

Peter Donald Coleman: Summary, as Published in *CheckMark*

Peter Donald Coleman, of Toronto, was found guilty of one charge under Rule 201.1 of failing to maintain the good reputation of the profession and its ability to serve the public interest, and three charges under Rule 205 of signing or associating himself with reports, representations or statements which he knew to be false. While president of a financial corporation, Mr. Coleman allowed customer loans to exceed the limit imposed by his employer, and then manipulated his company's financial information and signed false documents in order to avoid detection. He also issued corporate cheques under his sole signature in amounts for which company policy required two signatures, thereby circumventing internal control procedures. Mr. Coleman was fined \$7,000 and expelled from the Institute. It was also ordered that notice of his misconduct be published in *The Globe and Mail* and the *National Post* as well as in *CheckMark*.

CHARGE(S) LAID re Peter Donald Coleman

The Professional Conduct Committee hereby makes the following charges against Peter Coleman, CA, a member of the Institute:

1. THAT, the said Peter Coleman, in or about the period March 1, 1998 to January 31, 1999, while president of Coventry Financial Corporation, signed or associated himself with false reports, representations or statements, knowing they would be distributed to the Board of Directors of Coventry Financial Corporation and/or the Laurentian Bank of Canada, contrary to Rule 205 of the rules of professional conduct.
2. THAT, the said Peter Coleman, on or about October 27, 1998, while president of Coventry Financial Corporation, signed a document entitled "Covenant Compliance Report and Officers Certificate" addressed to the Laurentian Bank of Canada, certifying that Coventry Financial Corporation did not allow any single client exposure to exceed \$500,000 knowing this to be false, contrary to Rule 205 of the rules of professional conduct.
3. THAT, the said Peter Coleman, on or about November 27, 1998, while president of Coventry Financial Corporation, signed a document entitled "Covenant Compliance Report and Officers Certificate" addressed to the Laurentian Bank of Canada, certifying that Coventry Financial Corporation did not allow any single client exposure to exceed \$500,000 knowing this to be false, contrary to Rule 205 of the rules of professional conduct.
4. THAT, the said Peter Coleman, in or about the period March 1997 to December 1998, while president of Coventry Financial Corporation, received unauthorized benefits in the amount of approximately \$38,000 from companies that had outstanding loans with his employer, Coventry Financial Corporation without the knowledge or consent of his employer, contrary to Rule 208 of the rules of professional conduct.
5. THAT, the said Peter Coleman, in or about the period September 1997 to July 1998, failed to conduct himself in a manner which will maintain the good reputation of the profession and its ability to serve the public interest, in that, while president of Coventry Financial Corporation, and authorized to sign cheques on behalf of the Corporation, knowingly circumvented the Corporation's internal control which required two signatures on cheques for amounts over \$50,000, by signing more than one cheque payable to the same entity on the same day in amounts totaling more than \$50,000.00, contrary to Rule 201.1 of the rules of professional conduct.
6. THAT, the said Peter Coleman, in or about the period May 14, 1998 to September 10, 1998, while president of Coventry Financial Corporation, failed to conduct himself in a manner which will maintain the good reputation of the profession and its ability to serve the public interest, in that he took advances from the company in the approximate amount of \$17,500 that he was not entitled to, contrary to Rule 201.1 of the rules of professional conduct.

Dated at Toronto this day of , 2000.

UWE MANSKI, FCA – DEPUTY CHAIR
PROFESSIONAL CONDUCT COMMITTEE

DISCIPLINE COMMITTEE re Peter Donald Coleman

DECISION AND ORDER IN THE MATTER OF: Charges against **PETER DONALD COLEMAN, CA**, a member of the Institute, under **Rules 201.1, 205 and 208** of the Rules of Professional Conduct, as amended.

DECISION AND ORDER MADE SEPTEMBER 7, 2000

DECISION

THAT, having seen and considered the evidence, including the agreed statement of facts, filed, charges Nos. 4 and 6 having been withdrawn, the Discipline Committee finds Peter Donald Coleman guilty of charges Nos. 1, 2, 3 and 5.

