CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO

THE CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO ACT, 2017

IN THE MATTER OF: ALLEGATIONS OF PROFESSIONAL MISCONDUCT AGAINST **RAYMOND KIZIAK, CPA, CA**, **CMA** BEFORE THE DISCIPLINE COMMITTEE

SETTLEMENT AGREEMENT

Made pursuant to Section 34 (3) (c) of the *Chartered Professional Accountants of Ontario Act, 2017* and CPAO Regulation 6-2, s.19

Introduction

1. The Professional Conduct Committee (PCC) approved draft Allegations of Professional Misconduct (Allegations) against Raymond Kiziak, CPA, CA, CMA (Kiziak or the Member), the particulars of which are set out below. The documents referred to in this Settlement Agreement (Agreement) are found in the Document Brief. The applicable CPA Canada *Handbook* (CPAH) sections are found in the Standards Brief.

2. The draft Allegations **[Doc 1]** pertain to Kiziak's failure 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 of Ontario Code of Professional Conduct (Code), with respect to the following engagements:

   (a) The review of the financial statements of "PLCC" for the year ended December 31, 2022 ("2022 PLCC Review"); **[Doc 2]**;
   (b) The review of the financial statements of "PLCC" for the year ended December 31, 2023 ("2023 PLCC Review"); **[Doc 3]**

(c) The review of the financial statements of "TNCC" for the year ended December 31, 2022 ("2022 TNCC Review"); **[Doc 4]**

(d) The compilation engagement of "CH" for the year ended December 31, 2022 ("2022 CH Compilation"). **[Doc 5]**

3. The draft Allegations also pertain to Kiziak's failure to maintain a system of quality management for his practice, contrary to Rule 206.1 of the Code.

4. The PCC and Kiziak agree with the facts and conclusions set out in this Agreement for the purpose of this proceeding only, and further agree that this Agreement of facts and conclusions is without prejudice to Kiziak in any other proceedings of any kind, including, but without limiting the generality of the foregoing, any civil or other proceedings which may be brought by any other person, corporation, regulatory body or agency.

Background

5. Kiziak obtained his Chartered Accountant designation in 1967 and became member of CPA Ontario through the legacy body in 2014. He began his career with Thorne Gunn (now KPMG), moved to industry with a car dealership for four years, and then began his own practice. He was part of a small partnership for four years in the early 1980s and became a sole practitioner thereafter. Kiziak's practice at the time of the investigation consisted of two review engagements, 15 to 20 compilation engagements, and some personal income tax returns. Since then, Kiziak has advised that he only retained one of the review engagement clients, with the intention of not continuing with any review engagements after 2025.

The Complaint

6. On April 4, 2024, the Practice Inspection Committee (PIC) referred the matter to the Standards Enforcement branch of CPA Ontario following an inspection of Kiziak's practice. The referral included inspections of the 2022 PLCC Review, the 2022 TNCC Review, and the 2022 CH Compilation, identifying deficiencies in documentation, review evidence, and disclosure. The inspection also identified deficiencies in Kiziak's system of

quality management, including a failure to adopt and implement the new System of Quality Management ("CSQM") standards, which became mandatory on December 15, 2022.

7. Kiziak had previously been inspected in 2021 and 2022, and on each occasion a full reinspection was directed by the PIC.

8. As a result, the PIC concluded that his failure to maintain professional standards was sufficiently serious as to reflect adversely upon his professional competence.

9. On June 28, 2024, the PCC appointed Paul Gibel, FCPA, FCA (Investigator), to investigate Kiziak's standards of practice and the circumstances surrounding the complaint. The Investigator's Report was released on October 28, 2024.

Failure to Maintain Professional Standards

10. Kiziak and the PCC agree that Kiziak failed to perform his professional services in accordance with generally accepted standards of practice of the profession as described below; and, Kiziak admits that the agreed facts set out below accurately particularize his failure to perform his professional services in accordance with generally accepted standards of practice of the profession.

The Reviews

11. PLCC is a private enterprise operating as a car dealership in the sale of new and used vehicles. The financial statements for PLCC were prepared using Canadian Accounting Standards for Private Enterprises ("ASPE").

12. The 2022 PLCC Review engagement report was dated June 19, 2023, with materiality set at 20,000.

13. The 2023 PLCC Review engagement report was dated April 23, 2024. The materiality working paper in the file was a photocopy of the 2022 materiality working paper, indicating materiality of $20,000, without the date changed or updated.

14. TNCC is a private enterprise operating as a car dealership in the sale of new and used vehicles. The financial statements for TNCC were prepared using ASPE.

15. The 2022 TNCC Review engagement report was dated September 15, 2023. Materiality was set at $10,500.

16. The new vehicles sold by PLCC and TNCC are both from the same vehicle manufacturer.

Working Paper Files

17. Each of the working paper files for the three review engagements included an Excel spreadsheet which included the trial balance, journal entries, some account specific working papers and the general ledger entries for most of the accounts.

18. Contained in each file was a detailed financial package that is prepared for the vehicle manufacturer which contains significant financial information with respect to the dealership.

Review Engagement Approach

19. Kiziak stated the following to the Investigator with respect to his approach in performing a review of financial statements:
    (a) List out the trial balance, get supporting documentation for each account, make inquiries and obtain more detailed information if he feels he requires it and conclude whether the account balance is reasonable;
    (b) He is aware that he should perform year-to-year comparisons based on prior discussions with PI; however, "if the money has been spent, then it is done.";
    (c) If the general ledger does not appear to have anything extraordinary, he does not question how the client spent their money or ask about variances from previous years.

