

Michael Louis Anthony Lopez: Summary, as Published in *CheckMark*

Michael Louis Anthony Lopez, of Toronto, was found guilty of two charges under Rule 201.1 of failing to maintain the good reputation of the profession and its ability to serve the public interest, and two charges under Rule 206.1 of failing to perform his professional services in accordance with generally accepted standards of practice of the profession, including the Recommendations set out in the *CICA Handbook*. Mr. Lopez signed review engagement reports for one client for two consecutive years knowing that he had not performed an adequate review of the financial statements. While engaged to perform audits of the financial statements of two other clients, Mr. Lopez failed to ensure that the financial statement presentation was in accordance with the requirements of Section 4400 of the *CICA Handbook*, failed to refer to the fact that the comparative figures were based on financial statements which were reported on by another auditor, failed to properly document items important to his report, and failed to obtain a written representation from management with respect to illegal acts. Mr. Lopez was fined \$2,500, charged costs of \$5,000, and suspended from membership for three months. He was also ordered to complete four professional development courses, a period of supervised practice, and a reinvestigation by the professional conduct committee.

CHARGE(S) LAID re Michael Louis Anthony Lopez

The Professional Conduct Committee hereby makes the following charges against Michael Louis Anthony Lopez, a member of the Institute:

1. THAT the said Michael Louis Anthony Lopez, in or about July 2002, failed to conduct himself in a manner that will maintain the good reputation of the profession and its ability to serve the public interest, in that he signed a Review Engagement report attached to the financial statements of Swiss Print & Graphics Limited for the year ended September 30, 2001 knowing that he had not performed an adequate review of the financial statements, contrary to Rule 201.1 of the rules of professional conduct.
2. THAT the said Michael Louis Anthony Lopez, in or about February 2003, failed to conduct himself in a manner that will maintain the good reputation of the profession and its ability to serve the public interest, in that he signed a Review Engagement report attached to the financial statements of Swiss Print & Graphics Limited for the year ended September 30, 2002 knowing that he had not performed an adequate review of the financial statements, contrary to Rule 201.1 of the rules of professional conduct.
3. THAT the said Michael Louis Anthony Lopez, in or about the period January 1, 2002 to June 7, 2002, while engaged to perform an audit of the financial statements of Willowridge Information & Recreation Centre for the year ended December 31, 2001, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, including the Recommendations set out in the CICA Handbook, contrary to Rule 206.1 of the rules of professional conduct in that:
 - a) he failed to ensure that the financial statement presentation was in accordance with the requirements of section 4400 of the CICA Handbook;
 - b) he failed to obtain sufficient appropriate audit evidence to support the item "Cash \$37,106" in the Statement of Financial Position;
 - c) his report did not refer to the fact that the comparative figures were based upon financial statements which were reported on by another auditor;
 - d) he failed to properly document items important to support his report;
 - e) he failed to obtain a written representation from management regarding illegal acts;
 - f) he failed to carry out sufficient appropriate audit procedures with respect to subsequent events.

4. THAT the said Michael Louis Anthony Lopez, in or about the period January 1, 2002 to January 25, 2002, while engaged to perform an audit of the financial statements of Youth Flight Canada Education Fund for the year ended December 31, 2001, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, including the Recommendations set out in the CICA Handbook, contrary to Rule 206.1 of the rules of professional conduct in that:
- a) he failed to ensure that the financial statement presentation was in accordance with the requirements of section 4400 of the CICA Handbook;
 - b) he failed to properly disclose the nature of contributed capital assets and the fact that they were received as a contribution during the year;
 - c) his report did not refer to the fact that the comparative figures were based upon financial statements which were reported on by another auditor;
 - d) he failed to properly document items important to support his report; and
 - e) he failed to obtain a written representation from management regarding illegal acts.

Dated at Toronto, Ontario this 19th day of April, 2004.

C.D. JOUSTRA, CA - DEPUTY CHAIR
PROFESSIONAL CONDUCT COMMITTEE

DISCIPLINE COMMITTEE re Michael Louis Anthony Lopez

DECISION AND ORDER IN THE MATTER OF: Charges against **MICHAEL LOUIS ANTHONY LOPEZ, CA**, a member of the Institute, under **Rules 201.1 and 206.1** of the Rules of Professional Conduct, as amended.

