

Ruth Elizabeth Parisi: Summary, as Published in *CheckMark*

Ruth Elizabeth Parisi, of Timmins, was found guilty of three charges under Rule 206 of failing to perform her professional services in accordance with generally accepted standards of practice of the profession, including the Recommendations set out in the *CICA Handbook*. Ms. Parisi was engaged to perform three consecutive year-end audits of the financial statements of a credit union. In all three years, Ms. Parisi failed to obtain sufficient appropriate audit evidence to support the balance sheet items "Cash resources" and "Loans to members", failed to carry out an adequate review of subsequent events, and failed to adequately control the process for selecting, preparing and sending confirmation requests of credit union member accounts. Ms. Parisi was fined \$15,000, charged costs of \$40,000, and suspended for six months.

CHARGE(S) LAID re Ruth Elizabeth Parisi

The Professional Conduct Committee hereby makes the following charges against Ruth E. Parisi, CA, a member of the Institute:

1. THAT, the said Ruth E. Parisi, in or about the period December 1, 2000 through March 31, 2001, while engaged to perform an audit of the financial statements of Iroquois Falls Community Credit Union Limited for the year ended December 31, 2000, failed to perform her 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) she failed to obtain sufficient appropriate audit evidence to support the balance sheet item "Cash resources (Notes 1 & 2) \$323,535";
 - (b) she failed to carry out an adequate review of subsequent events;
 - (c) she failed to obtain sufficient appropriate audit evidence to support the balance sheet item "Loans to members (Notes 4 & 5) \$5,858,173;
 - (d) she failed to adequately control the process for selecting, preparing and sending confirmation requests of Credit Union member accounts.
2. THAT, the said Ruth E. Parisi, in or about the period December 1, 1999 through March 31, 2000, while engaged to perform an audit of the financial statements of Iroquois Falls Community Credit Union Limited for the year ended December 31, 1999, failed to perform her 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) she failed to obtain sufficient appropriate audit evidence to support the balance sheet item "Cash resources (Notes 1 & 2) \$96,030";
 - (b) she failed to carry out an adequate review of subsequent events;
 - (c) she failed to obtain sufficient appropriate audit evidence to support the balance sheet item "Loans to members (Notes 4 & 5) \$5,194,736;
 - (d) she failed to adequately control the process for selecting, preparing and sending confirmation requests of Credit Union member accounts.
3. THAT, the said Ruth E. Parisi, in or about the period December 1, 1998 through March 31, 1999, while engaged to perform an audit of the financial statements of Iroquois Falls Community Credit Union Limited for the year ended December 31, 1998, failed to perform her 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) she failed to obtain sufficient appropriate audit evidence to support the balance sheet item "Cash resources (Notes 1 & 2) \$ 285,358";
- (b) she failed to carry out an adequate review of subsequent events;
- (c) she failed to obtain sufficient appropriate audit evidence to support the balance sheet item "Loans to members (Notes 4 & 5) \$ 5,247,360;
- (d) she failed to adequately control the process for selecting, preparing and sending confirmation requests of Credit Union member accounts.

Dated at London, this 19th day of February, 2003.

G.W. MILLS, CA, CHAIR
PROFESSIONAL CONDUCT COMMITTEE

DISCIPLINE COMMITTEE re Ruth Elizabeth Parisi

DECISION AND ORDER IN THE MATTER OF: Charges against **RUTH ELIZABETH PARISI, CA**, a member of the Institute, under **Rule 206** of the Rules of Professional Conduct, as amended.

DECISION AND ORDER MADE JUNE 25, 2003

DECISION

THAT, having seen, heard and considered the evidence, the Discipline Committee finds Ruth Elizabeth Parisi guilty of charges Nos. 1, 2 and 3.

ORDER

IT IS ORDERED in respect of the charges:

1. THAT Ms. Parisi be reprimanded in writing by the chair of the hearing.
2. THAT Ms. Parisi be and she is hereby fined the sum of \$15,000, to be remitted to the Institute within twelve (12) months from the date this Decision and Order becomes final under the bylaws.
3. THAT Ms. Parisi be and she is hereby charged costs fixed at \$40,000, to be remitted to the Institute within twelve (12) months from the date this Decision and Order becomes final under the bylaws.
4. THAT Ms. Parisi 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.
5. THAT notice of this Decision and Order, disclosing Ms. Parisi'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;
 - (c) by publication in *CheckMark*; and
 - (d) by publication in the *Iroquois Falls Enterprise*.
6. THAT Ms. Parisi surrender her 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 Ms. Parisi.

7. THAT in the event Ms. Parisi fails to comply with any of the requirements of this Order, she shall thereupon be expelled from membership in the Institute, and notice of her expulsion, disclosing her name, shall be given in the manner specified above and in the Timmins *Daily Press*.

DATED AT TORONTO THIS 4TH DAY OF JULY, 2003
BY ORDER OF THE DISCIPLINE COMMITTEE

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

DISCIPLINE COMMITTEE re Ruth Elizabeth Parisi

REASONS FOR DECISION AND ORDER IN THE MATTER OF: Charges against **RUTH ELIZABETH PARISI, CA**, a member of the Institute, under **Rule 206** of the Rules of Professional Conduct, as amended.