20. Kiziak uses PEG forms for his checklists during the review. There are checklists for each balance sheet item and the income statement, and each has a section to identify analytical procedures performed, including questions regarding significant changes from the prior year and expectations, and documenting management's explanations.

21. The Investigator noted that the 2023 PLCC Review is nearly identical for all areas as the 2022 PLCC Review. Most of the checklists have been photocopied from 2022 and the date has been crossed out and replaced with 2023; however, in some cases 2022 remains. The file is not as extensive as 2022, as Kiziak stated that he anticipated 2023 being the last year performing the engagement.

Allegations 1(a), 2(a) and 3(a) - He failed to document the timing of performing the review procedures

22. The Canadian Standards on Review Engagements ("CSRE") 2400.104 requires the preparation of documentation for the review that provides evidence that the review was performed in accordance with the standard and a sufficient and appropriate record of the basis for the practitioner's report. The practitioner is required to document the following aspects of the engagement in a timely manner, sufficient to enable an experienced practitioner, having no previous connection with the engagement, to understand:

    (a) The nature, timing and extent of the procedures performed;
    (b) Results obtained from the procedures, and the practitioner's conclusions formed on the basis of those results; and
    (c) Significant matters arising during the engagement, the practitioner's conclusions reached thereon, and significant professional judgements made in reaching those conclusions.

23. CSRE 2400.105 requires that in documenting the nature, timing and extent of procedures performed, the practitioner shall record:

(a) Who performed the work and the date the work was completed; and
(b) Who reviewed the work performed for the purpose of quality control for the engagement, and the date and extent of review.

24. As will be set out more fully below, Kiziak did not complete any analytical procedures. Kiziak marked “y” for yes in the column of each relevant PEG checklist that the procedures had been successfully completed along with his initials. No dates were included to identify when the procedures were performed. He also signed off the conclusions but did not date them.

25. In the 2022 PLCC Review, 2023 PLCC Review and 2022 TNCC Review, Kiziak did not document the dates upon which he completed any review procedures performed, contrary to CSRE 2400.104 and 2400.105.

Allegations 1(b), 2(b) and 3(b) – He failed to obtain sufficient appropriate evidence from the procedures performed on the Balance Sheet item Accounts Receivable

26. CSRE 2400.46 requires that in obtaining sufficient appropriate evidence as the basis for a conclusion on the financial statements, the practitioner shall design and perform inquiry and analytical procedures:

(a) To address all material items in the financial statements, including disclosures; and
(b) To focus on addressing areas in the financial statements where material misstatements are likely to arise.”

27. As detailed in CSRE 2400.15(a), 2400.A100 and A101, analytical procedures are evaluations of financial information through analysis of plausible relationships among both financial and non-financial data. Analytical procedures also include such investigation as is necessary of identified fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount. This may involve both simple comparisons and complex analysis as required.

28. Kiziak performed and completed the necessary calculations that would be required to conduct analytical procedures but did not conduct the necessary inquiries or investigation. He did not inquire into any material variances, investigate fluctuations or relationships that are inconsistent with other relevant information or that varied from expected values by a significant amount, as further detailed below.

29. The PEG checklist "Accounts receivable, trade and other – Review procedures" includes a section on analytical review which includes procedures such as inquiring about significant changes, comparison to the prior year and calculating ratios.

PLCC 2022 – 1(b) - Balance Sheet item "Accounts receivable (note 2) 478,109"

30. Kiziak stated that with respect to the accounts receivable amount of $478,109, he compared the total balance to the prior year and looked at the aging. He also looked at subsequent payments and if the balance had been paid, he did not do any further work. He also sets up a general provision for doubtful accounts for everything over 90 days.

31. Kiziak calculated the differences and the ratios on the trial balance but did not obtain any explanation for the variances or compare the results to expectations, nor perform any other procedures. On subcategories of accounts receivable, for example parts and services receivable, factory rebates receivable and warranty claims receivable, he vouched to subsequent payments but did not perform any other procedures. Vouching to subsequent payments is an audit procedure and not an analytical procedure.

32. He did not perform a reasonability test or any other procedures with respect to HST receivable.

33. As Kiziak did not perform necessary analytical procedures, he did not obtain sufficient appropriate evidence for the accounts receivable, contrary to CSRE 2400.46.

PLCC 2023 – 2(b) - Balance Sheet item "Accounts receivable (note 2) 587,201

34. Kiziak photocopied the previously completed checklist from the 2022 file into the 2023 file and completed the same procedures as noted above, except he did not vouch

subsequent payments for contracts in transit, parts and service receivables, factory rebates receivable and warranty receivables for 2023.

35. Kiziak stated that he looked at the monthly HST remittances but he did not perform a reasonability test or any other analytical procedures.

36. Kiziak failed to obtain sufficient appropriate evidence for the accounts receivable in the amount of $587,201, as he did not perform analytical procedures, contrary to CSRE 2400.46.

TNCC 2022 – 3(b) – "Balance Sheet item "Accounts receivable (note 2) 1,302,663

37. Kiziak completed the same PEG checklist as used on PLCC 2022 and completed the same procedures. For example, he vouched subsequent payments for contracts in transit, parts and service receivables, factory rebate receivable and warranty claims receivable.

38. TNCC received payments from insurance companies' relating to work performed in the body shop. Where work was not performed in a timely manner, payments may not have been paid in the time expected by TNCC. Kiziak vouched these amounts to subsequent payments but did not perform any analytical procedures.

39. He also reviewed the monthly HST remittances but did not perform a reasonability test or any other procedures, consistent with the findings in PLCC.

40. As such, Kiziak did not obtain sufficient appropriate evidence from the procedures performed, contrary to CSRE 2400.46.

