

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF ONTARIO
THE CHARTERED ACCOUNTANTS ACT, 1956

DISCIPLINE COMMITTEE

IN THE MATTER OF: A charge against **DEANE B. STINSON**, a member of the Institute, under **Rule 202** of the Rules of Professional Conduct, as amended.

TO: Mr. Deane B. Stinson, FCA
15 Atlas Avenue
SAULT STE. MARIE, ON P6A 4Z2

AND TO: The Professional Conduct Committee, ICAO

REASONS
(Decision and Order Made June 15, 2006)

1. This panel of the Discipline Committee of the Institute of Chartered Accountants of Ontario met on June 14 and 15, 2006, to hear a charge of professional misconduct against Deane B. Stinson, a member of the Institute.
2. Ms. Barbara Glendinning appeared on behalf of the Professional Conduct Committee and was accompanied by Mr. Bruce Armstrong, CA, and Ms. Kelly Khalileh, CA, the investigators appointed by the Professional Conduct Committee. Mr. Stinson attended and was represented by counsel, Mr. James Lane.
3. The decision of the panel was made known to the parties at the conclusion of the hearing on June 15, 2006, and the written Decision and Order sent to them on June 20, 2006. These reasons, given pursuant to Bylaw 574, include the charge, the decision, the order, and the reasons of the panel for its decision and order.

CHARGE

4. The following charge was laid against Mr. Stinson on November 9, 2005:
 1. THAT the said Deane B. Stinson, in or about the period April 1, 2003 through September 20, 2005, having accepted an engagement through his company, 985875 Ontario Limited, to raise funds for "C.P.P. Corporation", failed to perform his professional services with integrity and due care, contrary to Rule 202 of the rules of professional conduct, in that he did not carry out sufficient due diligence with respect to the *bona fides* of the source of proposed off-shore funding.

PLEA

5. Mr. Stinson entered a plea of not guilty to the charge.

THE PROCEEDINGS

6. Ms. Glendinning called three witnesses on behalf of the Professional Conduct Committee: Kenneth Douglas Grassing, President of CPP Corporation (CPP); Gaston LaForge, a retired member of the Ontario Provincial Police (O.P.P.); and Ms. Khalileh, the investigator. Mr. Stinson testified on his own behalf, and Ms. Khalileh was called in reply.

7. Mr. Stinson informed the panel at the commencement of the hearing on June 14, 2006, that he would not be attending the second day of the hearing, and that he hoped all the evidence could be heard on the first day. This hearing had been scheduled for June 14 and 15, with Mr. Stinson's concurrence, on March 16, 2006. Mr. Stinson, either before or at the hearing, did not seek an adjournment. Given that there was no request for an adjournment, the panel proceeded with the hearing, abjuring Mr. Stinson to remain throughout.

8. Despite their best efforts, counsel were unable to complete the evidence on the first day. Mr. Stinson did re-attend on the second day, and did testify, but excused himself before the completion of cross-examination. Counsel were precluded from presenting the evidence as completely as they may have wished. Ms. Glendinning would have preferred to have completed her cross-examination and Mr. Lane acknowledged it would have been better had Mr. Stinson been able to remain. Neither party requested an adjournment and both were content that the panel determine the matter on the basis of the evidence before it. We have done so, although it would have been preferable had Mr. Stinson chosen to participate more fully in the process.

THE EVIDENCE

9. Most of the evidence in this matter is uncontested, and the facts as we have found them are set out briefly as follows:

- Mr. Stinson is the president of 985875 Ontario Limited (985875), a company providing financing procuring services;
- In late April, 2003, Mr. Grassing, the president of CPP, retained 985875 to assist in raising \$1.5 million in funding for the corporation. That retainer was confirmed in writing by Mr. Stinson on May 3, 2003 (Exhibit 8, Tab 1);
- During the summer of 2003, Mr. Stinson informed CPP that he had a source of funding for \$400,000, from a member of the royal family of Sierra Leone (Musa Musasah), an individual who was personally known to Mr. Stinson. Mr. Stinson advised Mr. Grassing that Mr. Musasah had been forced to flee to Côte d'Ivoire and was looking to invest his fortune;
- CPP was asked to and did pay a number of fees over an extended period of time to Mr. Stinson for the release of those funds, including an alleged "Drug Clearance and Non-Terrorist Certificate", bank costs and government levies. Mr. Stinson forwarded those fees to Côte d'Ivoire by wire transfer to

individuals who represented themselves to Mr. Stinson as agents of Mr. Musasah; and

- No money was ever received by CPP, nor were the fees it had paid to obtain the financing ever recovered.

