

Richard Martin Wronzberg: Summary, as Published in *CheckMark*

Richard Martin Wronzberg, of Thornhill, was found guilty of one charge under Rule 101 of holding himself out as a chartered accountant while suspended from membership for failure to pay the annual practitioner fee, one charge under Rule 205 of signing or associating himself with reports and financial statements which he knew or should have known were false or misleading, and one charge under Rule 206 of failing to perform his professional services in accordance with generally accepted standards of practice of the profession. Mr. Wronzberg failed to adequately plan, carry out and document a client review. He signed two review engagement reports which he attached to two different sets of financial statements for the same company for the same period. One set of financial statements was intended for the bank and the other for Revenue Canada. Mr. Wronzberg was fined \$3,000, suspended for six months, and ordered to complete four professional development courses.

CHARGE(S) LAID re Richard Martin Wronzberg

The Professional Conduct Committee hereby makes the following charges against Richard M. Wronzberg, a suspended member of the Institute:

1. THAT, the said, Richard M. Wronzberg, on or about June 11, 1998, while engaged to carry out a review of the financial statements of Grayon Industrial Products Inc., for the period ended April 30, 1998, signed or associated himself with a report, statement, representation or financial statement which he knew or should have known was false or misleading, contrary to Rule 205 of the Rules of Professional Conduct in that;
 - (a) he signed two review engagement reports on June 11, 1998 which he attached to two different sets of financial statements for the company for the same period;
 - (b) he associated himself with financial statements disclosing capital stock held by "D.B. 200" when those shares were owned by Grace Pearson;
 - (c) he associated himself with financial statements where "Inventory (note 3) 448,856" and "Accounts payable and accrued liabilities 691,687" and "Cost of sales 3,552,082" are understated while "Income before provision for income taxes (38,455)" and "Provision for income taxes (4,894)" and "Net income (loss) (33,561)" are overstated by a material amount;
2. THAT, the said, Richard M. Wronzberg, during the period April 1, 1998 through June, 30, 1998, while engaged to carry out a review of the financial statements of Grayon Industrial Products Inc., for the period ended April 30, 1998, 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 of the Rules of Professional Conduct in that,
 - (a) he failed to perform sufficient appropriate enquiry, discussion and analysis to satisfy himself as to the plausibility of the financial statements;
 - (b) he failed to reach an understanding and agreement with the client as to the services to be provided;
 - (c) he failed to plan the engagement;
 - (d) he failed to make an assessment of materiality;
 - (e) he failed to maintain an objective state of mind;
 - (f) he signed a review engagement report without reservation while acknowledging in the notes to the financial statements that, with respect to the mortgage payable, "...the interest allocation for the current fiscal year has yet to be reviewed to ensure the correct allocation between liability and expense for the current fiscal year."

- (g) he failed to disclose in the communication attached to the financial statements that comparative figures were based upon information reported on by another public accountant;
- (h) he failed to ensure that the financial statements disclosed related party transactions;
- (i) he failed to ensure that the accounts receivable were segregated to show separately ordinary trade accounts and amounts owing by related parties;
- (j) he failed to properly review the adequacy of the allowance for doubtful accounts;
- (k) he failed to properly review the adequacy of the provision for obsolescence;
- (l) with respect to the balance sheet item "Income taxes recoverable 6,540" he failed to carry out sufficient appropriate work to enable him to assess whether the realization of the tax benefit was virtually certain;
- (m) he failed to ensure disclosure of accumulated amortization for each major category of capital assets shown on the balance sheet;
- (n) he failed to ensure disclosure of the terms of bank indebtedness including whether assets of the business were pledged as security;
- (o) he failed to ensure disclosure of future minimum lease payments;
- (p) he failed to ensure that the portion of the long term debt payable within the year out of current funds was included in current liabilities;
- (q) he failed to ensure appropriate disclosure of issued and outstanding share capital;
- (r) he failed to document matters important to support the content of his report;
- (s) he failed to ensure that management fees accrued but not paid within 180 days of the year end were not deducted for corporate tax purposes.