Allegations 1(c), 2(c) and 3(c) - He failed to obtain sufficient appropriate evidence from the procedures performed on the Balance Sheet item Inventories

41. The "Inventory – Review Procedures" checklist includes a section on analytical review, including procedures such as inquiring about significant changes, comparing and obtaining explanations for variances in the inventory accounts and ensuring the explanations are consistent with the understanding of the entity.

PLCC 2022 – 1(c) – Balance Sheet item "Inventories (notes 1 and 3) 6,162,181"

42. According to Kiziak, PLCC uses a perpetual system for inventory, and he accepts the client's numbers for the inventory. He also relies on the spot checks conducted by the bank to confirm whether new vehicles are still unsold. If used vehicles are unsold for more than 100 days, Kiziak asks the dealership why.

43. Kiziak did not reconcile the number of new vehicles in inventory to the number being financed. Reconcilliation is a standard procedure for vehicle dealerships to ensure inventory completeness and vehicle financing payable, as these two amounts are generally the largest on the balance sheet.

44. The parts, and tires and auto body inventories were physically counted by the dealership on October 31, 2022. The supporting working paper for the parts was a printout of the general ledger from December 2022. There are also general ledger printouts for tires and auto body inventories. There was also reconciliation of the perpetual inventory and the physical count as of October 31, 2022. Kiziak stated that he recorded the adjustments for the count differences at year end.

45. Kiziak did calculate the differences and ratios on the trial balance for inventory, which amounted in total to $6,162,181. However, he did not perform any analytical review procedures as he did not obtain explanations from management as to the variances nor did he compare the results to expectations. As a result, he failed to obtain sufficient appropriate evidence from the procedures performed for inventory, contrary to CSRE 2400.46.

PLCC 2023 – 2(c) – Balance Sheet item "Inventories (notes 1 and 3) 9,831,441"

46. The checklist used for 2023 was photocopied from the 2022 PLCC Review and Kiziak completed the exact same procedures as he did for the new and used vehicles in 2022.

47. Kiziak stated that he believed the parts, tires and auto body inventories were physically counted by the dealership on September 30, 2023, and that he reviewed the inventory listings. There is no documentation to support this. He recorded the adjustments for the count differences at year end as the client does not do so. He included printouts of the general ledgers in his working papers but did not perform any analytical procedures.

48. Kiziak spoke to the Parts Manager and accepted the amount of $56,000 for the obsolescence provision. He did not complete any analytical procedures on this account.

49. Kiziak did not perform any analytical review procedures for the inventories totaling $9,831,441, as he did not obtain explanations from management as to the variances nor did he compare the results to expectations. As a result, he failed to obtain sufficient appropriate evidence from the procedures performed for inventory, contrary to CSRE 2400.46.

TNCC 2022 – 3(c) – Balance Sheet item "Inventories (notes 1 and 3) 11,219,744"

50. Kiziak completed the checklist in the same way and using the same procedures as he did for the 2022 PLCC Review for new and used vehicles. He did not reconcile the number of new vehicles in inventory to the number being financed.

51. The parts, and tires and auto body inventories were counted by the client on October 31, 2022, and he reviewed the inventory listings at that date and recorded the adjustments for the count differences at year end as the client does not do so. He included printouts of the general ledgers in his working papers but did not perform any analytical procedures.

52. Kiziak spoke to the Parts Manager and accepted the obsolescence provision of $91,327.38. He did not complete any analytical procedures on this account.

53. Kiziak did not perform any analytical review procedures for the inventories totaling $11,219,744, as he did not obtain explanations from management as to the variances nor did he compare the results to expectations. As a result, he failed to obtain sufficient appropriate evidence from the procedures performed for inventory, contrary to CSRE 2400.46.

Allegations 2(d) and 3(d) - He failed to obtain sufficient appropriate evidence from the procedures performed on the Balance Sheet item Capital Assets

55. For Capital Asset additions, Kiziak developed a schedule intended to be a capital asset subledger which he provides to the client to be completed by them including entering any additions. Kiziak then checks the mathematical accuracy and agrees the number to the general ledger. He also looks for the invoices for the additions.

PLCC 2023 – 2(d) – Balance Sheet item "Capital Assets (notes 1 and 4) 3,584,459"

56. The schedule created by Kiziak was provided to PLCC and completed by the client. There is no evidence in the file that Kiziak examined any of the supporting invoices or performed any other procedures on the Capital Assets which amounted to $3,584,459.

57. As a result, he failed to obtain sufficient appropriate evidence from the procedures performed for Capital Assets, contrary to CSRE 2400.46.

TNCC 2022 – 3(d) – Balance Sheet item "Capital Assets (notes 1 and 5) 1,640,478"

58. The schedule created by Kiziak was provided to TNCC and completed by the client. There is no evidence in the file that Kiziak examined any of the supporting invoices or performed any other procedures on the Capital Assets which amounted to $1,640,478.

59. As a result, he failed to obtain sufficient appropriate evidence from the procedures performed for Capital Assets, contrary to CSRE 2400.46.

Allegations 1(d), 2(e) and 3(e) – He failed to obtain sufficient appropriate evidence from the procedures performed on the Balance Sheet item Accounts payable and accrued liabilities

60. The “Accounts payable and accrued liabilities – Review procedures” checklist includes a section on analytical review, including procedures such as inquiring about significant changes from the prior year, comparing days purchases in accounts payable, calculating ratios and ensuring the explanations for the variances are consistent with the knowledge of the entity.

61. In each of the three engagements, Kiziak signed off on this section of the checklist as having completed the procedures. However, as set out below, the procedures performed are not analytical procedures.