DECISION AND ORDER MADE AUGUST 10, 2004

DECISION

THAT, having seen, heard and considered the evidence, and having heard the plea of guilty to charges Nos. 1, 2, 3 and 4, the Discipline Committee finds Michael Louis Anthony Lopez guilty of charges Nos. 1, 2, 3 and 4.

ORDER

IT IS ORDERED in respect of the charges:

1. THAT Mr. Lopez be reprimanded in writing by the chair of the hearing.
2. THAT Mr. Lopez be and he is hereby fined the sum of \$2,500, to be remitted to the Institute within one (1) year from the date this Decision and Order becomes final under the bylaws.
3. THAT Mr. Lopez be and he is hereby charged costs fixed at \$5,000, to be remitted to the Institute within two (2) years from the date this Decision and Order becomes final under the bylaws.
4. THAT Mr. Lopez 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.
5. THAT Mr. Lopez be and he is hereby required to complete, by paying for and attending in their entirety, by December 31, 2005, the following professional development courses made available through the Institute, or, in the event a course listed below becomes unavailable, the successor course which takes its place:
 - (a) *Accounting, Auditing and Professional Practice Update;*
 - (b) *Audit of a Small Business;*
 - (c) *Essentials of Review Engagements;* and
 - (d) *Staying Out of Trouble.*
6. THAT Mr. Lopez be and he is hereby required to have his practice supervised for a period of two (2) years, by a supervisor who has been chosen by Mr. Lopez, has been approved by the director of standards enforcement, and has agreed in writing to accept the engagement. In particular:
 - (a) Mr. Lopez shall, within thirty (30) days from the date this Decision and Order becomes final under the bylaws, file with the secretary of the discipline committee a supervised practice plan that has been reviewed and approved by the director of standards enforcement, and that sets out the name and the detailed responsibilities of the supervisor.

- (b) The responsibilities of the supervisor shall include, at a minimum, the review and approval of all working papers and financial statements for audit and review engagements, and a sample of all working papers and financial statements for compilation engagements.
 - (c) In the event the professional conduct committee finds Mr. Lopez' choice of supervisor unacceptable, or there is any other issue relating to the supervised practice plan about which Mr. Lopez and the professional conduct committee cannot agree, either may apply to the chair of the panel or to the chair of the discipline committee at an assignment hearing for directions.
 - (d) The two (2) year period of supervised practice shall commence on the day that Mr. Lopez files the approved supervised practice plan in accordance with paragraph 6(a) above, or on the day the supervised practice plan is settled by the chair pursuant to paragraph 6(c) above, whichever day is later.
7. THAT Mr. Lopez be reinvestigated by the professional conduct committee, or by a person retained by the professional conduct committee, on one occasion, within three (3) months from the expiry of the period of supervised practice ordered in paragraph 6, the cost of the reinvestigation, up to \$3,000, to be paid by Mr. Lopez within thirty (30) days of receiving notification of the cost of the reinvestigation.
8. THAT notice of this Decision and Order, disclosing Mr. Lopez' 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*.
9. THAT Mr. Lopez surrender his certificate of membership in the Institute to the discipline committee secretary 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. Lopez.
10. THAT in the event Mr. Lopez fails to comply with any of the requirements of this Order, he shall thereupon be expelled from 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. Lopez' current or former practice, employment and/or residence.

DATED AT TORONTO THIS 18TH DAY OF AUGUST, 2004
BY ORDER OF THE DISCIPLINE COMMITTEE

BRYAN W. STEPHENSON, BA, LLB
SECRETARY – DISCIPLINE COMMITTEE

DISCIPLINE COMMITTEE re Michael Louis Anthony Lopez

REASONS FOR DECISION AND ORDER IN THE MATTER OF: Charges against **MICHAEL LOUIS ANTHONY LOPEZ, CA**, a member of the Institute, under **Rules 201.1 and 206.1** of the Rules of Professional Conduct, as amended.

REASONS FOR THE DECISION AND ORDER MADE AUGUST 10, 2004

1. This panel of the discipline committee of the Institute of Chartered Accountants of Ontario met on August 10, 2004 to hear charges brought by the professional conduct committee against Michael Louis Anthony Lopez, a member of the Institute.
2. The professional conduct committee was represented by Ms. Barbara Glendinning. She was accompanied by Mr. Ray Harris, the investigator appointed by the professional conduct committee.
3. Mr. Lopez was present at the hearing and was represented by Mr. James Lane. Mr. Lopez' wife, Ms. Tenehouse, was also present at the hearing.
4. The decision and the order of the panel were made known at the hearing. The formal, written decision and order was signed by the secretary to the discipline committee and sent to the parties on August 18, 2004. These reasons, given in writing pursuant to Bylaw 574, set out the charges, the decision and the order, as well as the reasons of the discipline committee.