REASONS FOR THE DECISION AND ORDER MADE JUNE 25, 2003

1. This panel of the discipline committee of the Institute of Chartered Accountants of Ontario convened on June 25, 2003 to hear charges brought by the professional conduct committee against Ms. Ruth E. Parisi, a member of the Institute.
2. The professional conduct committee was represented by Mr. Brian Bellmore, who was accompanied by Mr. Bruce Armstrong, CA, the professional conduct committee investigator, and Mr. Ray Harris, FCA, who was to testify as an expert witness. Ms. Parisi appeared at the hearing and was represented by her counsel, Mr. Barry Wortzman.
3. The formal decision and order made on June 25, 2003 was signed by the discipline committee secretary and sent to the parties on July 4, 2003. These reasons, given pursuant to Bylaw 574, include the charges, the decision and the order as well as the reasons of the discipline committee.

DECISION ON THE CHARGES

4. The charges laid by the professional conduct committee dated February 19, 2003 read as follows:
 1. THAT, the said Ruth E. Parisi, in or about the period December 1, 2000 through March 31, 2001, while engaged to perform an audit of the financial statements of Iroquois Falls Community Credit Union Limited for the year ended December 31, 2000, failed to perform her 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) she failed to obtain sufficient appropriate audit evidence to support the balance sheet item "Cash resources (Notes 1 & 2) \$323,535";
 - (b) she failed to carry out an adequate review of subsequent events;
 - (c) she failed to obtain sufficient appropriate audit evidence to support the balance sheet item "Loans to members (Notes 4 & 5) \$5,858,173;
 - (d) she failed to adequately control the process for selecting, preparing and sending confirmation requests of Credit Union member accounts.

2. THAT, the said Ruth E. Parisi, in or about the period December 1, 1999 through March 31, 2000, while engaged to perform an audit of the financial statements of Iroquois Falls Community Credit Union Limited for the year ended December 31, 1999, failed to perform her 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) she failed to obtain sufficient appropriate audit evidence to support the balance sheet item "Cash resources (Notes 1 & 2) \$96,030";
 - (b) she failed to carry out an adequate review of subsequent events;
 - (c) she failed to obtain sufficient appropriate audit evidence to support the balance sheet item "Loans to members (Notes 4 & 5) \$5,194,736;
 - (d) she failed to adequately control the process for selecting, preparing and sending confirmation requests of Credit Union member accounts.
3. THAT, the said Ruth E. Parisi, in or about the period December 1, 1998 through March 31, 1999, while engaged to perform an audit of the financial statements of Iroquois Falls Community Credit Union Limited for the year ended December 31, 1998, failed to perform her 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) she failed to obtain sufficient appropriate audit evidence to support the balance sheet item "Cash resources (Notes 1 & 2) \$ 285,358";
 - (b) she failed to carry out an adequate review of subsequent events;
 - (c) she failed to obtain sufficient appropriate audit evidence to support the balance sheet item "Loans to members (Notes 4 & 5) \$ 5,247,360;
 - (d) she failed to adequately control the process for selecting, preparing and sending confirmation requests of Credit Union member accounts.
5. Ms. Parisi entered a plea of not guilty to the charges.
6. Mr. Bellmore gave a brief overview of the case for the professional conduct committee, and filed a document brief which contained financial statements for Iroquois Falls Community Credit Union Limited (Iroquois Falls), and numerous documents relating to the audit of that organization for the years 1998, 1999 and 2000.

7. The evidence presented demonstrated that staff at the credit union had been making improper loans to friends and relatives, far exceeding their authority to do so. Through a pattern of deception and cover up, these loans were hidden from normal view. However, there were clues which, if followed up using routine audit procedures, could have led to discovery of the improprieties.

8. The essence of the misconduct alleged against Ms. Parisi was that, having been engaged to perform an audit of the financial statements of Iroquois Falls over three successive years, she failed, in each of the three years, to perform sufficient audit procedures to support the material balance sheet items "cash resources" and "loans to members".

9. Through the testimony of Messrs. Armstrong and Harris, and evidence drawn from the document brief, it was demonstrated that audit procedures were inadequate and lacked necessary follow-up for such matters as:

- reconciling items supporting cash resources;
- obtaining details of loans to members;
- confirmation of loans to members; and
- the deficiencies noted in the March 18, 1999 examination report of the credit union by the Financial Services Commission of Ontario.

10. Mr. Wortzman called no evidence on behalf of the member.

11. Upon deliberation, the panel concluded on the uncontradicted evidence that the charges had been proven, and Ms. Parisi was found guilty. When the hearing reconvened, the chair read the following decision into the record:

DECISION

THAT, having seen, heard and considered the evidence, the Discipline Committee finds Ruth Elizabeth Parisi guilty of charges Nos. 1, 2 and 3.

ORDER AS TO SANCTION

12. Mr. Bellmore presented a book of authorities containing various discipline committee decisions which he put forward as precedents to support the sanctions order sought by the professional conduct committee, namely a reprimand, a fine of \$15,000, costs of \$55,000, a six month suspension, and the usual publicity to which he asked be added publication of notice in a local Iroquois Falls newspaper.