PLCC 2022 – 1(d) – Balance Sheet item “Accounts payable and accrued liabilities $789,230”

62. Where available, Kiziak reconciled supplier statements for accounts payable and reconciled the manufacturer’s statements which are received by the client twice a month.

63. To search for unrecorded liabilities, Kiziak reviewed the January supplier statements and requested the general ledger printout of the accounts payable for January. Kiziak also signed off the “Unrecorded transactions/transactions recorded to proper period” section of the checklist as having been completed; however, there is no documentation in support of this.

64. With respect to accrued liabilities, Kiziak relies on the client’s calculation of accrued vacation pay, employee bonusses payable, accrued sales commissions, accrued liabilities and accounts receivable vehicles, i.e. down payments. Kiziak also asks the controller to confirm that all matters have been booked and will inquire if a vehicle has not been delivered 90 days after the downpayment.

65. Kiziak did calculate the differences and ratios on the trial balance. However, he did not perform any analytical review procedures as he did not obtain explanations from management as to the variances nor did he compare the results to expectations. As a result, he failed to obtain sufficient appropriate evidence from the procedures performed for Accounts payable and accrued liabilities, amounting to $789,230, contrary to CSRE 2400.46.

PLCC 2023 – 2(e) – Balance Sheet item "Accounts payable and accrued liabilities $1,498,741"

66. Kiziak performed the same procedures as he did for 2022.

67. Where available he reconciled supplier statements for accounts payable.

68. Kiziak stated that he reviewed the January supplier statement and requested the general ledger printout of the accounts payable for January to search for unrecorded liabilities but there is no documentation in support of this.

69. As with 2022, Kiziak relies on the client to calculate all relevant accruals.

70. Kiziak did calculate the differences and ratios on the trial balance. However, he did not perform any analytical review procedures as he did not obtain explanations from management as to the variances nor did he compare the results to expectations. As a result, he failed to obtain sufficient appropriate evidence from the procedures performed for Accounts payable and accrued liabilities, amounting to $1,498,741, contrary to CSRE 2400.46.

TNCC 2022 – 3(e) – Balance Sheet item "Accounts payable and accrued liabilities $2,410,518"

71. Kiziak performed the same procedures with respect to the 2022 TNCC Review as he did for the PLCC 2022 Review.

72. Kiziak stated that he reviewed the January supplier statement and requested the general ledger printout of the accounts payable for January to search for unrecorded liabilities, but there is no documentation in support of this.

73. Kiziak relies on the client to calculate salaries and wages payable and all relevant accruals including, but not limited to, vacation pay, bonuses, commissions and customer deposits.

74. Kiziak did calculate the differences and ratios on the trial balance. However, he did not perform any analytical review procedures as he did not obtain explanations from management as to the variances nor did he compare the results to expectations. As a result, he failed to obtain sufficient appropriate evidence from the procedures performed for Accounts payable and accrued liabilities, amounting to $2,410,518, contrary to CSRE 2400.46.

Allegations 1(e), 2(f) and 3(f) – He failed to obtain sufficient appropriate evidence from the procedures performed on the Statement of Income and Retained Earnings

75. The "Income statement – Review procedures" checklist includes a section on analytical review which Kiziak has signed off as being successfully completed. The procedures include comparing sales by category to the prior period, comparing gross margins to prior periods, comparing payroll and other expenses to prior periods, comparing interrelationships of related items and ensuring the explanations for the variances are consistent with the understanding of the entity.

76. Both PLCC and TNCC complete a large package of financial information that is provided to the manufacturer, which includes detailed information including breakdowns of the number of vehicles sold and the comparison of revenue and expenses. This document is provided to Kiziak by the dealerships.

77. Kiziak stated that the package comes from the dealership accounting system and was designed by the vehicle manufacturer. He does not rely on the information in this document in designing or carrying out analytical procedures.

PLCC 2022 – 1(e) - Statement of Income and Retained Earnings

78. With respect to the income statement, Kiziak stated that he reviewed the trial balance to see if there is anything that would “slap you in the face”. He further stated that the transactions have already occurred and cannot be changed.

79. Kiziak calculated the differences and the ratios on the trial balance and had access to the package of information prepared for the manufacturer but did not obtain explanations for the variances or compare the results to expectations. As a result, he did not obtain sufficient appropriate evidence from the procedures performed on the statement of income and retained earnings, contrary to CSRE 2400.46.

PLCC 2023 – 2(f) - Statement of Income and Retained Earnings

80. The working papers in the PLCC 2023 file were the same as those for 2022. Kiziak completed the income statement checklist in the same manner as 2022. The trial balance provides the same detail and a copy of the financial package for the manufacture is included in the file. As previously stated, Kiziak does not rely on the package to perform analytical procedures.

81. Kiziak calculated the differences and the ratios on the trial balance and had access to the package of information prepared for the manufacturer but did not obtain explanations for the variances or compare the results to expectations. As a result, he did not obtain sufficient appropriate evidence from the procedures performed on the statement of income and retained earnings, contrary to CSRE 2400.46.

TNCC 2022 – 3(f) - Statement of Income and Retained Earnings

82. The working papers in the TNCC 2022 file were as described with respect to the PLCC 2022 Review. Kiziak completed the income statement checklist in the same manner as for the PLCC 2022 Review. The trial balance provides the same detail and a copy of the financial package for the manufacture is included in the file. As previously stated, Kiziak does not rely on the package to perform analytical procedures. Kiziak advised that both the dealership owner and his spouse are CPA's so he only looks for any "alarming changes".

83. Kiziak calculated the differences and the ratios on the trial balance and had access to the package of information prepared for the manufacturer but did not obtain explanations for the variances or compare the results to expectations. As a result, he did not obtain sufficient appropriate evidence from the procedures performed on the statement of income and retained earnings, contrary to CSRE 2400.46.