3. THAT, the said, Richard M. Wronzberg, in or about the period August 1, 1997 through June 30, 1998, while engaged as the accountant for Grayon Industrial Products Inc., failed to provide his professional services with integrity and due care contrary to Rule 202 of the Rules of Professional Conduct in that;

- (a) he prepared corporate tax returns for the company and did not retain any tax file or documentation in support;
- (b) he prepared Notice to Reader financial statements for the period ended December 31, 1997 and retained no working paper file in support;
- (c) he attached a Notice to Reader report to the financial statements for the

period ended December 31, 1997 while acknowledging that he had not reviewed accounts receivable, slow moving inventory, the interest allocation on the mortgage payable or the allocation of salaries and benefits by division and without considering the tax implications of the management fees accrued in the April 30, 1996 financial statements that remained unpaid at the time of his work;

- (d) he prepared Notice to Reader financial statements for the period ended October 31, 1997 and retained no working paper file in support;
- (e) he prepared and issued a projected statement of income and expenses by month for the year ended April 30, 1999 in support of the company's attempts to obtain bank financing without attaching a communication to this financial information and retained no working paper file in support.

4. THAT, the said, Richard M. Wronzberg, in or about the period June 15, 1998 through September 28, 1999, failed to comply with bylaw 106 (5) of the Institute in that he held himself out as a chartered accountant or used the initials CA while suspended from membership, contrary to Rule 101 of the Rules of Professional Conduct.

Dated at Toronto this 28th day of September 1999.

UWE MANSKI, FCA
CHAIR
PROFESSIONAL CONDUCT COMMITTEE

DISCIPLINE COMMITTEE re Richard Martin Wronzberg

DECISION AND ORDER IN THE MATTER OF: Charges against **RICHARD MARTIN WRONZBERG**, a suspended member of the Institute, under **Rules 101, 202, 205 and 206** of the Rules of Professional Conduct, as amended.

DECISION AND ORDER MADE FEBRUARY 9, 2000

DECISION

THAT, having seen, heard and considered the evidence, and having heard the plea of guilty to the charges, the Discipline Committee finds Richard Martin Wronzberg not guilty of charge No. 3, and guilty of charges Nos. 1, 2 and 4.

ORDER

IT IS ORDERED in respect of charges Nos. 1, 2 and 4:

1. THAT Mr. Wronzberg be reprimanded in writing by the chair of the hearing.
2. THAT Mr. Wronzberg be and he is hereby fined the sum of \$3,000, 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. Wronzberg be suspended from the rights and privileges of membership in the Institute for a period of six (6) months from the date this Decision and Order becomes final under the bylaws.
4. THAT Mr. Wronzberg be and he is hereby required to complete, by paying for and attending in their entirety, on or before December 31, 2001, the following professional development courses made available through the Institute:
 1. Accounting Refresher;
 2. Review and Compilation Engagements;
 3. Financial Statement Presentation & Disclosure; and
 4. Everyday Income Tax Issues for the General Practitioner – Day 1 and Day 2,or, in the event a course listed above becomes unavailable, the successor course which takes its place.
5. THAT notice of this Decision and Order, disclosing Mr. Wronzberg's name, be given after this Decision and Order becomes final under the bylaws:
 - (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*.

6. THAT Mr. Wronzberg 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. Wronzberg. In the event Mr. Wronzberg fails to surrender his certificate of membership within this ten day period, his suspension shall be extended one day for each day the certificate remains undelivered to the secretary.
7. THAT in the event Mr. Wronzberg fails to comply with paragraphs 2 and 4 of this Order, or either of them, 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 by publication in *The Globe & Mail*.

DATED AT TORONTO THIS 17TH DAY OF FEBRUARY, 2000
BY ORDER OF THE DISCIPLINE COMMITTEE

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

DISCIPLINE COMMITTEE re Richard Martin Wronzberg

REASONS FOR DECISION AND ORDER IN THE MATTER OF: Charges against **RICHARD MARTIN WRONZBERG**, a suspended member of the Institute, under **Rules 101, 202, 205 and 206** of the Rules of Professional Conduct, as amended.

