

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

DISCIPLINE COMMITTEE

IN THE MATTER OF: Allegations against **HEDRA L. SAPARNO, CPA, CMA**, a member of the Chartered Professional Accountants of Ontario, under **Rules 101.1(b), 201.1 and 206.1** of the CPA Ontario Code of Professional Conduct

BETWEEN:

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

-and-

Hedra L. Saparno

APPEARANCES:

For the Professional Conduct Committee:	Kelvin Kucey, Counsel
For Hedra L. Saparno:	Not Present and Not Represented
Heard:	November 24, 2023
Decision and Order effective:	November 24, 2023
Release of written reasons:	January 2, 2024

REASONS FOR THE DECISION AND ORDER MADE NOVEMBER 24, 2023

I. OVERVIEW

- [1] Hedra L. Saparno, CPA, CMA (“the Member”), obtained his legacy Certified Management Accountant designation in 1987. In 1988, the Member joined an Ottawa accounting firm as a staff accountant. Eventually, the firm merged with a larger firm, BT LLP (“BT”). In and around 2011, the Member was promoted to Senior Manager.
- [2] The Professional Conduct Committee of the Chartered Professional Accountants of Ontario (“PCC”) has alleged that between 2018 and 2021, the Member improperly issued 55 financial statements and accompanying audit or review reports to 21 of his firm’s clients. During the relevant time, the Member did not hold a Public Accounting Licence (“PAL”) and

was therefore not entitled to issue audit or review reports. In order to engage in the above conduct, the Member circumvented his firm's internal controls related to the issuance of financial statements, including the requirement to obtain partner review and approval. Additionally, the Member misled his partners and co-workers, and he inappropriately billed the time spent on the work for these 21 clients to other firm clients. Finally, many of the Finalized Statements were significantly deficient, requiring BT to engage in substantial modifications of the statements.

II. THE COMPLAINT AND THE ALLEGATIONS

- [3] The Member's conduct was discovered by BT in January 2022. Following an internal investigation, BT filed a complaint with CPA Ontario against the Member. As a result of the circumstances detailed herein, BT discharged the Member on February 28, 2022.
- [4] After conducting its own investigation, on August 11, 2023, the PCC issued a Statement of Allegations containing seven Allegations. The seven Allegations can be briefly summarized as:
1. Conducting assurance work without a valid PAL, contrary to Rule 101.1 (b) of the CPA Ontario Code of Professional Conduct (the "Code") and ss. 2(1)1 and 3 of the *Public Accounting Act, 2004*;
 2. Failing to act in a manner that maintains the good reputation of the profession and serves the public interest by engaging in conduct intended to deceive his firm and cover up the fact that the Member conducted assurance work without a valid PAL, contrary to Rule 201.1 of the Code;
 3. Failing to perform assurance services for the audit of four different companies in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the Code; and
 4. The above-noted failure to perform assurance services in accordance with generally accepted standards of practice caused BT to determine that 29 of the engagement reports required re-issuance based on changes to the financial statements and/or to the accompanying notes.

III. PRELIMINARY ISSUES

- [5] The Member and Counsel for the PCC signed an Agreed Statement of Facts ("ASF") dated November 14, 2023 (Exhibit 2) and presented a joint submission on sanction. However, the

Member did not attend at the hearing.

- [6] Counsel for the PCC filed an Affidavit of Alyssa Grace Girardi, affirmed remotely on November 17, 2023 (Exhibit 1). After reviewing Exhibit 1, the Panel was satisfied that the Member had been properly served with the Notice of Hearing on October 12, 2023 via email, and that therefore, the Member was aware that the hearing was scheduled to proceed via videoconference on November 24, 2023 at 9:30 am.
- [7] Proper service of the Notice of Hearing is sufficient for the Panel to conclude that the hearing can proceed in the absence of the Member. However, in this matter, the Member additionally emailed Counsel for the PCC on November 14, 2023 and indicated that while he accepted the Allegations and the proposed penalty, he would not be attending the hearing on November 24, 2023.
- [8] In light of all of the above, the Panel determined that the hearing could proceed in the Member's absence.

IV. ISSUES AT THE HEARING

- [9] The issues for this Panel to address were the following:
- a) Did the evidence establish, on a balance of probabilities, the facts on which the Allegations alleged by the PCC were based?
 - b) If the Allegations made by the PCC were established on a balance of probabilities, did they constitute professional misconduct?