Allegations 1(f), 2(g) – He failed to document the collectability of the amount receivable "Due from related companies" on the Balance Sheet

84. As previously stated, pursuant to CSRE 2400.104, the practitioner performing the review is required to prepare sufficient documentation to enable an experienced practitioner with no previous connection to the engagement to understand, amongst other things, significant matters arising during the engagement, the practitioner's conclusions thereon, and significant professional judgments made in reaching those conclusions.

PLCC 2022 – 1(f) – "Due from related companies 409,463" on the Balance Sheet

85. The Balance Sheet includes an amount of $409,463 due from a related company. Note 10 to the financial statements indicates that the amount is receivable from "P Inc.", a company under common control.

86. In the PEG checklist "Loans and advances receivable – Review procedures" there is a comment in the valuation section "Collectability will be over the long-term", without further explanation. Kiziak stated that P Inc. is a car wash and strip mall adjacent to PLCC, and that Kiziak completes P Inc.'s accounting. As such, Kiziak knows the amount is

collectible. There is no documentation in the working papers to support this. As such, Kiziak has failed to document the collectability of the due from related companies, contrary to CSRE 2400.104.

PLCC 2023 – 2(g) – "Due from related companies 528,392" on the Balance Sheet

87. The Balance Sheet includes an amount of $528,392 due from a related company. Note 10 to the financial statements indicates that the amount is receivable from "P Inc.", a company under common control.

88. Consistent with 2022, Kiziak advised that he performs the accounting for P Inc. and knows the amount is collectible. There is no documentation in the working papers to support this. As such, Kiziak has failed to document the collectability of the due from related companies, contrary to CSRE 2400.104.

Allegation 3(g) – TNCC 2022 - He failed to record an amount receivable related to carrying losses for income tax purposes back to a prior year and therefore the Balance Sheet item "Corporation income tax refundable 113,702" is understated

89. Schedule 4 of the corporate income tax return for TNCC shows a loss carried back to previous years of $137,690. Kiziak did not calculate and record the resulting income tax receivable and as a result, the Corporation income tax refundable was understated at $113,702.

Allegations 1(g), 2(h), 3(h) – He failed to ensure proper disclosure of the Statement of Cash Flows item "Vehicle Financing" as a financing activity

90. CPAH section 1540.06(f) states that "[f]inancing activities are activities that result in changes in the size and composition of the equity capital and borrowings of the enterprise".

91. As detailed for each engagement below, in each instance, the Statement of cash flows disclosed the change in vehicle financing as an operating activity. Kiziak advised that he had been identifying it this way for twenty years.

PLCC 2022 – 1(g) - Statement of Cash Flows item "Vehicle Financing 3,152,375" as a financing activity

92. On the Statement of Cash Flows for the PLCC 2022 financial statements, the vehicle financing amount of $3,152,375, was reported as an operating activity by the entity. As the vehicle financing amount results in a change to the size and composition of the borrowing of the entity, Kiziak failed to ensure that the vehicle financing was properly disclosed as a financing activity, contrary to CPAH section 1540.06(f).

PLCC 2023 – 2(h) - Statement of Cash Flows item "Vehicle Financing 2,612,629" as a financing activity

93. On the Statement of Cash Flows for the PLCC 2023 financial statements, the vehicle financing amount of $2,612,629, was reported as an operating activity by the entity. As the vehicle financing amount results in a change to the size and composition of the borrowing of the entity, Kiziak failed to ensure that the vehicle financing was properly disclosed as a financing activity, contrary to CPAH section 1540.06(f).

TNCC 2022 – 3(h) - Statement of Cash Flows item "Vehicle Financing 4,178,111" as a financing activity

94. On the Statement of Cash Flows for the TNCC 2022 financial statements, the vehicle financing amount of $4,178,111, was reported as an operating activity by the entity. As the vehicle financing amount results in a change to the size and composition of the borrowing of the entity, Kiziak failed to ensure that the vehicle financing was properly disclosed as a financing activity, contrary to CPAH section 1540.06(f).

Allegation 2(i) – PLCC 2023 - He failed to ensure proper disclosure of the Statement of Cash Flows items related to capital asset transactions

95. The Statement of cash flows shows a reported change in capital assets of $(601,456). That total was obtained by Kiziak netting the following:
    (a) Additions for capital assets: $434,595.99;

(b) Additions for leased vehicles: $214,393.45;

(c) Less the proceeds on disposal of capital assets: $46,575.50;

(d) Less the gain on disposal of capital assets of $969.34.

96. Cash payments to acquire capital assets and cash receipts from the sale of capital assets should be shown as separate investing activities on the financial statements. Kiziak failed to ensure proper disclosure of the cash flow items related to these capital asset transactions, contrary to CPAH section 1540.18 (a) and (b).

Allegation 3(i) – TNCC 2022 - He failed to ensure proper disclosure of the Statement of Cash Flows item related to leased vehicles and equipment transactions

97. The Statement of cash flows disclosed investment activities for Leased vehicles and equipment at $(18,102). This number was netted from the additions for the year, totaling $466,080.87, less the proceeds on disposal, totaling $447,979.31. Cash payments to acquire capital assets and cash receipts from the sale of capital assets should be shown as separate investment activities. As such, Kiziak failed to ensure proper disclosure of the leased vehicles and equipment transactions on the Statement of cash flows, contrary to CPAH section 1540.18 (a) and (b).

Allegations 1(h), 2(j) and 3(j) - He failed to ensure parts and accessory inventories were determined using either the first in, first out or weighted average cost method

98. The significant accounting policy used by both PLCC and TNCC for inventories stated “[p]arts and accessory inventories are valued at the lower of cost and net realizable value, with cost being determined at the replacement cost dictated by [the vehicle manufacturer].”

