

Thomas Franklin Dorrance: Summary, as Published in Checkmark

Thomas Franklin Dorrance, of Kingston, was found guilty of a charge, under Rule 206, of failing to perform his professional services in accordance with generally accepted standards of practice of the profession. In his performance of an audit engagement, Mr. Dorrance generally failed to obtain sufficient appropriate audit evidence to support the figures shown in the financial statements, and failed to disclose relevant information, even though he had identified the engagement at the outset as a difficult one due to the existence of various risk factors. He was fined \$5,000, and ordered to take certain professional development courses.

CHARGE(S) LAID re Thomas Franklin Dorrance

The Professional Conduct Committee hereby makes the following charges against Thomas F. Dorrance, a member of the Institute:

1. THAT, the said Thomas F. Dorrance, in or about the period December 1992 through March 1993, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206 of the rules of professional conduct, in that, being engaged to provide an audit opinion on the financial statements of Eastern Rentals Limited as at December 31, 1992, and having signed and attached an audit report without reservation dated February 16, 1993 to those financial statements;
 - (a) he failed to obtain written representations from management with respect to claims or possible claims against the company;
 - (b) he failed to obtain sufficient appropriate audit evidence to support the balance sheet item "Due from D.K. Shepard Holdings Inc. 544,630";
 - (c) he failed to obtain sufficient appropriate audit evidence to support the balance sheet item "CAPITAL ASSETS (Note 2) 4,434,689";
 - (d) he failed to obtain sufficient appropriate audit evidence to support the balance sheet item "Accounts payable and accruals 714, 234";
 - (e) he failed to obtain sufficient appropriate audit evidence to support the balance sheet item "LONG-TERM LIABILITIES (Note 4) 2,162,310" and "Portion of long-term liabilities due within year 1,326,798";
 - (f) he failed to obtain sufficient appropriate audit evidence to support deferred finance charges in the amount of approximately \$590,653;
 - (g) he failed to obtain sufficient appropriate audit evidence to support the financial information contained in the statement of earnings (loss) included with the financial statements;
 - ~~(h) he failed to obtain sufficient appropriate audit evidence to enable him to determine whether proper cutoff had been achieved with respect to sales and purchases; **withdrawn by the p.c.c.**~~
 - ~~(i) he failed to document matters which were important to support the content of his reports; **withdrawn by the p.c.c.**~~
 - (j) he failed to disclose a possible material contingent loss; and
 - (k) he failed to properly disclose significant accounting policies.

Dated at Toronto this 5th day of April 1994.

J.L.M. BADALI, FCA – CHAIR
PROFESSIONAL CONDUCT COMMITTEE

DISCIPLINE COMMITTEE re Thomas Franklin Dorrance

DECISION AND ORDER IN THE MATTER OF: A charge against **THOMAS FRANKLIN DORRANCE, CA**, a member of the Institute, under **Rule 206** of the Rules of Professional Conduct, as amended.

DECISION AND ORDER MADE JULY 11, 1994

DECISION

THAT, having seen, heard and considered the evidence, including the agreed statement of facts, filed, particulars (h) and (i) of the charge having been withdrawn, and having heard the plea of guilty to the charge, as amended, THE DISCIPLINE COMMITTEE FINDS Thomas Franklin Dorrance guilty of the charge, as amended.

ORDER

IT IS ORDERED in respect of the charge:

1. THAT Mr. Dorrance be reprimanded in writing by the chair of the hearing.
2. THAT Mr. Dorrance be and he is hereby fined the sum of \$5,000, 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. Dorrance be and he is hereby required to complete, by attending in their entirety, within twelve (12) months from the date this Decision and Order becomes final under the bylaws, the following professional development courses made available through the Institute:
 1. Accounting and Auditing Update; and
 2. Auditing Refresher,or, in the event a course listed above becomes unavailable, the successor course which takes its place.
4. THAT notice of this Decision and Order, disclosing Mr. Dorrance's name, be given after this Decision and Order becomes final under the bylaws:
 - (a) by publication in *CheckMark*;
 - (b) to the Public Accountants Council for the Province of Ontario; and
 - (c) to the Canadian Institute of Chartered Accountants.
5. THAT in the event Mr. Dorrance fails to comply with any of the requirements of this Order within the time periods specified, he shall thereupon be suspended from the rights and privileges of membership in the Institute, and notice of his suspension, disclosing his name, shall be given in the manner specified in paragraph 4 hereof.