V. DECISION

- [10] The Panel was satisfied that the evidence established, on a balance of probabilities, the facts set out in the Allegations of professional misconduct.
- [11] The panel was satisfied that the Allegations constituted a breach of Rules 101.1(b), 201.1, and 206.1 of the Code and ss. 2(1)1 and 3 of the *Public Accounting Act, 2004*. Having breached these Rules and the *Public Accounting Act*, the Member committed professional misconduct.

VI. REASONS FOR THE DECISION ON MISCONDUCT

Findings Regarding the Conduct of The Member

- [12] The Panel relied on the ASF and the Document Brief to the Agreed Statement of Facts (Exhibit

3) to make its findings.

Allegation 1 – Conducting Assurance Work without a Public Accounting Licence

- [13] The Member worked primarily with Joseph Wattie (“Wattie”), who was a partner of BT. After the Member was promoted to Senior Manager in 2011, he was assigned to approximately 50% of Wattie’s not-for-profit engagements. Within BT’s management structure, the Member reported to Wattie.
- [14] Between 2018 and 2021, the Member charged more than 95% of his billable time to assurance and compilation engagements led by Wattie as the engagement partner. During the relevant time, the Member did not hold a PAL and was therefore not entitled to issue audit or review reports in Ontario. Although the Member did not have a PAL, Wattie was a PAL holder. In light of this, the Member was permitted to perform assurance work as long as it was supervised by a licenced public accountant, in this case, Wattie.
- [15] In or about the period May 1, 2018 to December 31, 2021, Wattie was responsible for supervising the Member’s work on engagements for which he was the lead engagement partner and PAL holder. Wattie did not appropriately supervise the Member’s work and is himself the subject of a separate CPA Ontario conduct hearing.
- [16] During the relevant time period, the Member completed assurance work and issued 55 financial statements and accompanying audit or review reports to 21 of BT’s assurance clients. He did so without holding a PAL, unsupervised by Wattie and without obtaining Wattie’s signature.

Allegation 2 – Failure to Maintain the Good Reputation of the Profession (Deceit and Circumvention)

- [17] BT had a Quality Assurance Manual (“QAM”) which detailed the process for partner review of client engagement files prior to issuance of financial statements. In order to issue the 55 financial statements in the manner he did, it was necessary for the Member to circumvent the procedures set out in the QAM. This was not an easy or casual feat.
- [18] In order to circumvent the procedures set out in the QAM, the Member engaged in the following actions:
1. He failed to obtain Wattie’s signoffs on the required questionnaires or control sheets

by using prior year versions of audit reports in Microsoft Word that already contained BT's logo and signature to create Finalized Statements;

2. He provided the Finalized Statements to the client either via email or BT's Citrix cloud storage system. When the financial statements were provided via Citrix, the Member emailed the client a link to access their financial statements;
3. Between 2018 and 2021, the Member hid his conduct from BT staff and partners, regularly lying to and misleading his co-workers and Wattie;
4. To hide his time spent on the Finalized Statements, the Member falsely charged time to other engagements. The Member did not charge any hours to seven of the 55 Finalized Statements. The Member admits that he limited the amount of time he entered in BT's time and billing system to reduce the chance that Wattie would inquire into the status of Finalized Statements; and
5. On eight occasions, Wattie approved final invoices that were issued to clients without his completed review and signoff of the related Finalized Statements. To deceive Wattie, the Member purposefully sent Wattie these invoices for approval just prior to BT's billing deadlines in hope that the details would be overlooked.

Allegations 3, 4, 5 and 6 – Failure to Perform Assurance Services in Accordance with Generally Accepted Standards of Practice of the Profession

[19] As is set out above, the Member's issuance of the Finalized Statements without a PAL was a contravention of ss. 2(1)1 and 3 of the *Public Accounting Act, 2004*. In addition, however, the work was deficient in that it did not accord with the Generally Accepted Standards of Practice ("GAAS") and Canadian Auditing Standards (CAS).