99. Kiziak advised that replacement cost was appropriate rather than purchase cost because all of the car dealerships use this method as the manufacturer will send an update through the inventory system. The dealership has no control over these updates.

100. CPAH section 3031.24 states that "[t]he cost of inventories, other than those dealt with in paragraph 3031.22 [items requiring specific identification], shall be assigned by using the first-in, first-out (FIFO) or weighted average cost formula."

101. The use of replacement cost would only be appropriate if Kiziak performed procedures designed to determine whether replacement cost approximated FIFO or weighted average cost and would not result in a material misstatement.

102. For the 2022 PLCC Review, 2023 PLCC Review and 2022 TNCC Review, for parts and accessory inventories, Kiziak did not perform procedures to determine whether replacement cost would approximate FIFO or weighted average cost and would not result in a material misstatement. As such, he failed to ensure that these inventories were determined on FIFO or the weighted average cost method.

Allegations 1(i) and 3(k) - He failed to disclose the significant accounting policy for the recognition of finance, insurance and protection plans revenue

103. CPAH section 3400.31 states that "[a]n enterprise shall disclose its revenue recognition policy. If an enterprise has different policies for different types of revenue transactions, including non-monetary (barter) sales, the policy for each material type of transaction shall be disclosed."

104. In the significant accounting policy notes for both the PLCC 2022 and TNCC 2022 financial statements, Kiziak failed to disclose the accounting policy for the recognition of finance, insurance and protection plans revenue. This omission was brought to Kiziak's attention by PI after the 2022 PI. Kiziak included the significant accounting policy in the notes to the PLCC 2023 financial statements.

Allegation 1(j) – PLCC 2022 - He failed to ensure proper disclosure, in Note 8 of the Notes to the Financial Statements, of the bank term loan expiry date

105. Note 8 to the financial statements of PLCC 2022 disclosed that the bank term loan expired on September 30, 2022. Kiziak acknowledged that the bank term loan correctly

expired on September 30, 2023. As a result, he failed to ensure proper disclosure of the bank term loan expiry date.

Allegation 2(k) – PLCC 2023 – He failed to ensure proper disclosure, in Note 10 of the Notes to the Financial Statements, of the interest rate for the Related Party Transactions item of "[183] Ontario Ltd. 500,000"

106. In the notes to the PLCC 2023 financial statements, the Related Party Transactions note, Note 10, discloses an amount due to "183 Ontario Ltd." as $500,000 bearing interest at 6.33%. However, the related working paper for the amount due to 183 Ontario Ltd. states that it is non-interest bearing. Kiziak admits that the working paper is correct and that the amount due is non-interest bearing. As a result, he failed to ensure proper disclosure of the Related Party Transactions item in Note 10.

Allegations 3(l) and 3(o) – TNCC 2022 – He failed to ensure proper disclosure in notes to the financial statements

He failed to ensure proper disclosure of the significant accounting policy, in Note 1 of the Notes to the Financial Statements, for the amortization rate for vehicles in "Capital Assets".

107. CPAH section 3061.24 requires the disclosure of the amortization method used, including the amortization period or rate for each major category of property, plant and equipment. The significant accounting policy , in Note 1 of the Notes to the Financial Statements for TNCC 2022, did not include the amortization rate for vehicles under "capital assets". As such, Kiziak failed to ensure proper disclosure of the amortization rate, contrary to section 3061.24.

He failed to ensure proper disclosure, in Note 9 "Lease Financing", in the Notes to the Financial Statements, of the principal payments due over the next five years

108. CPAH section 3856.45 states that "[a]n enterprise shall disclose the aggregate amount of payments estimated to be required in each of the next five years to meet repayment, sinking fund or retirement provisions of financial liabilities."

109. Note 9 to the financial statements for TNCC 2022 discloses the terms of the vehicle lease financing, including the current portion. However, Note 9 does not include the principal payments due over the next five years. Kiziak stated that he does not include this information. As such, Kiziak failed to ensure proper disclosure of the principal payments due over the next five years, contrary to section 3856.45.

Allegations 3(m), 3(n) and 3(p) – TNCC 2022 – He failed to document in his working papers the information disclosed in notes to the financial statements

He failed to document in his working papers the information disclosed in Note 7 "Revolving Line of Credit", of the Notes to the Financial Statements

110. Note 7 to the financial statements for TNCC 2022 discloses the terms of a revolving line of credit. Kiziak stated that he carried the information forward to the financial statements from the original banking agreement from two years prior. He also stated that he asked the client if the terms of the line of credit had changed and they said it had not. Kiziak failed to document this information in the working papers to support the disclosure in Note 7.

He failed to document in his working papers the information disclosed in Note 8 "Vehicle Financing", of the Notes to the Financial Statements

111. Note 8 to the financial statements for TNCC 2022 discloses the terms of the vehicle financing. Kiziak failed to document anything in the working papers to support the disclosure in Note 8.

He failed to document in his working papers the information disclosed for the Statement of Income and Retained Earnings transactions in Note 14 "Related Party Transactions", in the Notes to the Financial Statements

112. Note 14 to the financial statements for TNCC 2022 is the related party transactions note and discloses the rent expenses and purchases and sales to companies under common control.

113. Kiziak advised the Investigator that the related company sales and purchases were estimated by the entity's controller based on reviewing accounts receivable and accounts

payable for the year. He also advised that the rental expenses are agreed with the related companies' financial statements which Kiziak prepares. However, there is no documentation in the working papers as to the steps taken by Kiziak or to otherwise support any of the disclosures found in Note 14 for the Statement of Income and Retained Earnings transactions.