THE CHARGES AND THE PLEA

5. The notice of assignment hearing dated April 27, 2004, the notice of hearing dated June 3, 2004, and the charges dated April 19, 2004 were entered as Exhibits 1, 2 and 3, respectively.
6. The charges laid against Mr. Lopez read as follows:
 1. THAT the said Michael Louis Anthony Lopez, in or about July 2002, failed to conduct himself in a manner that will maintain the good reputation of the profession and its ability to serve the public interest, in that he signed a Review Engagement report attached to the financial statements of Swiss Print & Graphics Limited for the year ended September 30, 2001 knowing that he had not performed an adequate review of the financial statements, contrary to Rule 201.1 of the rules of professional conduct.
 2. THAT the said Michael Louis Anthony Lopez, in or about February 2003, failed to conduct himself in a manner that will maintain the good reputation of the profession and its ability to serve the public interest, in that he signed a Review Engagement report attached to the financial statements of Swiss Print & Graphics Limited for the year ended September 30, 2002 knowing that he had not performed an adequate review of the financial statements, contrary to Rule 201.1 of the rules of professional conduct.

3. THAT the said Michael Louis Anthony Lopez, in or about the period January 1, 2002 to June 7, 2002, while engaged to perform an audit of the financial statements of Willowridge Information & Recreation Centre for the year ended December 31, 2001, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, including the Recommendations set out in the CICA Handbook, contrary to Rule 206.1 of the rules of professional conduct in that:
 - a) he failed to ensure that the financial statement presentation was in accordance with the requirements of section 4400 of the CICA Handbook;
 - b) he failed to obtain sufficient appropriate audit evidence to support the item "Cash \$37,106" in the Statement of Financial Position;
 - c) his report did not refer to the fact that the comparative figures were based upon financial statements which were reported on by another auditor;
 - d) he failed to properly document items important to support his report;
 - e) he failed to obtain a written representation from management regarding illegal acts;
 - f) he failed to carry out sufficient appropriate audit procedures with respect to subsequent events.
4. THAT the said Michael Louis Anthony Lopez, in or about the period January 1, 2002 to January 25, 2002, while engaged to perform an audit of the financial statements of Youth Flight Canada Education Fund for the year ended December 31, 2001, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, including the Recommendations set out in the CICA Handbook, contrary to Rule 206.1 of the rules of professional conduct in that:
 - a) he failed to ensure that the financial statement presentation was in accordance with the requirements of section 4400 of the CICA Handbook;
 - b) he failed to properly disclose the nature of contributed capital assets and the fact that they were received as a contribution during the year;
 - c) his report did not refer to the fact that the comparative figures were based upon financial statements which were reported on by another auditor;

- d) he failed to properly document items important to support his report; and
- e) he failed to obtain a written representation from management regarding illegal acts.

7. Mr. Lopez entered a plea of guilty to each charge. He confirmed that he understood that upon the basis of his plea of guilty, and upon that basis alone, he could be found guilty of the charges.

THE CASE FOR THE PROFESSIONAL CONDUCT COMMITTEE

8. Ms. Glendinning advised the panel that while the hearing with respect to guilt or innocence on the charges was not contested, the parties were not filing an agreed statement of facts. Instead, the investigator appointed by the professional conduct committee, Mr. Harris, would testify, and in light of the fact the hearing was not contested, she would lead Mr. Harris through his evidence. She also advised that no evidence would be called on behalf of the member with respect to the issue of guilt or innocence. Mr. Lane confirmed that the parties had agreed to proceed in this way. The summary of the evidence set out below is a summary of Mr. Harris' unchallenged evidence which the panel accepted.

9. Mr. Harris was appointed by the professional conduct committee in November 2003 to follow up on a complaint received. He was asked to review the working papers and financial statements for Swiss Print & Graphics Limited for the year ended September 30, 2002, and to review the working papers and financial statements for two other clients of Mr. Lopez. He selected Willowridge Information & Recreation Centre for the year ended December 31, 2001, and Youth Flight Canada Education Fund for the year ended December 31, 2001. He also looked at the working papers and financial statements for Swiss Print for the year ended September 30, 2001.

