that he had missed that item on the Balance Sheet.

[24] Note 1 to the Financial Statements (“Summary of Accounting Policies”) did not include disclosure of the method of calculation of income tax. Handbook Section 3465.88 sets out the disclosure required when an enterprise applies the taxes payable method of accounting for income taxes, none of which was included in Note 1 or elsewhere in the Financial Statements for A Bakery.

[25] The Panel determined that each particular of Allegation No. 1 was proven.

A Bakery Limited September 30, 2016 financial statements

[26] Particular 2(a), relating to the failure to make reference to ASPE, was the same allegation as that of Allegation No. 1(a), but for the next fiscal year. The Panel similarly found this particular proven for the 2016 financial statements.

[27] Particular 2(b), relating to the lack of proper disclosure for the balance sheet asset of Goodwill, was the same allegation as that of Allegation No. 1(b), but for the next fiscal year. The Panel similarly found this particular proven for the 2016 financial statements.

[28] Particular 2(c), relating to the failure to provide proper disclosure for the balance sheet item Deferred Income Taxes, was the same allegation as that of Allegation No. 1(d), but for the next fiscal year. The Panel similarly found this particular proven for the 2016 financial statements.

[29] A Bakery disclosed on its balance sheet an item “GST Recoverable”, but there is no evidence in the working paper files of the review work done to support this amount. Handbook Section 8100.15 and 8100.24 set out the general standards applicable to review engagements, including that the public accountant should document matters that, in his or her professional judgment, are important to support the content of the report. In the opinion of Mr. Sanderson, for Mr. Handsor to have complied with this standard he would have had to document his review of these amounts.

[30] Mr. Handsor failed to obtain a Letter of Engagement and a Letter of Representation. The requirement to document terms of an engagement in a written agreement, and the importance of documenting the agreement with the client of the services to be provided, are set out in Handbook Section 8100, paragraphs 10 and 14, and Section 8200, paragraphs 3 and 9.

[31] The Panel determined that each particular of Allegation No. 2 was proven.

XYZ Medical July 15, 2015 financial statements

[32] The evidence demonstrated that neither the financial statements nor the Review Engagement Report for XYZ Medical referenced the ASPE. Handbook Section 1400.16 required an enterprise that prepared its financial statements in accordance with

Canadian accounting standards for private enterprises to state this prominently in the financial statement notes. Omitting this reference was a failure to meet the standard. Mr. Handsor signed and released these financial statements.

- [33] The working papers for XYZ Medical indicate that Mr. Handsor identified an independence threat in relation to his firm, arising from the fact that XYZ Medical was his largest fee client and that Mr. Handsor's firm provided the book-keeping services to XYZ Medical. The Canadian Standard on Quality Control (CSQC) 1 at paragraph 21 required that firms establish policies and procedures designed to maintain independence and, among other things, to take appropriate action to reduce threats to independence to acceptable levels by applying safeguards or, if appropriate, to withdraw from the engagement. There was no evidence in the working papers of any such policies or procedures. Mr. Sanderson testified that when he asked Mr. Handsor about this issue, Mr. Handsor indicated that he was not knowledgeable about these standards and that he had not included the relevant documentation in the files.
- [34] The working papers for XYZ Medical indicated that over 95% of its sales were from a single other party. The financial statements for XYZ Medical, however, do not include disclosure of this economic dependence. Handbook Section 3841.02 required that when the ongoing operations of a reporting enterprise depend on a significant volume of business with another party, the economic dependence on that party shall be disclosed and explained. Omitting this disclosure was a failure to meet the standard.
- [35] The notes to the financial statements for XYZ Medical show no amortization was taken on the building and they do not disclose why no amortization was taken. Handbook Section 3064.24 required that for each major category of property, plant, and equipment, there should be disclosure of the cost, accumulated amortization, and the amortization method used. Failure to include this information in the notes to the financial statements was a failure to meet the standard. Mr. Sanderson testified that when he asked Mr. Handsor about this issue, Mr. Handsor was not able to support the failure to amortize the building.
- [36] XYZ Medical disclosed on its balance sheet an asset entitled "marketable securities". Note 3 to the financial statements showed that this asset was recorded at 'cost' as it was lower than the market value. Handbook Section 3051.07 required that when an investee's equity securities are quoted in an active market, the investment shall not be accounted for using the cost method. It was the opinion of Mr. Sanderson that this was an unacceptable disclosure for a marketable security.
- [37] Mr. Sanderson testified that the working papers for XYZ Medical disclosed the marketable securities held by XYZ Medical included securities in different currencies. In the opinion of Mr. Sanderson, this created a currency risk and market risk arising from potential changes in the U.S. exchange rate. Handbook Section 3856, paragraph A66, required disclosure to assist users of financial statements in assessing the extent of the risk related to financial instruments, including currency risk and market risk. It was the opinion of Mr. Sanderson that the failure to disclose these risks for the marketable securities fell below the required standard. Mr. Sanderson testified that when he asked

Mr. Handsor about this issue, Mr. Handsor did not understand that marketable securities were financial instruments which required this disclosure.