Allegations 1(k), 2(l), 3(q) – He failed to document, on or before the date of the Review Report, the timing of management taking responsibility for the financial statements and accordingly, did not obtain documentation to support the date of his review engagement report

114. CSRE 2400.103 states "The practitioner shall date the report no earlier than the date on which the practitioner has obtained sufficient appropriate evidence as the basis for the practitioner's conclusion on the financial statements, including being satisfied that: (Ref: Para. A165-A168)
    (a) All the statements that comprise the financial statements under the applicable financial reporting framework, including the related notes where applicable, have been prepared; and
    (b) Those with the recognized authority have asserted that they have taken responsibility for those financial statements."

115. With respect to the 2022 PLCC Review, 2023 PLCC Review and TNCC 2022 Review, Kiziak dated each of the reports on the date he completed his work and sent the package to the client for their signature. There is no documentation in the working papers as to when management took responsibility for the financial statements. As a result, there is no support for the date of the report for any of the three engagements, contrary to CSRE 2400.103.

Allegations 1(l), 2(m) and 3(r) – He failed to lock down the file in a timely manner after the issuance of the Review Report

116. CSQM 1.31(f) requires that in addition to documentation being assembled on a timely basis after the date of the engagement report, that it be appropriately maintained and retained to meet the needs of the firm and comply with law, regulation, relevant ethical requirements, or professional standards. Furthermore, CSQM 1.A83 states that in the case of engagements conducted under the CASs or CSAEs, an appropriate time limit within which to complete the assembly of the final engagement file is ordinarily not more than 60 days after the date of the engagement report.

117. CSRE 2400.A172 states that CSQM 1 requires the firm to establish a quality objective that engagement documentation is assembled on a timely basis after the date of the engagement report.

118. With respect to the files for the PLCC 2022 Review, PLCC 2023 Review and TNCC 2022 Review, Kiziak prints his files so that there is a paper file. He also retains a computer file that includes an Excel file with the trial balance, journal entries and the general ledger transactions for most of the trial balance accounts.

119. Kiziak stated that he is the only person that uses the computer and that he does not lock down any of the files referred to above, contrary to CSQM 1.

Allegation 4(a) – For the 2022 CH Compilation, he failed to obtain an acknowledgement from management of the basis of accounting expected to be applied in the preparation of compiled financial statements prior to continuing the engagement

120. The Canadian Standards on Related Services ("CSRS") 4200 is the standard applicable to compilation engagements. CSRS 4200.24(b) requires that prior to accepting or continuing a compilation engagement, the practitioner shall obtain an acknowledgment from management of the basis of accounting expected to be applied in the preparation of the compiled financial information.

121. In performing the 2022 CH Compilation, Kiziak acknowledged that he did not obtain the necessary acknowledgement from the management of CH as to the basis of accounting to be applied, contrary to CSRS 4200.24.

Allegation 4(b) – For the 2022 CH Compilation, he failed to document a description of the basis of accounting to be applied in the preparation of compiled financial statements.

122. CSRS 4200.29 requires the practitioner to obtain knowledge of the following matters, sufficient to be able to perform the compilation engagement:

   (a) The entity's business and operations;

   (b) The entity's accounting system and accounting records; and

   (c) The basis of accounting to be applied and, where applicable, the accounting policies used, in the preparation of the compiled financial information.

123. Additionally, CSRS 4200.41 requires the practitioner to prepare documentation that, in the practitioner's judgment, is sufficient to enable an experienced practitioner, having no previous connection with the engagement, to understand how the requirements of this CSRS were met, which, at a minimum, includes a description of the basis of accounting policies used in the preparation of the compiled financial statements.

124. Note 1 to the compiled financial statements identifies the basis of accounting applied as the historical cash basis with the addition of recording accounts payable and accrued liabilities and amortizing equipment using income tax rates. However, there is no documentation in the file to support this being the appropriate basis of accounting to be applied. As such, Kiziak has failed to document a description of the basis for accounting to be applied in the preparation of the 2022 CH Compilation, contrary to CSRS 4200.29 and 4200.41.

Allegation 5 – He did not have a System of Quality Management Manual

125. As of December 15, 2022, CSQM 1 became effective for audits or reviews of financial statements or other assurance engagements. CSQM 1.C13 required that firms performing assurance engagements design and implement systems of quality management in compliance with CSQM 1 by no later than December 15, 2022.

126. Kiziak did not ensure that a system of quality management was designed or implemented on or before December 15, 2022. As of the PI on November 30, 2023, Kiziak had still not designed or implemented a system of quality management.

127. Kiziak obtained the assistance of a member of CPA Ontario to prepare a system of quality management which was implemented in March 2024, and is now being utilized by Kiziak. From December 15, 2022 until March 1, 2024, Kiziak failed to comply with CSQM 1.

Allegation 6(a) - He failed to comply with the action plan he submitted to the Practice Inspection Committee for the 2022 and 2023 inspections

128. Kiziak was inspected by PI in 2022 and 2023. As a result of the inspections, he was required to submit an action plan. The 2022 action plan indicated that he completed and included in his review files, extensive analysis of sales, cost of sales and gross margins for new vehicles, used vehicles, mechanical and body shop, parts, finance and protection plan revenues, and that he would also document additional comments on these matters.

129. There were no comments accompanying the working papers that contained these analyses, as discussed above with respect to the review files for PLCC 2022 and TNCC 2022.

130. In the 2023 Action Plan ("Final Plan"), Kiziak responded to a PI finding that there had not been sufficient documenting of the inquiry and analytical procedures performed on material items. In the Final Plan, Kiziak stated "[t]hese items were documented and values compared to previous period. Additional narrative concerning the relationship and comparison will be included as well as other information." However, Kiziak did not include this information in the 2023 PLCC Review working papers.