ORDER

IT IS ORDERED in respect of charges Nos. 1, 2, 3 and 5:

1. THAT Mr. Coleman be reprimanded in writing by the chair of the hearing.
2. THAT Mr. Coleman be and he is hereby fined the sum of \$7,000, 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. Coleman be and he is hereby expelled from membership in the Institute.
4. THAT notice of this Decision and Order, disclosing Mr. Coleman's name, be given after this Decision and Order becomes final under the bylaws:
 - to the Public Accountants Council for the Province of Ontario;
 - to the Canadian Institute of Chartered Accountants;
 - by publication in *CheckMark*; and
 - by publication in *The Globe and Mail* and *The National Post*.
5. THAT Mr. Coleman 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.

DATED AT TORONTO THIS 11TH DAY OF SEPTEMBER, 2000
BY ORDER OF THE DISCIPLINE COMMITTEE

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

DISCIPLINE COMMITTEE re Peter Donald Coleman

REASONS FOR DECISION AND ORDER IN THE MATTER OF: Charges against **PETER DONALD COLEMAN, CA**, a member of the Institute, under **Rules 201.1, 205 and 208** of the Rules of Professional Conduct, as amended.

REASONS FOR THE DECISION AND ORDER MADE SEPTEMBER 7, 2000

This panel of the discipline committee of the Institute of Chartered Accountants of Ontario met on September 7, 2000 to hear evidence concerning charges brought by the professional conduct committee against Peter D. Coleman, CA.

The professional conduct committee was represented by Mr. Paul Farley, who was accompanied by the professional conduct committee's investigator Mr. John Douglas. Mr. Coleman was present at the hearing and was represented by Mr. Domenic Manzo.

The hearing concluded on September 7, 2000 after the decision and terms of the order were made known. The formal decision and order was issued on September 11, 2000. These reasons, issued in writing pursuant to Bylaw 574, contain the panel's decision and order, and the charges laid by the professional conduct committee, as well as the reasons of the panel.

DECISION ON THE CHARGES

After the hearing had been called to order, counsel for the professional conduct committee advised that charges Nos. 4 and 6 were being withdrawn. The remaining charges therefore read as follows:

1. THAT, the said Peter Coleman, in or about the period March 1, 1998 to January 31, 1999, while president of Coventry Financial Corporation, signed or associated himself with false reports, representations or statements, knowing they would be distributed to the Board of Directors of Coventry Financial Corporation and/or the Laurentian Bank of Canada, contrary to Rule 205 of the rules of professional conduct.
2. THAT, the said Peter Coleman, on or about October 27, 1998, while president of Coventry Financial Corporation, signed a document entitled "Covenant Compliance Report and Officers Certificate" addressed to the Laurentian Bank of Canada, certifying that Coventry Financial Corporation did not allow any single client exposure to exceed \$500,000 knowing this to be false, contrary to Rule 205 of the rules of professional conduct.
3. THAT, the said Peter Coleman, on or about November 27, 1998, while president of Coventry Financial Corporation, signed a document entitled "Covenant Compliance Report and Officers Certificate" addressed to the Laurentian Bank of Canada, certifying that Coventry Financial Corporation did not allow any single client exposure to exceed \$500,000 knowing this to be false, contrary to Rule 205 of the rules of professional conduct.

4. THAT, the said Peter Coleman, in or about the period September 1997 to July 1998, failed to conduct himself in a manner which will maintain the good reputation of the profession and its ability to serve the public interest, in that, while president of Coventry Financial Corporation and authorized to sign cheques on behalf of the Corporation, knowingly circumvented the Corporation's internal control which required two signatures on cheques for amounts over \$50,000, by signing more than one cheque payable to the same entity on the same day in amounts totaling more than \$50,000, contrary to Rule 201.1 of the rules of professional conduct.

Three of the charges related to falsification of reports and statements, and one charge related to circumvention of internal controls with respect to the signing of cheques.

Mr. Coleman entered a plea of guilty to the four charges, and confirmed that he understood that on the basis of his plea alone, he could be found guilty of the charges.

In presenting the case for the professional conduct committee, counsel filed an agreed statement of facts dated September 7, 2000 signed by Mr. Farley and Mr. Coleman, which makes reference to specific documents included in the document brief, which was also filed as an exhibit.

Mr. Farley provided an overview of the documents filed. The panel then proceeded to review the evidence.

In January, 1997, Mr. Coleman became the President of Coventry Financial Corporation. This company lent money at relatively high interest rates for short periods of time, and the loans were typically secured by the assignment of solid receivables of the borrower.