- [38] XYZ Medical disclosed income tax as a liability on its balance sheet. However, there is no explanation provided as to the accounting policy used to account for income taxes. In Handbook Section 3465, paragraphs 88 and 89 set out the disclosure requirements for an enterprise applying the taxes payment method, and the future income taxes method, of accounting for income taxes. The financial statements of XYZ Medical do not indicate which method is used, and do not include the required disclosure for either method. Mr. Sanderson testified that when he asked Mr. Handsor about this issue, Mr. Handsor acknowledged the deficiency.
- [39] The balance sheet for XYZ Medical shows the item 'long term investment' as an asset, but includes no further information. The working papers show this to be a life insurance policy. It is the opinion of Mr. Sanderson that the Handbook's general review standards for a review engagement (including Section 8100.24) required a description of the asset item, including, for instance, the term, policy, maturity date, and cash surrender value of the item. Mr. Sanderson testified that when he asked Mr. Handsor about this issue, Mr. Handsor indicated that he had not obtained or disclosed this information about the item.
- [40] The working papers for XYZ Medical show the existence of related-party transactions. However, the financial statements include no identification or disclosure of these related-party transactions. Handbook Section 3840.51 required that for related party transactions, the enterprise shall disclose the relationship between the parties, a description of the transaction, the amount of the transaction, the measurement basis used, the amounts due and terms and conditions relating thereto, contractual obligations with related parties, and contingencies involving related parties. Mr. Sanderson testified that when he asked Mr. Handsor about this issue, Mr. Handsor agreed with the deficiency.
- [41] The balance sheet for XYZ Medical shows a significant increase in capital assets from 2014 to 2015. There is no evidence of discussion or enquiry by Mr. Handsor respecting this increase. It is the opinion of Mr. Sanderson that the Handbook's general review standards for a review engagement (including Section 8100.15) required an inquiry by Mr. Handsor, the performance of analytical procedures, and a discussion as to the plausibility of this increase in capital assets. Mr. Sanderson testified that when he asked Mr. Handsor about this issue, Mr. Handsor acknowledged the deficiency.
- [42] The note to the financial statements for XYZ Medical regarding capital assets includes no depreciation for the balance sheet item "building". Handbook Section 3061.16 required that amortization be recognized in a rational and systematic manner appropriate to the nature of property, plant, and equipment with a limited life, and its use by the enterprise. Further, the calculation to be used to determine the amount of amortization to be charged to income must be documented. Failure to ensure depreciation was calculated and recorded on this balance sheet item was a failure to meet the standard.
- [43] The note to the financial statements for XYZ Medical regarding Capital Assets appeared

to show accumulated amortization for vehicles, but that note was identified as being from the prior year's financial statements, dated July 15, 2014. The working papers for the year 2015 show no amortization. It is the opinion of Mr. Sanderson that vehicles are capital assets and as such should be amortized, pursuant to Handbook Sections 3061.16 and 3061.24.

- [44] The Review Engagement Report for XYZ Medical does not include reference to cut-off procedures. It is the opinion of Mr. Sanderson that Handbook Section 8100.15 required inquiry and discussion with management of cut-off procedures. There is no evidence that such a discussion took place. Mr. Sanderson testified that when he asked Mr. Handsor about this issue, Mr. Handsor acknowledged the deficiency.
- [45] The Panel determined that each particular of Allegation No. 3 was proven.

CT Windsor December 31, 2016 financial statements

- [46] The balance sheet for CT Windsor includes the asset "Cash Held in Trust". The corresponding note (Note 2(a)) to the financial statements indicates that a liability equal to this amount is shown however, the balance sheet shows no corresponding liability. Handbook Section 1521.05A sets out the required disclosure of liabilities on the balance sheet. The failure to include the liability equal to the amount of cash held in trust was a failure to meet this standard.
- [47] Mr. Handsor failed to obtain a Letter of Engagement and a Letter of Representation. The requirement to document the terms of an engagement in a written agreement, and the importance of documenting the agreement with the client of the services to be provided, are set out in Handbook Section 8100, paragraphs 10 and 14, and Section 8200, paragraphs 3 and 9. Mr. Sanderson testified that when he asked Mr. Handsor about this issue, Mr. Handsor acknowledged the oversight.
- [48] The Panel determined that, particular 4(a) having been withdrawn, each of the remaining particulars of Allegation No. 4 was proven.