Allegation 6(b) - He failed to attend and complete a mandatory professional development course for review engagements as directed by the Practice Inspection Committee.

131. On January 26, 2023, the Practice Inspection Report ("PIR") for the 2022 PI was issued to Kiziak. The PIR stated that it was mandatory for Kiziak to complete a Professional Development Course on review engagements within six months from the date of the PIR.

132. Kiziak provided a copy of his professional development hours that were completed up to December 31, 2023. He did not attend a review engagement course within six months of the PIR. He stated that he attended a Professional Engagement Refresher course. While the course contained a section on review engagement deficiencies, this does not qualify as a course on the performance of review engagements.

Acknowledgement

133. Kiziak admits that while acting as the engagement partner for the following engagements:

(a) The review of the financial statements of "PLCC" for the year ended December 31, 2022 ("2022 PLCC Review"); **[Doc 2]**
(b) The review of the financial statements of "PLCC" for the year ended December 31, 2023 ("2023 PLCC Review"); **[Doc 3]**
(c) The review of the financial statements of "TNCC" for the year ended December 31, 2022 ("2022 TNCC Review"); **[Doc 4]**
(d) The compilation engagement of "CH" for the year ended December 31, 2022 ("2022 CH Compilation"). **[Doc 5]**

he failed to perform his professional services in accordance with generally accepted standards of practice of the profession in the manner described above, contrary to Rule 206.1 of the Code.

134. Kiziak further acknowledges that he failed to meet the required standard set out in the CSQM with respect to the design and implementation of a system of quality management, which is a failure by him to perform his professional services in

accordance with generally accepted standards of practice of the profession contrary to Rule 206.1.

135. Lastly, Kiziak acknowledges that he failed to act in a manner which will maintain the good reputation of the profession and serve the public interest, contrary to Rule 201.1 of the Code, in that he did not comply with the action plans he submitted to PI in 2022 and 2023, and failed to attend and complete a mandatory professional development course.

Mitigating Factors

136. Kiziak has been cooperative throughout the CPA Ontario investigation. In making the admissions herein, Kiziak has saved the PCC and the Discipline Committee the time and expense of a lengthy hearing.

Terms of Settlement

137. Kiziak and the PCC agree to the following Terms of Settlement:

(a) Kiziak shall pay a fine of $10,000 to CPA Ontario;

(b) Kiziak's practice shall be restricted, prohibiting him from carrying out any assurance engagements;

(c) Notice of the terms of this Settlement is to be published in the manner set out in CPA Ontario Regulation 6-2 sections 45, 48, 50 and 52 with notice to be given to all members of CPA Ontario, the Public Accounting Standards Committee, and all provincial CPA Bodies, and shall be made available to the public;

(d) Notice of the restriction on Kiziak's practice prohibiting him from performing assurance engagements shall be published in the *Globe & Mail*, with all costs of publication to be borne by Kiziak and paid within 30 days of invoicing;

(e) Kiziak shall pay costs in the amount of $10,000 to CPA Ontario;

(f) Kiziak will be allowed 24 months from the time the Discipline Committee accepts this Agreement to pay the fine and costs referred to in paragraphs 137(a) and (e); and,

(g) A failure by Kiziak to comply with any of the terms of settlement will result in the immediate suspension of his CPA Ontario membership until he complies. If his suspension under this section exceeds 30 days his membership in CPA Ontario will be revoked forthwith without further notice to him.

138. The PCC and Kiziak expressly consent to and authorize the Registrar to take any actions associated with Kiziak's membership in CPA Ontario as prescribed and agreed to herein.

139. The PCC and Kiziak expressly authorize and consent to CPA Ontario providing notice of the terms of this Agreement to all CPA Ontario members and all provincial CPA Bodies.

140. Should the Discipline Committee accept this Agreement, Kiziak agrees to and hereby waives his right to a full hearing, judicial review or appeal of the matter subject to the Agreement. Upon Kiziak's fulfillment of the requirements of this Agreement, the draft Allegations approved by the PCC shall be permanently stayed.

141. Should the Discipline Committee approve this Settlement Agreement, no party will make any public statement that is inconsistent with this Settlement Agreement. Following approval, CPA Ontario may in its sole discretion issue a release in respect of this outcome.

142. If for any reason this Agreement is not approved by the Discipline Committee, then:

(a) The terms of this Agreement, including all settlement negotiations between the PCC and Kiziak leading up to its presentation to the Discipline Committee, shall be without prejudice to the PCC and Kiziak; and

(b) The PCC and Kiziak shall be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing on the merits of the allegations, or negotiating a new settlement agreement, unaffected by this Agreement or the settlement negotiations.

Disclosure of Agreement and Independent Legal Advice

143. This Agreement and its terms will be treated as confidential by the PCC and Kiziak, until approved by the Discipline Committee, and forever if for any reason whatsoever this Agreement is not approved by the Discipline Committee, except with the written consent of the PCC and Kiziak, or, as may be required by law.

144. Any obligations of confidentiality shall terminate upon approval of the Agreement by the Discipline Committee.

145. Kiziak agrees and confirms that he has been advised of his right to legal counsel and has decided to proceed without the assistance of legal counsel. However, Kiziak agrees and confirms that he fully understands the effect of this Agreement and the consequences of signing this Agreement.

All of which is agreed to for the purpose of this proceeding alone this 31 day of March, 2025.

Jonathan Smith, J.D. On behalf of The Professional Conduct Committee	Raymond Kiziak, CPA, CA, CMA on his own behalf