10. The complaint with respect to the September 30, 2002 Swiss Print financial statements was received from Mr. Julian Fosbery, CA. Mr. Fosbery's firm was retained by the shareholders of Swiss Print to investigate some concerns. As a result of his review, Mr. Fosbery concluded that the 2002 financial statements of Swiss Print were materially misstated. Revised financial statements were prepared and issued by Mr. Fosbery's firm. The analysis prepared by the investigator of the differences between the Lopez statements and the Fosbery statements shows, for example, differences in the cash, inventory, property and equipment, and shareholders' equity balances of approximately \$159,000, \$327,000, \$409,000 and \$1,000,000, respectively. All of these differences were material based on total assets per the Lopez financial statements of approximately \$4.9 million.

11. Mr. Lopez qualified with a small firm of chartered accountants and subsequently held various positions in industry. For approximately the last ten years, Mr. Lopez has practised primarily as a sole practitioner on a part-time basis out of his home. Sometime in 2002, Mr. Lopez started using the business address of Mr. Shanti Hindocha, a former member of the Institute who was expelled in 1997. Mr. Hindocha apparently asked Mr. Lopez to review the 2001 Swiss Print working papers and financial statements and to issue the review engagement report on the financial statements. Mr. Lopez told Mr. Harris he had reviewed a couple of Mr. Hindocha's files and he thought he did a good job. Accordingly, he gave the 2001 Swiss Print financial statements a cursory review, and he just glanced at the 2002 Swiss Print financial statements. He charged Mr. Hindocha \$500 each year for his services. Mr. Lopez told Mr. Harris that when he signed the 2001 Swiss Print financial statements he did not think he was aware that Mr. Hindocha had been expelled, but that he did think he was aware of Mr. Hindocha's expulsion when he signed the 2002 Swiss Print financial statements.

12. It was Mr. Harris' opinion that a reasonably competent chartered accountant should have been able to identify the issues and deficiencies in the 2001 and 2002 Swiss Print working papers and financial statements. He testified that there was no evidence in either working paper file of a review of the working papers by Mr. Lopez, nor was there any documentation regarding knowledge of business, a review of subsequent events, analysis, enquiry and discussion with Swiss Print employees or shareholders, etc. As well, Mr. Lopez was not able to explain the reasons for any of the deficiencies identified by Mr. Harris.

13. Mr. Harris identified numerous deficiencies in the 2001 Willowridge working papers and financial statements. Mr. Lopez did not comply with any of the requirements of Section 4400 of the CICA Handbook – Financial Statement Presentation by Not-for-Profit Organizations, as he was not aware of the Handbook section when the statements were issued. As well, he failed to properly document the work necessary to support his report in that he did not get support for the grants received by Willowridge, etc. In fact, Mr. Lopez used a review procedures checklist in preparing the working papers to support the Willowridge audit opinion.

14. With respect to the fourth charge involving the 2001 Youth Flight financial statements, Mr. Harris identified a number of deficiencies. As with charge No. 3, Mr. Harris made specific reference to the particulars set out in the charge and expressed his opinion that in performing the engagement Mr. Lopez had not carried out his professional services in accordance with the generally accepted standards of practice of the profession.

DECISION ON THE CHARGES

15. After deliberating, the panel concluded that there was no doubt that the charges against Mr. Lopez had been proven. When the hearing reconvened, the chair read the following decision into the record:

DECISION

THAT, having seen, heard and considered the evidence, and having heard the plea of guilty to charges Nos. 1, 2, 3 and 4, the Discipline Committee finds Michael Louis Anthony Lopez guilty of charges Nos. 1, 2, 3 and 4.

EVIDENCE WITH RESPECT TO SANCTION

16. Before Mr. Lane called evidence, Ms. Glendinning outlined the professional conduct committee's recommended sanction which included: a reprimand, a one year suspension, supervised practice for one year, specified professional development courses, reinvestigation, notice including publication in CheckMark, and a fine in the amount of \$2,500. The professional conduct committee was also seeking an order for costs.

17. Mr. Lane advised the panel that the only area of disagreement on the proposed sanction was the suspension requested by the professional conduct committee. In his view, the focus of the sanction order should be rehabilitation, which would be hampered by the long suspension requested.