6. THAT in the event Mr. Dorrance is suspended pursuant to paragraph 5 hereof, the suspension shall terminate upon his compliance with the term of the Order in respect of which he was suspended, provided that he complies within six (6) months from the date of his suspension.
7. THAT in the event Mr. Dorrance fails to terminate a suspension imposed pursuant to paragraph 5 hereof within the six (6) month period specified in paragraph 6, 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.

DATED AT TORONTO THIS 15TH DAY OF JULY, 1994
BY ORDER OF THE DISCIPLINE COMMITTEE

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

DISCIPLINE COMMITTEE re Thomas Franklin Dorrance

REASONS FOR THE DECISION AND ORDER IN THE MATTER OF: A charge against **THOMAS FRANKLIN DORRANCE, CA**, a member of the Institute, under **Rule 206** of the Rules of Professional Conduct, as amended.

WRITTEN REASONS FOR THE DECISION AND ORDER MADE JULY 11, 1994

These proceedings before this panel of the discipline committee of the Institute of Chartered Accountants of Ontario were convened on July 11, 1994.

Mr. Paul Farley attended on behalf of the professional conduct committee, and Mr. Dorrance attended with his counsel, Ms. Christine O'Donohue.

One charge had been laid against Mr. Dorrance by the professional conduct committee. At the outset of the hearing the professional conduct committee withdrew particulars (h) and (i) of the charge, whereupon Mr. Dorrance pleaded guilty to the charge, as amended.

The member confirmed that he understood that upon his plea of guilty, and upon that basis alone, he could be found guilty of the charge. The charge, as amended, read as follows:

THAT, the said Thomas F. Dorrance, in or about the period December 1992 through to March 1993, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206 of the rules of professional conduct, in that, being engaged to provide an audit opinion on the financial statements of Eastern Rentals Limited as at December 31, 1992, and having signed and attached an audit report without reservation dated February 16, 1993 to those financial statements;

- a) he failed to obtain written representations from management with respect to claims or possible claims against the company;*
- b) he failed to obtain sufficient appropriate audit evidence to support the balance sheet item "Due from D.K. Shepard Holdings Inc. 544,630";*
- c) he failed to obtain sufficient appropriate audit evidence to support the balance sheet item "CAPITAL ASSETS (Note 2) 4,434,689";*
- d) he failed to obtain sufficient appropriate audit evidence to support the balance sheet item "Accounts payable and accruals 714,234";*
- e) he failed to obtain sufficient appropriate audit evidence to support the balance sheet item "LONG-TERM LIABILITIES (Note 4) 2,162,310" and "Portion of long-term liabilities due within year 1,326,798";*
- f) he failed to obtain sufficient appropriate audit evidence to support deferred finance charges in the amount of approximately \$590,653;*

- g) he failed to obtain sufficient appropriate audit evidence to support the financial information contained in the statement of earnings (loss) included with the financial statements;*
- h) he failed to disclose a possible material contingent loss; and*
- i) he failed to properly disclose significant accounting policies.*

In giving evidence, the professional conduct committee investigator led the panel through the agreed statement of facts and document brief, which were filed as exhibits. Based upon the evidence presented, and the member's plea of guilty, the panel found Mr. Dorrance guilty of the charge, as amended. The inadequacies in this audit generally involved failures to obtain sufficient evidence to support the figures shown in the financial statements, and failures to disclose relevant information. The evidence indicated that this was a somewhat "tricky" audit engagement. Mr. Dorrance identified it as a high risk audit for various reasons. The client was experiencing some financial difficulty, and had new inexperienced personnel on staff. The company's principal was in the process of negotiating the sale of the company, one of the provisions of which was that the sale price would be subject to adjustment based upon the figures revealed in the audited financial statements. Compounding these problems was the fact that this was a new audit for Mr. Dorrance, so he was not familiar with the company. Because of these risk factors, which Mr. Dorrance himself identified, he should have taken further steps than he did in his performance of the audit. His failure to do so resulted in an audit that did not meet the profession's generally accepted standards of practice.