REASONS FOR THE DECISION AND ORDER MADE FEBRUARY 9, 2000

This panel of the discipline committee of the Institute of Chartered Accountants of Ontario met on February 9, 2000 to hear evidence concerning charges brought by the professional conduct committee against Richard M. Wronzberg, CA.

The professional conduct committee was represented by Mr. Paul Farley, who was accompanied by the investigator, Ms. Lucy Monte-Lisi, CA. Mr. Wronzberg was present without counsel, and confirmed for the record that he understood he had the right to be represented by counsel.

The hearing concluded on February 9, 2000 and the panel's decision and order was issued on February 17, 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

Confirming his understanding that, on the basis of his plea of guilty, and on that basis alone, he could be found guilty of the charges, Mr. Wronzberg pleaded guilty to each of the following charges laid against him by the professional conduct committee:

1. THAT, the said, Richard M. Wronzberg, on or about June 11, 1998, while engaged to carry out a review of the financial statements of Grayon Industrial Products Inc., for the period ended April 30, 1998, signed or associated himself with a report, statement, representation or financial statement which he knew or should have known was false or misleading, contrary to Rule 205 of the Rules of Professional Conduct in that;
 - (a) he signed two review engagement reports on June 11, 1998 which he attached to two different sets of financial statements for the company for the same period;
 - (b) he associated himself with financial statements disclosing capital stock held by "D.B. 200" when those shares were owned by Grace Pearson
 - (c) he associated himself with financial statements where "Inventory (note 3) 448,856" and "Accounts payable and accrued liabilities 691,687" and "Cost of sales 3,552,082" are understated while "Income before provision for income taxes (38,455)" and "Provision for income taxes (4,894)" and "Net income (loss) (33,561)" are overstated by a material amount;
2. THAT, the said, Richard M. Wronzberg, during the period April 1, 1998 through June, 30,

1998, while engaged to carry out a review of the financial statements of Grayon Industrial Products Inc., for the period ended April 30, 1998, 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 of the Rules of Professional Conduct in that,

- (a) he failed to perform sufficient appropriate enquiry, discussion and analysis to satisfy himself as to the plausibility of the financial statements;
- (b) he failed to reach an understanding and agreement with the client as to the services to be provided;
- (c) he failed to plan the engagement;
- (d) he failed to make an assessment of materiality;
- (e) he failed to maintain an objective state of mind;
- (f) he signed a review engagement report without reservation while acknowledging in the notes to the financial statements that, with respect to the mortgage payable, "...the interest allocation for the current fiscal year has yet to be reviewed to ensure the correct allocation between liability and expense for the current fiscal year."
- (g) he failed to disclose in the communication attached to the financial statements that comparative figures were based upon information reported on by another public accountant;
- (h) he failed to ensure that the financial statements disclosed related party transactions;
- (i) he failed to ensure that the accounts receivable were segregated to show separately ordinary trade accounts and amounts owing by related parties;
- (j) he failed to properly review the adequacy of the allowance for doubtful accounts;
- (k) he failed to properly review the adequacy of the provision for obsolescence;
- (l) with respect to the balance sheet item "Income taxes recoverable 6,540" he failed to carry out sufficient appropriate work to enable him to assess whether the realization of the tax benefit was virtually certain;
- (m) he failed to ensure disclosure of accumulated amortization for each major category of capital assets shown on the balance sheet;
- (n) he failed to ensure disclosure of the terms of bank indebtedness including whether assets of the business were pledged as security;
- (o) he failed to ensure disclosure of future minimum lease payments;
- (p) he failed to ensure that the portion of the long term debt payable within

the year out of current funds was included in current liabilities;

- (q) he failed to ensure appropriate disclosure of issued and outstanding share capital;
- (r) he failed to document matters important to support the content of his report;
- (s) he failed to ensure that management fees accrued but not paid within 180 days of the year end were not deducted for corporate tax purposes.