18. Mr. Lopez then testified. He started by outlining his background and history for the panel. In addition to the information provided by Mr. Harris, Mr. Lopez provided information regarding two personal challenges. First, Mr. Lopez has a special needs child who was born in 1987. He started his part-time practice as a sole practitioner out of his home as a result of being the child's primary caregiver. Secondly, he advised us that for the period from 1985 to 2002 he suffered from a sleep disorder, which was diagnosed in 2002 as sleep apnea. He testified that as a result of the sleep apnea, he had difficulty staying awake and was unable to focus on details.

19. His practice, which consisted of small clients and some per diem work for other chartered accountants, was largely unsuccessful, and in late 2002/early 2003 he took over the practice of a friend who subsequently died. In February 2003 his practice was inspected, and partly because he had just taken over his friend's practice a number of his files were outstanding or incomplete. He now has mainly notice to reader clients, five not-for-profit audit clients, and three review engagements, two of which are not-for-profit.

20. He testified at some length about the professional development efforts he has undertaken since the practice inspection. He has rented office space, taken numerous professional development courses offered through the Institute and elsewhere, and purchased software packages. He has also hired an administrative assistant to keep his files in order.

21. He provided further detail regarding his relationship with Mr. Hindocha. He advised that he met Mr. Hindocha in 2002 when he was looking for work, and that some time later he arranged with Mr. Hindocha to use his address for business purposes. The arrangement between the two of them was initially administrative but later they did some work for each other. He testified that he did not know that Mr. Hindocha had been expelled from membership in the Institute until some time around the signing of the 2002 Swiss Print financial statements.

22. Mr. Lopez confirmed Mr. Harris' testimony that he signed both sets of Swiss Print financial statements after doing at most one hour's work on each file. He characterized his behaviour as "sloppy" on these files. Although he could not remember what work he had done on either file, and there was no documentation on either file that he had done any work, he indicated that he probably reviewed the financial statements for disclosure, note references, and particularly to make sure that the financial statements looked professionally prepared, before he signed the review engagement reports.

23. With respect to both audit engagements, the subjects of charges Nos. 3 and 4, he testified that although he thought he did the work to support the audit opinions, he acknowledged there was limited evidence of any work or documentation on the files or on the review procedures checklists contained in the files. He admitted that all his files had documentation issues, and testified that because he was working part-time he was not aware of many changes that had been made to the Handbook.

24. Lastly, he addressed the effect of the discipline process on his professional life. He testified that he now realizes he has to take his work more seriously, and that his work should be done at all times with integrity and professionalism. He also characterized his misconduct as one instance of a lack of judgment. He said that he now understands his files and practice must be in order in order to add value to his practice.

25. Ms. Tenenhouse, the wife of Mr. Lopez, also gave evidence. The panel found her to be an articulate, well spoken, convincing witness. She is the Executive Director of the Learning Disabilities Association. She testified about the positive changes in her husband since he started undergoing treatment for his sleep apnea which was diagnosed in late 2002. She testified that he was moving in the right direction in getting his career back in line by paying more attention to detail, developing time management skills, taking professional development courses, and generally being better able to focus on his practice.

26. She also testified about the effect of a suspension order on Mr. Lopez. She testified that the impact would be devastating and that it would prohibit him from continuing in the rehabilitation process he had started.

SUBMISSIONS WITH RESPECT TO SANCTION

27. The submissions of both counsel focused on the issues of whether or not a suspension was required as a matter of specific deterrence and general deterrence in this case, and whether such an order would prejudice Mr. Lopez' rehabilitation.

28. Ms. Glendinning, on behalf of the professional conduct committee, focused her submissions on the need for a suspension as a general and specific deterrent. She submitted that an order without a suspension would not be a sufficient general deterrent to other members who return to the practice of public accounting without adequate preparation.

29. Ms. Glendinning referred to two factors, both of which gave concern to the panel, namely, Mr. Lopez' dealing with Mr. Hindocha, and the pervasive problems with Mr. Lopez' practice.

30. The panel had difficulty accepting Mr. Lopez' testimony with respect to Mr. Hindocha. We could not understand why a member would agree to sign financial statements for another accountant without first determining why the other accountant was not able to sign the statements himself. As well, the panel could not understand why Mr. Lopez had difficulty remembering when he first found out that Mr. Hindocha had been expelled, given that he had agreed on at least two occasions to sign financial statements for Mr. Hindocha relying primarily if not entirely on the work Mr. Hindocha had done.