10. Mr. LaForge, retired from the O.P.P., and currently employed as an investigator for "PhoneBusters", a division of the O.P.P. Anti-Rackets and Economic Crime Group, testified that the circumstances surrounding the apparent off-shore funding source and the manner in which ongoing requests for fees required to obtain a release of the funds, bore many of the hallmarks of an "advance fee or West African letter fraud scam". It is noteworthy that Mr. Stinson is not charged with acting in furtherance of any fraud, but with not exercising appropriate due diligence on behalf of his client. Aside from his evidence as to how, typically, these frauds operate, much of Mr. LaForge's testimony in this matter is not germane to the issue of whether Mr. Stinson exercised appropriate due care in performing his professional services and will not be further commented on in these reasons.

11. Mr. Stinson testified that he did exercise due diligence and he produced records of numerous telephone communications with Mr. Musasah and other individuals whom he believed were *bona fide* representatives of Mr. Musasah.

12. Although his telephone records appeared to be quite extensive, Mr. Stinson did admit that: he had never met or had any business dealings with Mr. Musasah previously (he advised that he did introduce Mr. Musasah's father to a business acquaintance in the United States several years earlier and it was his understanding that a successful transaction was completed between the father and the business acquaintance); he had never met Mr. Nbera and Mr. Usanga to whom he had spoken on the telephone on numerous occasions and who held themselves out to be representatives for Mr. Musasah; that he had never met Mr. Mac-Godwin to whom he had sent fees via Money Gram and Western Union, which fees he had previously obtained from CPP.

13. Between the period June, 2003 and January, 2004, fees totalling approximately \$57,500 had been paid by CPP, Mr. Grassing and companies affiliated with Mr. Grassing to Mr. Stinson's company. These fees were forwarded to various entities in Côte d'Ivoire. Despite numerous promises, no monies were ever provided to Mr. Stinson for the benefit of his clients or otherwise.

14. Mr. Grassing retained Mr. Stinson to procure financing for his company. He has testified that he relied on Mr. Stinson's judgment, testimony that is confirmed by Mr. Stinson himself.

15. Mr. Stinson points to a number of actions he took as proof of his conducting due diligence inquiries. He testified, among other things, that:

- He knew Mr. Musasah through his dealings with the latter's father;
- He remained in frequent telephone contact with Mr. Musasah;
- He had contact with Mr. Abel Jaba of EcoBank with respect to the funds;
- He had contact with Mose Usanga, the lawyer for Mr. Musasah;
- He had contact with Jerry Usongo of EcoBank, who confirmed the funds were present in the bank;

- He spoke with Chris Nkerre, whom he knew through his affiliations, and Mr. Nkerre told him he had seen a van transfer the money from CitiTrust to EcoBank;
- He received numerous faxed letters from the BCEAO (Banque Centrale des États de l'Afrique de l'Ouest) and from the Crédit Agricole S.A.;
- He received a faxed copy of both a deposit and a withdrawal slip from the EcoBank;
- He spoke with Leslie Scott of the United Nations, who confirmed the *bona fides* of the people he was dealing with; and
- He received an explanation of why the fees were to be forwarded to Obi Mac-Godwin, rather than Mr. Musasah. That explanation was that, as a non-citizen, Mr. Musasah had no rights to deal with money in Côte d'Ivoire.

16. Those actions must be considered against the background of the ongoing demands for further fees and deposits. Mr. Stinson assured Mr. Grassing, according to the testimony of Mr. Grassing and without contradiction from Mr. Stinson, that these demands were not unusual. Despite the fact that, with every demand for money met, a further one for additional funds was made, Mr. Stinson maintains to this day that the funding source was legitimate.