3. THAT, the said, Richard M. Wronzberg, in or about the period August 1, 1997 through June 30, 1998, while engaged as the accountant for Grayon Industrial Products Inc., failed to provide his professional services with integrity and due care contrary to Rule 202 of the Rules of Professional Conduct in that;

- (a) he prepared corporate tax returns for the company and did not retain any tax file or documentation in support;
- (b) he prepared Notice to Reader financial statements for the period ended December 31, 1997 and retained no working paper file in support;
- (c) he attached a Notice to Reader report to the financial statements for the period ended December 31, 1997 while acknowledging that he had not reviewed accounts receivable, slow moving inventory, the interest allocation on the mortgage payable or the allocation of salaries and benefits by division and without considering the tax implications of the management fees accrued in the April 30 ,1996 financial statements that remained unpaid at the time of his work.
- (d) he prepared Notice to Reader financial statements for the period ended October 31, 1997 and retained no working paper file in support;
- (e) he prepared and issued a projected statement of income and expenses by month for the year ended April 30, 1999 in support of the company's attempts to obtain bank financing without attaching a communication to this financial information and retained no working paper file in support.

4. THAT, the said, Richard M. Wronzberg, in or about the period June 15, 1998 through September 28, 1999, failed to comply with bylaw 106 (5) of the Institute in that he held himself out as a chartered accountant or used the initials CA while suspended from membership, contrary to Rule 101 of the Rules of Professional Conduct.

In presenting the case for the professional conduct committee, Mr. Farley filed a document brief and called Ms. Monte-Lisi to give evidence.

The panel understood that on a plea of guilty the evidence called by the professional conduct committee may be truncated. But before the discipline committee is prepared to find a member of the Institute guilty of professional misconduct, it must be satisfied that the evidence warrants such a finding. As there were doubts in the minds of some of the members of the panel on some points after Ms. Monte-Lisi had completed her evidence, panel members asked questions to clarify the points. The panel carefully reviewed the document brief and the evidence presented before concluding its deliberations.

Mr. Wronzberg had initially been hired by Grayon Industrial Products Inc. as a consultant, and was later engaged to carry out a review of the company's financial statements for the year ended April 30, 1998. Mr. And Mrs. Pearson, the two principals of Grayon, were engaged in a matrimonial dispute, and one of them arranged for the production of two sets of financial statements in order to mislead the other as to the extent of their respective beneficial holdings in the company. One set of financial statements was intended for bank use, and the other for Revenue Canada. Putting the interests of the one shareholder ahead of those of his corporate client, Mr. Wronzberg signed a review engagement report for each set of financial statements. He also conducted an inadequate review, as alleged in the particulars to the first two charges.

As to the fourth charge, the document brief contained evidence that Mr. Wronzberg was using the chartered accountant designation at a time when he was not entitled to do so, as a result of his having been suspended from membership in good standing for non-payment of the Institute's annual practitioner fee. Mr. Wronzberg did not provide any evidence to suggest that he had been unaware of his membership suspension.

The panel concluded that charges Nos. 1, 2 and 4 had been proven, and that the departures from the required standards were substantial and warranted a finding of guilty on those charges. We were not persuaded that charge No. 3 had been proven, and found Mr. Wronzberg not guilty of that charge. The decision of the panel was as follows:

DECISION

THAT, having seen, heard and considered the evidence, and having heard the plea of guilty to the charges, the Discipline Committee finds Richard Martin Wronzberg not guilty of charge No. 3, and guilty of charges Nos. 1, 2 and 4.

ORDER AS TO SANCTION

The hearing then proceeded to determine the appropriate sanction. Neither party called evidence with respect to sanction, but both made submissions.

Mr. Farley, on behalf of the professional conduct committee, stressed that the thrust of the sanction requested was directed toward rehabilitation of the member, and the general deterrence of other members. He requested a written reprimand, a fine in the range of \$5,000 to \$7,000, a suspension of between six and twelve months, professional development courses, and the usual notification, including publication in *CheckMark*.