13. Mr. Bellmore submitted that the misconduct in this case was serious. This was the second recent defalcation at a credit union in Iroquois Falls, and he stressed that it was important to let the community know that the Institute does not stand by idly when there has been a failure by auditors to carry out their duties in a competent manner.

14. Mr. Wortzman contested only the six month suspension proposed by the professional conduct committee, submitting that a suspension of two or three months was sufficient, particularly in light of the onerous financial penalty which the member was not contesting. He presented an analysis of various past discipline cases to support his suspension recommendation.

15. After hearing submissions from both parties, the panel deliberated, following which the chair read into the record the terms of the order. The formal written order signed by the secretary and sent to the parties reads as follows:

ORDER

IT IS ORDERED in respect of the charges:

1. THAT Ms. Parisi be reprimanded in writing by the chair of the hearing.
2. THAT Ms. Parisi be and she is hereby fined the sum of \$15,000, to be remitted to the Institute within twelve (12) months from the date this Decision and Order becomes final under the bylaws.
3. THAT Ms. Parisi be and she is hereby charged costs fixed at \$40,000, to be remitted to the Institute within twelve (12) months from the date this Decision and Order becomes final under the bylaws.
4. THAT Ms. Parisi 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.
5. THAT notice of this Decision and Order, disclosing Ms. Parisi'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;
 - (c) by publication in *CheckMark*; and
 - (d) by publication in the *Iroquois Falls Enterprise*.
6. THAT Ms. Parisi surrender her 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 Ms. Parisi.
7. THAT in the event Ms. Parisi fails to comply with any of the requirements of this Order, she shall thereupon be expelled from membership in the Institute, and notice of her expulsion, disclosing her name, shall be given in the manner specified above and in the Timmins *Daily Press*.

Reprimand

16. The panel ordered that Ms. Parisi be reprimanded in writing by the chair of the hearing in order to stress to her the unacceptable nature of her actions.

Fine And Suspension

17. The panel agreed with counsel for Ms. Parisi that it was necessary to consider the fine and suspension together when considering the principles of general and specific deterrence. The panel concluded that a fine of \$15,000 and a six month suspension, as requested by the professional conduct committee, was required as both a specific and general deterrent. While moral turpitude was not an issue in this case, there was a substantial failure on the part of Ms. Parisi to adhere to required standards of practice for audits of this kind. The panel hopes that the fine and suspension together will make Ms. Parisi, the other members of her firm, and all members of the profession understand that the discipline committee will not countenance a lax approach to the audit of a credit union.

Notice

18. Publishing names of members found guilty of professional misconduct is a strong general deterrent to the membership at large. It is also an important specific deterrent. In this particular case there is the added factor that Ms. Parisi conducted her audit of the credit union in the town of Iroquois Falls, which has now suffered its second credit union defalcation since the mid-1990's. Feeling that it was important to let the community know of the Institute's disciplining of a member for failure to perform professional audit services in accordance with generally accepted standards, the panel ordered in addition to the usual forms of notice of discipline proceedings the publication of the matter in the local Iroquois Falls newspaper.

Costs

19. Mr. Bellmore requested costs in the amount of \$55,000. While Mr. Wortzman did not oppose the request, the panel concluded that costs of \$40,000 was more appropriate. The professional conduct committee retained and called both an investigator and an expert witness. The panel understands that there are cases in which both an investigator and an expert to give opinion evidence are required. The panel could also understand why an expert witness might initially be engaged in this case. But the case proceeded on an uncontested basis. While there were no admissions made by Ms. Parisi, neither was there an attempt to conceal the facts or contest the professional conduct committee's case. The facts were clear. The departure from the required standard was so marked that there was no doubt the member's conduct constituted professional misconduct.

20. In *Weisbrod*, the discipline committee referred to the decision in *Jaswal v. Newfoundland Medical Board*, in which factors were laid out that should be considered before assessing costs. Adapted to our context, the factors included:

- the necessity for calling all of the witnesses who gave evidence, or for incurring other expenses associated with the hearing;

- whether the professional conduct committee could reasonably have anticipated the result based on what it knew prior to the hearing; and
- whether the professional conduct committee could reasonably have anticipated the lack of need for certain witnesses, or for incurring certain expenses, in light of what it knew prior to the hearing.

When the panel considered these factors, it concluded that the costs sought by the professional conduct committee were too high, and so reduced them to what it considered the appropriate level.

Return Of Certificate

21. Members' certificates of membership belong to the Institute, and are to be surrendered upon suspension from membership.

DATED AT TORONTO THIS 24TH DAY OF NOVEMBER, 2003
BY ORDER OF THE DISCIPLINE COMMITTEE

H.B. BERNSTEIN, CA – DEPUTY CHAIR
THE DISCIPLINE COMMITTEE

MEMBERS OF THE PANEL:

A. HANSON, CA
B.L. HAYES, CA
M.S. LEIDERMAN, CA
N.A. MACDONALD EXEL, CA
B. RAMSAY (Public representative)