SUBMISSIONS

17. On behalf of the Professional Conduct Committee, Ms. Glendinning submitted that, although the agreement was between 985875 Ontario Limited and CPP to raise financing on behalf of CPP, Mr. Stinson's designation as a chartered accountant provided credibility to his fundraising activities. In fact, the engagement letter between 985875 and CPP was signed by "D.B. Stinson F.C.A., President". Accordingly, as a chartered accountant, Mr. Stinson was required to provide the due care referred to in Rule 202 of the *Rules of Professional Conduct* and carry out sufficient due diligence with respect to the *bona fides* of the source of the proposed off-shore funding.

18. For Mr. Stinson, Mr. Lane submitted that while Mr. Stinson was a chartered accountant, it is relevant that Mr. Stinson was not engaged in the practice of public accounting at the time and had not been for a number of years.

19. Further, Mr. Lane submitted that Mr. Stinson's telephone records show that he had communicated frequently with Mr. Musasah and those individuals who were held out as representatives of Mr. Musasah. In this way, Mr. Stinson performed the required level of due diligence in this engagement.

DECISION

20. After considering all the evidence and the submissions, the panel made the following decision:

THAT, having seen, heard and considered the evidence, the Discipline Committee finds Deane B. Stinson guilty of the charge.

REASONS FOR THE DECISION

21. In retrospect, it seems obvious that the offer of financing made to Mr. Stinson was a fraud. That is not the issue for the panel. The issue is whether, at the time, Mr. Stinson exercised due diligence and performed the professional services for which he was retained with due care. We have found that he did not.

22. Mr. Stinson held out to CPP that he knew Mr. Musasah, and provided credibility with respect to Mr. Musasah's circumstances and ability to provide the funding of \$400,000.

23. In fact, Mr. Stinson had never met Mr. Musasah nor any of the individuals who had held themselves out to be Mr. Musasah's agents. Mr. Stinson is an experienced CA and businessman. His company provides financing procurement services. As such, he must be taken as knowing the risks of seeking financing from certain geographic sectors. He recommended the Musasah source to Mr. Grassing, despite having no personal knowledge of Mr. Musasah's funds, or prior dealings with him. His only previous involvement had been with Mr. Musasah's father and, again, he had no direct knowledge of the outcome of that financial relationship.

24. Further, the protracted period over which numerous promises to provide the funding were made, followed by requests for additional fees to expedite the funds, should have heightened Mr. Stinson's concerns over the credibility of Mr. Musasah's claims.

25. Mr. Stinson failed to apply appropriate critical thought to the source of the financing. His curiosity was not aroused by the amateur elements of the documents he received, nor by the fact they were produced in English from a French-speaking country. He never took any of the steps he could easily have taken to verify either events or the *bona fides* of the people he was dealing with. Instead he relied on representations made by people he had never met and documents he had not corroborated.

26. Chartered accountants add credibility to financial transactions and those individuals or entities that they introduce into financial transactions. Mr. Stinson had an obligation to check out the financing. He did not do so. He failed to exercise due diligence and, as a result, induced his client to participate and be victimized by a fraud.

SANCTION

27. Neither party called any evidence on the issue of the sanction.

28. The Professional Conduct Committee submitted that a sanction of: a written reprimand, costs in the amount of \$15,000 to \$20,000, a suspension for a period of 3-6 months and the usual publicity to fulfill the principles of deference and rehabilitation.

29. On the issue of costs, Ms. Glendinning provided the panel with a Costs Outline (Exhibit 24), setting out the cost of preparing for and conducting a two-day hearing. The total costs incurred by the Institute exceeded \$48,000. The investigation, partly because of Mr. Stinson's initial responses, cost in excess of \$25,000.

30. Mr. Lane submitted that the costs should be nominal and suggested the amount of \$1,000. He also submitted that while initially there had been limited cooperation from Mr. Stinson, there had been substantial cooperation for the hearing itself.

31. Mr. Lane also submitted that the interests of the Institute were attenuated because Mr. Stinson had not practised public accounting for 10 to 15 years and the financing activity in which he was engaged was not a usual or core activity for a chartered accountant. He submitted that Mr. Stinson had been honest in his dealings and had already paid a substantial price with respect to the CPP matter and the discipline proceedings. He also pointed out that Mr. Stinson had been an exemplary member of the Institute for many years.