Mr. Wronzberg did not object to the suspension, or the taking of courses, but requested that there be no fine, in light of his limited resources, and the cost of the professional development courses. He also asked that his name be withheld from publication.

After deliberations, the panel made the following order:

ORDER

IT IS ORDERED in respect of charges Nos. 1, 2 and 4:

1. THAT Mr. Wronzberg be reprimanded in writing by the chair of the hearing.
2. THAT Mr. Wronzberg be and he is hereby fined the sum of \$3,000, 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. Wronzberg be suspended from the rights and privileges of membership in the Institute for a period of six (6) months from the date this Decision and Order becomes final under the bylaws.
4. THAT Mr. Wronzberg be and he is hereby required to complete, by paying for and attending in their entirety, on or before December 31, 2001, the following professional development courses made available through the Institute:
- Accounting Refresher;
 - Review and Compilation Engagements;
 - Financial Statement Presentation & Disclosure; and
 - Everyday Income Tax Issues for the General Practitioner – Day 1 and Day 2,
- or, in the event a course listed above becomes unavailable, the successor course which takes its place.
5. THAT notice of this Decision and Order, disclosing Mr. Wronzberg's name, be given after this Decision and Order becomes final under the bylaws:
- (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*.
6. THAT Mr. Wronzberg 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. Wronzberg. In the event Mr. Wronzberg fails to surrender his certificate of membership within this ten day period, his suspension shall be extended one day for each day the certificate remains undelivered to the secretary.
7. THAT in the event Mr. Wronzberg fails to comply with paragraphs 2 and 4 of this Order, or either of them, 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 by publication in *The Globe & Mail*.

Reprimand

In keeping with past cases, the panel ordered that the member be reprimanded in writing by the chair of the hearing, to stress to him the serious nature of the offence and the unacceptability of his conduct as a chartered accountant.

Fine

After reviewing certain precedents, and taking into account the cost of the professional development courses, the panel concluded that a fine of \$3,000 would be the appropriate amount as a specific deterrent to Mr. Wronzberg, and a general deterrent to other members.

Suspension

It is essential that chartered accountants who prepare financial statements adhere to the standards of the profession. When the point of a chartered accountant's work is to add

credibility to financial information, it is clearly unacceptable for a member to knowingly misrepresent that financial information. The public expects, and the Institute demands, that members will not engage in such conduct. We imposed a suspension upon Mr. Wronzberg to send a clear message to both him and other members that the departure demonstrated in this case from expected standards of competence and conduct is not acceptable.

Professional Development Courses

The discipline committee believes that one of the purposes of the disciplinary process, in appropriate cases, is to encourage rehabilitation. The panel was of the view that this was such a case, and that it would be beneficial to both the member and the public which he serves for Mr. Wronzberg to avail himself of this opportunity for rehabilitation. We determined that the courses ordered would help Mr. Wronzberg update his skills, and Mr. Wronzberg agreed that the courses were appropriate.

Notice

The giving of notice, including publication, of the decision and order, including Mr. Wronzberg's name, is, in the opinion of the panel, a general deterrent. Communication of the fact that the profession views breaches of its bylaws and rules of professional conduct seriously is an important factor in the governance of the profession. Such notification is also necessary to demonstrate to the public that the professional is self-regulating, and to maintain the public's confidence in the profession's ability to govern itself. The panel was aware that dispensing with publication of Mr. Wronzberg's name was within its discretion, but, for the foregoing reasons, was unable to grant Mr. Wronzberg's request that notice not be given in the usual manner.

DATED AT TORONTO THIS 9TH DAY OF JUNE, 2000
BY ORDER OF THE DISCIPLINE COMMITTEE

D.P. SETTERINGTON, FCA – CHAIR
THE DISCIPLINE COMMITTEE

MEMBERS OF THE PANEL:

E.R. ARCHIBALD, CA
P.A. GOGGINS, CA
B.L. STEPHENS, CA
B.A. TANNENBAUM, FCA
R.W. WARKENTIN (Public representative)