



Founded 1879

# THE INSTITUTE OF CHARTERED ACCOUNTANTS OF ONTARIO

**IN THE MATTER OF:            A CHARGE AGAINST ALEXANDER  
SEROTA, CA, A MEMBER OF THE  
INSTITUTE, BEFORE THE DISCIPLINE  
COMMITTEE**

## **SETTLEMENT AGREEMENT**

***made pursuant to Bylaw 510 (7.1) of the Bylaws of the  
Institute of Chartered Accountants of Ontario***

### **Introduction**

1. The Professional Conduct Committee ("PCC"), at their meeting of May 3, 2011, approved a charge against Alexander Serota, CA ("Serota"). (Tab 1)
2. Serota obtained his CPA designation in 1952 and CA designation in 1962. He has been in his current office location since 1960.
3. Serota is a partner in the firm Serota and Company ("the firm"). There is one other partner, Gerald Lipson, CA who joined Serota as a Partner in 1967. The firm utilizes the services of two subcontractors and has two employees.
4. One of the subcontractors is Sheldon Serota ("Sheldon"), the son of the member. Sheldon joined the firm in 1984. He has no accounting designation.
5. The firm practice consists mostly of compilation engagements and tax return preparation. Serota's practice is primarily personal income tax work and compilation engagements for real estate and construction companies.

**The Charge**

6. In the late 60's Serota developed an accountant/client relationship with MW and prepared the personal tax returns for MW and his wife and acted as accountant for MW's company, A Metals.
7. In 1981 A Metals ceased operation and in 1985 MW incorporated XXX695 Ontario Incorporated ("XXX695" or "the company") as a scrap dealing business. In or about that time Serota assigned Sheldon to be the main point of contact between the firm and MW.
8. Sheldon performed bookkeeping services and prepared Notice to Reader financial statements and corporate tax returns for XXX695 which, in the beginning, were reviewed by Serota. From 1985 Sheldon had primary responsibility for preparing and filing the corporate tax returns as well as the personal tax returns of MW and his wife. All work done by Sheldon was billed through the firm.
9. It is agreed that, as the firm CA involved with this client, Serota had final responsibility for ensuring that work done on behalf of the client by Sheldon was performed with due care and in accordance with the Rules of Professional Conduct.
10. In 1993 Mrs. MW left the firm and her tax returns were prepared elsewhere. The firm continued to act as accountants for MW and XXX695 until 2009.
11. Each year MW would bring the company records and his personal records to the firm office and leave them for the purpose of having the personal and corporate tax returns completed and filed. From 1985 until 1992 the corporate and personal tax returns were prepared and filed.
12. In 1992 MW brought in the company records as usual but no tax returns were prepared or filed by the firm. In each of the following years, up to and including 2006, MW brought in the corporate records and his personal tax records. While his personal tax returns were prepared and filed the corporate tax records were simply stored and no work was done and no corporate tax returns were filed.

13. MW was not aware that the firm had not filed his corporate tax returns from 1992 through 2006 until late 2006.
14. Sheldon told the investigator, and it is agreed, that Sheldon "dropped the ball" with respect to the firm's responsibility to prepare and file the tax returns of XXX695.
15. Serota did not review the tax work done by Sheldon after 1992 and did not know that the corporate tax returns of XXX695 had not been prepared and filed. Serota did not review the personal tax returns of MW and therefore did not question whether the corporate tax returns were prepared as well.
16. During the period 1992 through 2006 the firm sent out invoices for professional services to MW for the preparation of personal tax returns but no invoice was sent for professional work in connection with XXX695. MW did not notice that he was not being invoiced for the corporate work and first became aware that the corporate tax returns were not filed when he received a Notice of Assessment from CRA in 2006.
17. A CRA statement of arrears (Tab 2) for the period ending August 10, 2009 shows failure to file penalties were levied on tax years 1996 through 2005.
18. When MW received the Notice of Assessment referred to in paragraph 16 above he spoke with Sheldon and Serota became involved. Because of a lack of firm resources Serota instructed Sheldon to refer MW to a bookkeeper outside of the firm who brought the corporate bookkeeping up to date. Sheldon then prepared and filed the outstanding tax returns.
19. In 2009 MW retained another Chartered Accounting firm to complete his personal and corporate tax returns and to negotiate with CRA with respect to taxes owing and late filing penalties.
20. It is agreed that Serota, in or about the period September 1992 through December 2006, associated with a non-member, Sheldon, in the practice of public accounting and failed to ensure that Sheldon performed professional services with due care, contrary to Rule 406 of the Rules of Professional Conduct.

21. The PCC and Serota agree with the facts and conclusions set out in this settlement agreement for the purpose of this proceeding only and further agree that this agreement of facts and conclusions is without prejudice to Serota 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.

#### **Terms of Settlement**

25. Serota and the Professional Conduct Committee agree to the following Terms of Settlement:
- a) Serota hereby agrees and undertakes, to retire completely from the practice of Chartered Accounting on or before July 31, 2011 and he further undertakes not to practice public accounting (Bylaw 1.1.21) or provide public accounting services to the public (Bylaw 1.1.25) in any form after that date.
  - b) Serota will pay a portion of the costs of the investigation and settlement hearing in the amount of \$6,500 payable within three months of the Settlement Agreement being approved.
  - c) Notice of the terms of this Settlement will be given to the Public Accountants' Council and to the CICA;
  - d) There will be full publicity in *CheckMark Magazine* of the terms of this Settlement.
26. Should the Discipline Committee accept this Settlement Agreement, Serota agrees to waive his right to a full hearing, judicial review or appeal of the matter subject to the settlement agreement. The charges approved by the Professional Conduct Committee and dated May 10, 2011 shall be stayed.

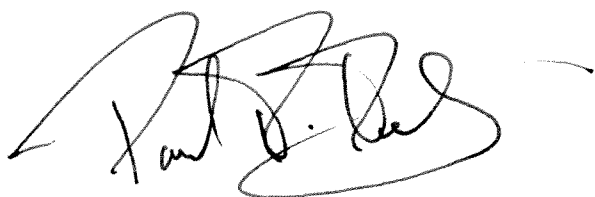
#### **If Settlement Agreement Not Approved**

27. If, for any reason, this Settlement Agreement is not approved by the Discipline Committee, then;
- a) This Settlement Agreement and its terms, including all Settlement Negotiations between the Professional Conduct Committee and Serota leading up to its presentation to the Discipline Committee, shall be without prejudice to the Professional Conduct Committee and Serota;

- b) The Professional Conduct Committee and Serota shall be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing on the merits of the allegations set out in the charges, or negotiating a new Settlement Agreement, unaffected by this Settlement Agreement or the Settlement Negotiations;
- c) The terms of this Settlement Agreement will not be referred to in any subsequent proceeding, or disclosed to any person, except with the written consent of the Professional Conduct Committee and Serota or as may be required by law.

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

All of which is agreed to for the purpose of this proceeding alone this 26<sup>th</sup> day of July 2011.



PAUL F. FARLEY  
SENIOR COUNSEL,  
PROFESSIONAL CONDUCT COMMITTEE  
On behalf of the committee



ALEXANDER SEROTA, CA  
on his own behalf