[20] The deficiencies in the Finalized Statements for three companies can be summarized as follows:

- a. Failure to obtain sign offs from the engagement partner;
- b. Failure to document his sign offs as the file preparer;
- c. Failure to document client reacceptance procedures;
- d. Failure to document an assessment of auditor independence;
- e. Failure to document planning phase inquiries of management;
- f. Failure to document discussions with those charged with governance;
- g. Failure to document internal controls and walk throughs;
- h. Failure to identify the risks of material misstatement;
- i. Failure to document his risk assessment inquiries of management and analytical

procedures;

- j. Failure to document information obtained from the prior year's audit;
- k. Failure to document his understanding of the client's system of internal control;
- l. Failure to perform and document any required audit work and therefore failed to obtain sufficient and appropriate audit evidence in any of the working papers to support conclusions on the financial statements;
- m. Failure to obtain sufficient and appropriate audit evidence to support the performance of the subsequent events review;
- n. Failure to obtain sufficient and appropriate audit evidence to support the performance of legal inquiries;
- o. Failure to obtain sufficient and appropriate audit evidence to support the receipt of a signed representation letter;
- p. Failure to obtain sufficient and appropriate audit evidence to support the report on audit results to those charged with governance;
- q. The financial statements were issued without partner approval;
- r. Failure to obtain sufficient and appropriate audit evidence to demonstrate appropriate professional skepticism and judgment in the planning, execution, evaluation, and documentation of the engagement; and
- s. General material deficiencies.¹

[21] In relation to one company, the deficiencies can be summarized as:

- a. Failure to complete accurate preliminary analytical procedures;
- b. Superseding copies of draft financial statements were retained in the file; and
- c. Issuing the financial statements without partner approval.

Allegation 7 – Failure to Perform Professional Services in Accordance with Generally Accepted Standards of Practice of the Profession in that BT had to Reissue 29 of the Engagement Reports

[22] The Member's conduct, as detailed herein, required BT to remediate the Finalized Statements. BT assigned a remediation team of eight partners to review, correct, and re-state each of the Finalized Statements.

[23] As of March 9, 2023, BT had remediated and re-issued final financial statements for 29 of the 55 Finalized Statements. For seven of the 55 Finalized Statements, BT identified material errors but had not yet issued revised final Financial Statements.

¹ The Finalized Statements for two of the three companies did not suffer from general material deficiencies.

Finding of Professional Misconduct

- [24] The Member admitted that his actions as set out in the ASF constituted professional misconduct. The Panel agrees. The admitted conduct is a clear and indisputable breach of Rules 101.1(b), 201.1 and 206.1 of the Code and ss. 2(1)1 and 3 of the *Public Accounting Act, 2004* and amounts to professional misconduct.
- [25] In the context of the trust bestowed upon him and the Member's professional standing as a CPA at BT, he consistently engaged in the practice of deceit and misleading conduct towards colleagues in the management of files. This afforded him the latitude to orchestrate a protracted scheme wherein incomplete work was delivered to clients, a course of action contravening GAAS and statutory regulations, all without discernible personal benefit aside from the completion of tasks. His managing partner facilitated these activities, by approving invoices submitted by the Member to clients for such incomplete work, without properly reviewing the invoices.
- [26] The Member asserted that the motivation behind these actions stemmed from a perceived inability to cope with the mounting workload pressure and the urgent need to address the demands of the client base for timely financial statements. He contended that the shortfall in work completion was attributable to the absence of adequate staffing and a lack of assistance with complex accounting issues. He further explicated that diminished physical endurance in comparison to earlier stages of his career exacerbated the situation. However, notwithstanding these challenges, his deliberate choice to adopt expedient measures and execute tasks improperly reflects a failure to prioritize the public trust, thereby contravening the responsibilities inherent in his role as a CPA.

VII. DECISION ON SANCTION

- [27] Although the Member did not appear at his hearing, Counsel for the PCC informed the Panel that his submission on sanction was a joint submission agreed to by the Member. Counsel for the PCC filed evidence demonstrating the Member's agreement to the penalty sought.
- [28] The Panel accepted the joint submission and imposed the following Order on sanction and costs, summarized as follows:
1. revocation of membership effective the date of the Decision and Order;

2. fine of \$30,000 payable to CPA Ontario by May 24, 2024;
3. written reprimand by the Chair of the hearing;
4. notice of the Decision and Order, disclosing [the Member]'s name, is to be given:
 - a. to all members of CPA Ontario;
 - b. to all provincial bodies;

and shall be made available to the public;

5. notice of the Decision and Order, disclosing the Member's name, is to be given on the CPA Ontario website and in the *Globe and Mail* newspaper circulated in the Ottawa and National Capital Region, and costs associated with the publication shall be paid by the Member within 30 days of the Member's receipt of invoice for same; and
6. costs of \$30,000 payable to CPA Ontario by May 24, 2024.