Mr. Coleman had both business and accounting responsibilities at Coventry Financial, including finding appropriate borrowers. Coventry had a policy which precluded loans of more than \$500,000 to any one company or related group of companies. Coventry's arrangements with its bank, Laurentian Bank of Canada, included this restriction.

During the period March, 1998 to December, 1998, Mr. Coleman provided false financial information about Coventry to its board of directors and to its bank. More specifically, he certified in October and again in November of 1998, contrary to the facts, that Coventry had not loaned more than \$500,000 to any one client or related group of clients.

There is no doubt Mr. Coleman knew that the information he provided to the board of directors and the certifications be made to the bank were false. The general ledger of Coventry, for which he was responsible, was accurate. While Mr. Coleman manipulated the information provided to make it appear that the company was operating in accordance with its policies, the evidence was readily available for an auditor to see that this was not the case. It was Mr. Coleman's hope that in providing the companies with the additional cash, they would succeed and the loans would be repaid. Unfortunately, this did not occur, and two of the loans, one for over \$1,000,000 and one for more than \$500,000, are still outstanding and there is doubt that they will be repaid.

Coventry also had a policy requiring two signatures on cheques in excess of \$50,000. Mr. Coleman circumvented this control by signing four cheques on the same day to the same client each in the amount of \$50,000.

From the evidence provided to the panel, it was clear that Mr. Coleman was guilty of the charges. He falsified documents and advanced funds to corporations in excess of the authorized amounts. Accordingly, Mr. Coleman was found guilty of the four charges. The decision reads as follows:

DECISION

THAT, having seen and considered the evidence, including the agreed statement of facts, filed, charges Nos. 4 and 6 having been withdrawn, the Discipline Committee finds Peter Donald Coleman guilty of charges Nos. 1, 2, 3 and 5.

ORDER AS TO SANCTION

Mr. Farley and Mr. Manzo both made submissions in support of a joint recommendation on sanction. On behalf of the professional conduct committee, Mr. Farley asked for the most serious sanction that the discipline committee could impose. Mr. Coleman's conduct involved a breach of trust, as a result of which his employer and its shareholders were likely to incur substantial losses. Mr. Farley requested that the sanction imposed by the discipline committee be:

- a written reprimand;
- a fine of \$5,000;
- expulsion; and
- notice disclosing Mr. Coleman's name, including by way of publication in *CheckMark*, *The Globe and Mail* and the *National Post*.

Mr. Farley referred to mitigating circumstances in support of the recommendation as to quantum of fine. Mr. Coleman had appeared at the hearing, and had pleaded guilty to all the charges, which greatly shortened the time that would otherwise have been needed for the hearing. He also referred to aggravating circumstances, which were numerous. There had been a breach of trust, and a large number of occurrences of the falsification of documents, over a time frame of ten months. In addition, Mr. Coleman did not confess to his wrongdoings nor try to correct them. Mr. Farley submitted that, in a situation such as this, the principle of general deterrence was the most important sanctioning principle to be considered, in order to deter other chartered accountants from contemplating similar conduct, as there is simply no justification for the falsifying of financial statements by members of the Institute.

Mr. Farley referred the panel to two decisions of the discipline committee, both of which resulted in the member being expelled from the institute following conduct that involved moral turpitude. The first decision was referred to as the "Princess Margaret Hospital Foundation case", without the name of the member being provided. In that case the member misappropriated funds, and subsequently made restitution upon resigning. In addition to expulsion, the member was fined \$4,000.

The second case referred to by Mr. Farley was that of *Gordon Eckstein*, who was one of the members involved in the Livent fiasco. In addition to expulsion, Mr. Eckstein was fined \$25,000. His misconduct, however, was much more pervasive than that of Mr. Coleman, and therefore, in the professional conduct committee's opinion, Mr. Coleman should be assessed a lesser fine.

Mr. Manzo, in his submission, again reiterated that this was a joint submission on sanction, that Mr. Coleman had cooperated with the professional conduct committee from the beginning, and had pleaded guilty, thereby shortening the hearing, and that the penalties sought by the professional conduct committee were adequate.

The panel then deliberated as to what the appropriate sanctions should be. Though the panel was in general agreement with the sanctions proposed in the joint submission, we did not feel that enough information had been provided with respect to the quantum of the fine being recommended. In particular, no evidence had been put forward regarding whether Mr. Coleman had or had not benefited from his actions, nor as to why he did what he did. It appeared that the amount of the proposed fine was low considering the significant losses that could be incurred by the shareholders and the bank.