31. The pervasive problems with the four files which Mr. Harris looked at could not be explained or characterized as merely "sloppy" work or an error in judgment. Further, Mr. Lopez' comment to the effect that he understood he had to do his work properly and with integrity to add value to his practice, even allowing for the fact that under the pressure of the discipline proceedings he may not have been at his most articulate, showed a lack of understanding of his professional obligations.

32. Mr. Lane acknowledged that as a result of his personal difficulties, his client had allowed his professional skills to atrophy. He submitted that through his dealings with the discipline process of the Institute, and through the efforts he had already made to rehabilitate himself, Mr. Lopez had come to recognize his lack of core knowledge, as well as the fact that it was not simply sloppy work or an error in judgment which had led to the charges.

33. Mr. Lane submitted that a lengthy suspension would harm Mr. Lopez' efforts to rehabilitate himself.

34. Mr. Lane made particular reference to the Wall/Novoselac case in which the members were not suspended but given substantial fines.

35. Lastly, he argued that the role of the discipline committee, in circumstances like those in this case, should be to promote the development of practice skills, and that our focus should be on the continuing education and mentoring of members. He stated that a lengthy suspension would work against Mr. Lopez' efforts to upgrade his skills, and that we should be compassionate in this case.

ORDER AS TO SANCTION

36. When the parties concluded their submissions the panel deliberated, and when we reached a conclusion the hearing reconvened and the chair summarized the order of the panel. The order, which was sent to the parties on August 18, 2004, which includes the paragraph relating to costs which was determined by the panel later in the proceeding, reads as follows:

ORDER

IT IS ORDERED in respect of the charges:

1. THAT Mr. Lopez be reprimanded in writing by the chair of the hearing.
3. THAT Mr. Lopez be and he is hereby fined the sum of \$2,500, to be remitted to the Institute within one (1) year from the date this Decision and Order becomes final under the bylaws.
3. THAT Mr. Lopez be and he is hereby charged costs fixed at \$5,000, to be remitted to the Institute within two (2) years from the date this Decision and Order becomes final under the bylaws.
4. THAT Mr. Lopez 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.
5. THAT Mr. Lopez be and he is hereby required to complete, by paying for and attending in their entirety, by December 31, 2005, the following professional development courses made available through the Institute, or, in the event a course listed below becomes unavailable, the successor course which takes its place:
 - (a) Accounting, Auditing and Professional Practice Update;
 - (b) Audit of a Small Business;
 - (c) Essentials of Review Engagements; and
 - (d) Staying Out of Trouble.
6. THAT Mr. Lopez be and he is hereby required to have his practice supervised for a period of two (2) years, by a supervisor who has been chosen by Mr. Lopez, has been approved by the director of standards enforcement, and has agreed in writing to accept the engagement. In particular:
 - (a) Mr. Lopez shall, within thirty (30) days from the date this Decision and Order becomes final under the bylaws, file with the secretary of the discipline committee a supervised practice plan that has been reviewed and approved by the director of standards enforcement, and that sets out the name and the detailed responsibilities of the supervisor.
 - (b) The responsibilities of the supervisor shall include, at a minimum, the review and approval of all working papers and financial statements for audit and review engagements, and a sample of all working papers and financial statements for compilation engagements.
 - (c) In the event the professional conduct committee finds Mr. Lopez' choice of supervisor unacceptable, or there is any other issue relating to the supervised practice plan about which Mr. Lopez and the professional conduct committee cannot agree, either may apply to the chair of the panel or to the chair of the discipline committee at an assignment hearing for directions.

- (d) The two (2) year period of supervised practice shall commence on the day that Mr. Lopez files the approved supervised practice plan in accordance with paragraph 6(a) above, or on the day the supervised practice plan is settled by the chair pursuant to paragraph 6(c) above, whichever day is later.
- 7. THAT Mr. Lopez be reinvestigated by the professional conduct committee, or by a person retained by the professional conduct committee, on one occasion, within three (3) months from the expiry of the period of supervised practice ordered in paragraph 6, the cost of the reinvestigation, up to \$3,000, to be paid by Mr. Lopez within thirty (30) days of receiving notification of the cost of the reinvestigation.
- 8. THAT notice of this Decision and Order, disclosing Mr. Lopez' 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.
- 9. THAT Mr. Lopez surrender his certificate of membership in the Institute to the discipline committee secretary 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. Lopez.
- 10. THAT in the event Mr. Lopez fails to comply with any of the requirements of this Order, he shall thereupon be expelled from 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. Lopez' current or former practice, employment and/or residence.