VIII. REASONS FOR DECISION ON SANCTION

- [29] In any discipline proceeding, a Panel must consider all principles of sanction including those articulated in the [Chartered Professional Accountants of Ontario Sanction Guidelines](#). In applying these principles, the Panel concluded that the Member's conduct undermines public confidence in the standards of members of CPA Ontario and the effectiveness of the regulatory role of CPA Ontario. Accordingly, a serious penalty was necessary to protect members of the public, deter other members from engaging in misconduct and to maintain the public's confidence in the profession.
- [30] A joint submission on sanction was submitted by the PCC. Adjudicators are not permitted to depart from a joint submission on sanction unless the proposed sentence would bring the administration of justice into disrepute or is otherwise contrary to the public interest ([R. v. Anthony-Cook, 2016 SCC 43](#)). Accordingly, the Panel must find that the proposed sanction is wholly outside of the range of suitable sanctions to substitute their opinion for the considered agreement of the joint submission.
- [31] Revocation of the Member's membership is necessary to denounce the conduct and to act as a deterrent to other members considering similar conduct. The Member's conduct was a serious breach of the profession's obligation to the business community and the public to act with honesty and integrity. By his actions, the Member significantly damaged the reputation of the profession and undermined its ability to properly and effectively serve the public interest for the protection of the public.

- [32] The Member's conduct reflects a terrible lack of judgment and total disregard for his obligations to his firm and his clients. Judgment and respect are important hallmarks of this profession. The Member exhibited neither of these characteristics. Members of the public and the profession must be able to trust their accountants. They must be able to count on CPA Ontario to firmly discipline any CPA member who fails to act in accordance with these important qualities. As a general deterrent, the Panel agreed with the PCC that revocation is the appropriate sanction in a situation involving moral turpitude.
- [33] A substantial fine was necessary to reflect the seriousness of the Member's misconduct. The fine of \$30,000 is within the range that is appropriate in this type of fact scenario. Counsel for the PCC provided the Panel with a casebook containing similar cases with fines ranging from \$20,000 to \$75,000. The Panel has no trouble accepting a joint submission for a \$30,000 fine.
- [34] Publication of the sanction is required in order for the deterrent message to be conveyed to other members of CPA Ontario and the public. Without publication, the deterrent value of the Panel's decision would be undermined. Further, an open discipline process enhances public trust in the profession and in the discipline process. Publication in a newspaper of the name of a member who fails to act in a manner which maintains the good reputation of the profession and its ability to serve the public interest will further enhance the profession's reputation and integrity. Moreover, Regulation 6-2 mandates newspaper publication in cases of membership revocation.

IX. COSTS

- [35] The law is quite clear that an order for costs with respect to the disciplinary proceeding is not a penalty. Costs are intended to indemnify the PCC based on the principle that the profession should not bear all the costs of the investigation, prosecution and hearing arising from a member's misconduct. It is customary for the PCC to seek approximately 2/3 of the costs incurred during the investigation and prosecution of the matter.
- [36] The PCC filed a costs outline (Exhibit 5). Legal fees and disbursements, including the costs of the investigation and preparation for the hearing of this matter amounted to \$48,110.
- [37] In the Panel's view, there was no reason to deviate from the standard costs award to reflect approximately 2/3 of the total costs incurred.

[38] The Panel ordered that the Member pay costs of \$30,000 to CPA Ontario by May 24, 2024.

DATED this 2nd day of January, 2024

A handwritten signature in dark ink, appearing to be 'John Love', written over a light blue rectangular background.

John Love, CPA, CMA
Discipline Committee – Deputy Chair

Members of the Panel

Alexandra Finkel, CPA, CA
Janice Sheehy, CPA, CMA
Nancy Tran, Public Representative

Independent Legal Counsel

Lisa Freeman, Barrister & Solicitor