After having found the member guilty of the charge, the panel heard submissions as to sanction and, upon deliberation, made the following order:

ORDER

IT IS ORDERED in respect of the charge:

1. THAT Mr. Dorrance be reprimanded in writing by the chair of the hearing.
2. THAT Mr. Dorrance be and he is hereby fined the sum of \$5,000, 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. Dorrance be and he is hereby required to complete, by attending in their entirety, within twelve (12) months from the date this Decision and Order becomes final under the bylaws, the following professional development courses made available through the Institute:
 1. Accounting and Auditing Update; and
 2. Auditing Refresher,or, in the event a course listed above becomes unavailable, the successor course which takes its place.
4. THAT notice of this Decision and Order, disclosing Mr. Dorrance's name, be given after this Decision and Order becomes final under the bylaws:
 - (a) by publication in *CheckMark*;
 - (b) to the Public Accountants Council for the Province of Ontario; and

(c) to the Canadian Institute of Chartered Accountants.

5. THAT in the event Mr. Dorrance fails to comply with any of the requirements of this Order within the time periods specified, he shall thereupon be suspended from the rights and privileges of membership in the Institute, and notice of his suspension, disclosing his name, shall be given in the manner specified in paragraph 4 hereof.
6. THAT in the event Mr. Dorrance is suspended pursuant to paragraph 5 hereof, the suspension shall terminate upon his compliance with the term of the Order in respect of which he was suspended, provided that he complies within six (6) months from the date of his suspension.
7. THAT in the event Mr. Dorrance fails to terminate a suspension imposed pursuant to paragraph 5 hereof within the six (6) month period specified in paragraph 6, 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.

The reasons for the committee's order as to sanction are set out below.

Reprimand

The panel is of the view that a reprimand is necessary as a specific deterrent to the member, to stress to him the unacceptability of his conduct as a chartered accountant.

Fine

The professional conduct committee recommended a fine of \$3,000 to \$5,000. Counsel for the member submitted that a fine of \$3,000 would be appropriate. The panel was of the view that a fine should act as a general deterrent to the membership, as well as a specific deterrent to the member, so that the membership is made aware that standards must be maintained at all times. The panel felt that a significant fine was required in order to send this message to the membership, particularly as a period of suspension was not ordered in this case.

Professional Development Courses

The panel reviewed the various professional development courses suggested by the professional conduct committee and decided that the two courses ordered were the most appropriate ones for Mr. Dorrance to take, considering the charge and the type of practice carried on by the member. If a member accepts an engagement, the public should be assured that the member is competent to complete the engagement.

The courses, it is believed, will help Mr. Dorrance improve his audit skills, which were found to be inadequate upon the audit giving rise to the charge in this case.

Notice

Publication of a decision and order, disclosing a member's name, is one of the most effective general deterrents available. Notification of the efforts to discipline members in breach of its bylaws and rules of professional conduct is an important function of a self-governing profession in the preservation of its integrity.

The professional conduct committee requested during its submissions on sanction that the member be reinvestigated. During the testimony of the investigator, however, he indicated that he had reviewed other files of the member and had found them to be satisfactorily completed.

Mr. Dorrance, when giving evidence as to sanctions, stated that he had signed up for an auditing course, but that it had been cancelled due to lack of enrollment. He also stated that, since this incident, his firm had instituted various changes to upgrade its standards, such as second partner review and better use of CICA check lists.

In view of Mr. Dorrance's voluntary efforts at rehabilitation, and the fact that this inadequate audit appeared to be an aberration for this member, the panel felt that a reinvestigation by the professional conduct committee was not called for in this case.

It is also because this inadequate audit seemed to be an isolated incident in Mr. Dorrance's practice, rather than an indication of widespread substandard work, that the panel did not order a period of suspension in this case.

DATED AT TORONTO, THIS _____ DAY OF _____, 1994
BY ORDER OF THE DISCIPLINE COMMITTEE

D.P. SETTERINGTON, CA - DEPUTY CHAIR
THE DISCIPLINE COMMITTEE

MEMBERS OF THE PANEL:

P.J. FITZPATRICK, CA
H.R. KLEIN, CA
P. RAYSON, CA
V.G. STAFL (Public representative)