Reprimand

37. The panel determined that, in accordance with normal practice, a reprimand to Mr. Lopez was necessary to stress to him the serious nature of his misconduct and the unacceptability of it as a chartered accountant.

Suspension

38. The panel determined that it was appropriate to suspend Mr. Lopez from the rights and privileges of membership for a period of three months. The suspension was ordered to demonstrate to Mr. Lopez and to other members of the profession that conduct such as Mr. Lopez' will not be tolerated by the profession. Members embarking on new career directions, such as going back into practice after many years of being in industry, should ensure that they have an adequate understanding of the rules of professional practice, and accounting and auditing standards, in order to enable them to practise within the professional service standards of the profession. It is not appropriate to practise as Mr. Lopez did with little or no knowledge of the accounting and auditing standards of the profession.

39. The panel concluded that the decision of the discipline committee in the 1994 case involving Paul Gerald Duchesne was relevant to this case. As we understood the relevant facts, Mr. Duchesne accepted a review engagement when he knew he did not have time to do the work to support the opinion given. He accepted the work of a bookkeeper in preparing the working paper file and the financial statements. The financial statements were put on his letterhead, signed by him, and provided to the bank. After the statements were released, Mr. Duchesne reviewed them and discovered the errors. He issued revised financial statements, but did not recall the first set of financial statements issued. In that case and in this case, the member relied on someone else to do the necessary assurance work. Mr. Duchesne was, among other things, suspended for three months.

40. Members must understand that when they sign their names to audit opinions or review engagement reports they are responsible for ensuring that the standards of the profession have been met.

41. The panel did not accept Mr. Lane's characterization of the Wall/Novoselac case, or that it was relevant to the facts and circumstances of this case. Mr. Lopez' misconduct was not just that he did not do the necessary work to support the reports he made, but that he allowed his skills and knowledge to atrophy to the point where he was not sure of the proper work to do. His lack of reasonable enquiry with respect to Mr. Hindocha, in and of itself, distinguished this case from the Wall/Novoselac case.

Supervised Practice, Professional Development Courses and Reinvestigation

42. The panel ordered supervised practice under the terms described in the order for a period of two years, the professional development courses listed in the order, and reinvestigation of Mr. Lopez' practice within three months of the end of the supervised practice period. The panel had serious concerns about Mr. Lopez' professional capabilities, and his demonstrated lack of understanding of the accounting and auditing requirements of the profession. The panel ultimately decided that an order intended chiefly to help facilitate Mr. Lopez' rehabilitation was appropriate, but only with adequate protection for the public by way of supervised practice and reinvestigation.

43. The panel strongly encourages Mr. Lopez to learn from this experience with the discipline process, and to take the necessary steps to ensure that he rectifies the very serious deficiencies in his practice. In this regard, Mr. Lopez should understand that the panel gave serious consideration to requiring him to pass an examination before being allowed to resume his practice. He should also understand that he was guilty of more than an error in judgment and some sloppy work.

44. The panel was persuaded that it was appropriate to give Mr. Lopez a chance to demonstrate that he could be rehabilitated. In order to rehabilitate himself Mr. Lopez must recognize the essential nature of his misconduct. As will be apparent from the comments at paragraphs 30 and 31 above, the panel concluded that Mr. Lopez had not demonstrated that he properly understood his misconduct. While the panel has sympathy for the challenge Mr. Lopez faces with a handicapped child and the difficulties of contending with sleep apnea, he should not expect a primarily rehabilitative order if he finds himself before the discipline committee again in similar circumstances.

Fine and Publication

45. The panel determined that the normal order as to notice and publication was appropriate in the circumstances of this case, and that a fine of \$2,500 was also appropriate.

COSTS ORDER

46. The professional conduct committee filed a bill of costs which included the costs of the investigator and the costs of the hearing itself. After deliberation, the panel determined that costs in the amount of \$5,000 should be levied against Mr. Lopez, and the chair read the panel's order as to costs into the record.

DATED AT TORONTO THIS 19TH DAY OF NOVEMBER, 2004
BY ORDER OF THE DISCIPLINE COMMITTEE

M. BRIDGE, CA – CHAIR
THE DISCIPLINE COMMITTEE

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D.J. ANDERSON (Public representative)