SAC Windsor December 31, 2015 financial statements

- [49] The financial statements of SAC Windsor showed that the pages were not marked "Unaudited – See Notice to Reader". Handbook Section 9200.25 requires that this communication be placed on each page of the financial statements. The failure of Mr. Handsor to do so represents a failure to meet this standard.
- [50] The working papers of SAC Windsor revealed that the Cash asset on the balance sheet included an amount entitled "Bingo Lottery Trust Account". However, there is no offsetting liability in the amount included on the balance sheet. The failure to record the offsetting liability for the bingo trust funds resulted in the financial statements being misleading. Handbook Section 9200.12 indicated that a public accountant should perform a compilation engagement only if there is no reason to believe that the financial statements are false or misleading.
- [51] The Panel determined that each particular of Allegation No. 5 was proven.

Finding of Professional Misconduct

- [52] The evidence was cogent and compelling and clearly proved on a balance of probabilities all allegations that were not withdrawn. In each instance the Panel was convinced that the failure by Mr. Handsor to uphold the requisite standard amounted to a failure to perform professional services in accordance with generally accepted standards of practice of the profession. As a result of Mr. Handsor's decision to not participate in the hearing, the evidence led by the PCC, including the expert evidence of Mr. Sanderson, was uncontroverted.
- [53] Consequently, the Panel found that Mr. Handsor committed professional misconduct in that he breached Rule 206.1 of the CPA Code of Professional Conduct

VI. SANCTIONS

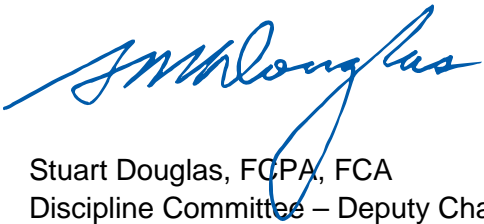
- [54] The Panel accepted the position of the PCC with respect to the penalty to be imposed in this matter: a written reprimand; a fine of \$5000 to be paid within 18 months; a restriction of Mr. Handsor's practice to non-assurance engagements; the suspension of Mr. Handsor's membership for 30 days if he breached any term of the Order, and if he did not remedy the breach, the revocation of his membership; and publication in the ordinary course, including in the geographic area of Mr. Handsor's practice.
- [55] The primary objective of sanctions for failure to comply with professional standards is the protection of the public. It is vital that members of the public have confidence that the CPA member they retain will perform their professional services in accordance with generally accepted standards of practice of the profession. Secondly, where possible, the sanctions should aim to rehabilitate the member, as that objective also furthers the protection of the public. These sanctions also serve as a general deterrence to the members of CPA Ontario.
- [56] In this case, Mr. Handsor had the opportunity to correct the shortcomings in his practice by responding constructively to the issues identified through three practice inspections. A consequence of Mr. Handsor's failure to proactively rehabilitate is that these sanctions must be focused more on deterrence and the protection of the public than on rehabilitation.
- [57] The Panel also took into consideration Mr. Handsor's letter to the Discipline Committee (Exhibit 2), in which he states, among other things, that he is being punished for "wrong doings that affect no one." The Panel is concerned that this statement reflects a failure on the part of Mr. Handsor to appreciate the importance that every CPA member perform their professional services in accordance with the general accepted standards of practice of the profession. The statement by Mr. Handsor appears to attempt to minimize the threat to the public when these standards are not upheld, and thereby minimizes the very function of CPA members in conducting assurance engagements. It further indicates that Mr. Handsor has failed to take responsibility for his misconduct, and that he expresses no remorse. The Panel considers that the number of deficiencies identified in Mr. Handsor's practice is also an aggravating factor.

- [58] Considering that Mr. Handsor has a prior record of misconduct for failing to co-operate, and his refusal to participate in this hearing, the Panel is unable to find any mitigating factors on sanction. The brief reference in his letter to the Discipline Committee to his mental health problems does not constitute sufficient evidence on which this Panel can rely as a mitigating factor.
- [59] Turning to the specific sanctions imposed, a reprimand is necessary to highlight the seriousness of the misconduct. The fine of \$5,000 acts as both specific and general deterrence, representing a personal consequence of the misconduct, and is within the range of other comparable professional standards cases.
- [60] This is not a case where it is appropriate to require the member to attend professional development courses. Mr. Handsor has already shown his disinclination to rehabilitate himself by his failure to take corrective action in response to three practice inspections. It is the Panel's view that to protect the public it is necessary to restrict Mr. Handsor from conducting assurance engagement work. Publication of this restriction, both on the CPA Ontario website and in the *Windsor Star*, is also necessary to protect the public, so the public knows that Mr. Handsor is no longer permitted to engage in assurance work.

VII. COSTS

- [61] The PCC presented a costs outline (Exhibit 9), and sought a costs award of two-thirds of the actual costs incurred, amounting to \$20,000, to be paid within 18 months. The Panel finds that this costs award is in-line with precedents and is appropriate in the circumstances of this case.

Dated at Toronto this 11th day of June, 2019



Stuart Douglas, FCPA, FCA
Discipline Committee – Deputy Chair

Members of the Tribunal
Catherine Kenwell, (Public Representative)
Barry Solway (Public Representative)

Independent Legal Counsel
John Dent
Barrister & Solicitor