Both counsel were advised that the panel had questions with respect to the suitability of the proposed fine, and were requested to make further submissions with respect to that issue.

In response, Mr. Farley stated that the only benefit to Mr. Coleman was that he had hoped to retain his job by doing what he did. Mr. Farley then provided an overview of twelve relatively recent discipline committee decisions, all of which resulted in either expulsion or suspension, together with a fine. He submitted that the panel must look at the totality of the sanction, and not focus on one part of it to the exclusion of the other parts.

Mr. Manzo, in his further submissions, stated that:

- Mr. Coleman received no benefit from his actions;
- his employer called the unauthorized loans when Mr. Coleman was found out;
- Mr. Coleman made the unauthorized loans to benefit his employer and himself;
- there was no evidence that the loans were hidden;
- Mr. Coleman was on a slippery slope upon which, once he had started, he could not stop;
- expulsion was the big penalty in the sanction recommended; and
- a fine should be a reasonable amount, as Mr. Coleman was attempting to make a living, though not in the capacity of a chartered accountant.

After hearing the additional submissions, the panel further deliberated and made the following order:

ORDER

IT IS ORDERED in respect of charges Nos. 1, 2, 3 and 5:

1. THAT Mr. Coleman be reprimanded in writing by the chair of the hearing.
2. THAT Mr. Coleman be and he is hereby fined the sum of \$7,000, 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. Coleman be and he is hereby expelled from membership in the Institute.
4. THAT notice of this Decision and Order, disclosing Mr. Coleman's name, be given after this Decision and Order becomes final under the bylaws:
 - to the Public Accountants Council for the Province of Ontario;
 - to the Canadian Institute of Chartered Accountants;
 - by publication in *CheckMark*; and
 - by publication in *The Globe and Mail* and *The National Post*.

5. THAT Mr. Coleman 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.

In considering the appropriate sanction, the panel considered the three general principles of sentencing, namely, rehabilitation, general deterrence and specific deterrence, and concluded that the principles of general deterrence and specific deterrence took priority in this case.

Reprimand

The panel believes that a reprimand in writing from the chair of the hearing stresses to Mr. Coleman the unacceptability of his conduct as a chartered accountant.

Fine

The joint submission by the professional conduct committee and Mr. Coleman was that a fine should be levied in the amount of \$5,000. However, upon reviewing the additional cases referred to by Mr. Farley, and hearing the additional submissions made by both counsel, the panel concluded that a fine of \$7,000 was appropriate in this case, both as a general deterrent to like-minded members, and as a demonstration to the public of the unacceptability of the type of behaviour exhibited by Mr. Coleman.

Expulsion

The principle of general deterrence is of the utmost importance in this case. Mr. Coleman was guilty of moral turpitude, involving falsifying documents over a prolonged period of time, and issuing cheques when he had no authority to do so.

Expulsion from the Institute is usually ordered in cases involving moral turpitude, and the panel determined that, due to the serious nature of this case, it had no alternative but to expel Mr. Coleman, as both a specific and a general deterrent. The panel noted that counsel for both parties had agreed in their joint submission that expulsion was in order.

Notice

Publication of the decision and order, including Mr. Coleman's name, is, in the opinion of the discipline committee, a general deterrent. It is important to demonstrate to the public that the profession is regulating itself, and to assure it that failure on the part of members to comply with the rules of professional conduct will result in the imposition of serious sanctions.

Certificate

As in all cases of expulsion, it is important that Mr. Coleman surrender his certificate of membership in the Institute, to which he is no longer entitled.

Immediate Suspension

Bylaw 583 provides that when the discipline committee orders a member to be expelled, the member's rights and privileges of membership are suspended from the time the order of expulsion is pronounced. While this provision is subject to panel discretion, the panel concluded that there was no reason why Bylaw 583 should not apply in this case.

DATED AT TORONTO THIS 10TH DAY OF NOVEMBER, 2000
BY ORDER OF THE DISCIPLINE COMMITTEE

P.B.A. CLARKSON, CA - DEPUTY CHAIR
THE DISCIPLINE COMMITTEE

MEMBERS OF THE PANEL:

D.L. FLEWELLING, CA
B.L. HAYES, CA
M.A. MANERA, CA
S.W. SALTER, CA
N.C. AGARWAL (Public representative)