ORDER

32. After consideration, the panel made the following order:

IT IS ORDERED in respect of the charge:

1. THAT Mr. Stinson be reprimanded in writing by the chair of the hearing.
2. THAT Mr. Stinson be and he is hereby charged costs fixed at \$10,000, to be remitted to the Institute within three (3) months from the date this Decision and Order becomes final under the bylaws.
3. THAT Mr. Stinson be suspended from the rights and privileges of membership in the Institute for a period of three (3) months from the date this Decision and Order becomes final under the bylaws.
4. THAT notice of this Decision and Order, disclosing Mr. Stinson's name, be given after this Decision and Order becomes final under the bylaws, in the form and manner determined by the Discipline Committee:
 - (a) to the Public Accountants Council for the Province of Ontario;
 - (b) to the Canadian Institute of Chartered Accountants; and
 - (c) by publication in *CheckMark*.
5. THAT Mr. Stinson surrender his certificate of membership in the Institute to the Secretary to the Discipline Committee within ten (10) days from the date this Decision and Order becomes final under the bylaws, to be held during the period of suspension and thereafter returned to Mr. Stinson. In the event Mr. Stinson fails to surrender his certificate of membership within this ten day period, his suspension pursuant to paragraph three (3) shall be extended one day for each day the certificate remains undelivered to the Secretary.
6. THAT in the event Mr. Stinson fails to comply with any of the requirements of this Order, he shall thereupon be suspended from the rights and privileges of membership in the Institute until such time as he does comply, provided that he complies within three (3) months

from the date of his suspension, and in the event he does not comply within the three (3) month period, he shall thereupon be expelled from the membership in the Institute, and notice of his expulsion, disclosing his name, shall be given in the manner specified above, and in a newspaper distributed in the geographic area of Mr. Stinson's employment and/or residence.

REASONS FOR THE ORDER

Reprimand

33. The panel ordered Mr. Stinson be reprimanded in writing by the Chair of the panel in order to stress to him the importance of cooperating fully with the governing body of the profession and for his lack of due care and attention to the affairs of his client.

Costs

34. Mr. Stinson's failure to cooperate promptly and fully with the requests of the investigators gave rise to a significant amount of additional time being spent by counsel and the investigator for the Professional Conduct Committee. It is appropriate that the member charged and found guilty, rather than the membership at large, bear a significant portion of these costs. The costs awarded will not fully indemnify the Institute for the costs of the proceedings.

Suspension

35. It has been pointed out that Mr. Stinson was not acting as a public accountant, but rather as a funding broker. However, Mr. Stinson is a member of this Institute, and he was trusted by reason of that membership. He failed to serve his clients, resulting in a significant financial loss to them, by not maintaining appropriate professional scepticism about the transaction he was promoting. It is troubling to this panel that even at the hearing he maintained that the source of funding was legitimate, in the face of overwhelming evidence to the contrary. This naïveté and stubborn lack of awareness, particularly from a member with Mr. Stinson's experience and antecedents, borders on the unbelievable, and certainly has the potential for further problems. A suspension is essential to assist Mr. Stinson to consider the nature and seriousness of his conduct, and to ensure that message is carried to the general membership.

Notice

36. Publishing the summary of discipline matters along with a member's name serves many purposes. It educates and deters other members of the profession; it deters the member disciplined; and it demonstrates to the public that the Institute is fulfilling its mandate to protect the public interest and preserve the standards of the profession. As there are no rare and unusual circumstances brought to the attention of the panel, there is no reason why notice should not be given and these purposes fulfilled.

Certificate of Membership

37. The certificate of membership is the property of the Institute. It certifies that the holder is a member in good standing of the Institute. During the period he is not, it would be inappropriate for Mr. Stinson to remain in possession of that certificate, and so we have ordered it be returned to the Institute, to be held for the period of suspension.

Failure to Comply

38. In order to ensure effective governance of its members, it is essential that the order of the Discipline Committee be enforced. While we have every expectation that Mr. Stinson will abide by the terms and conditions of the order, should he not he will be dealt with on a progressive basis, up to and including the ultimate sanction of expulsion.

DATED AT TORONTO, THIS 23rd DAY OF MAY, 2007
BY ORDER OF THE DISCIPLINE COMMITTEE

M.B. MARTENFELD, FCA - DEPUTY CHAIR
DISCIPLINE COMMITTEE

MEMBERS OF THE PANEL:

L.G. BOURGON, CA
S.F. DINELEY, FCA
J.G. SEDWICK, CA
B.M. SOLWAY (Public Representative)