

BEFORE THE  
CALIFORNIA BOARD OF ACCOUNTANCY  
DEPARTMENT OF CONSUMER AFFAIRS  
STATE OF CALIFORNIA

In the Matter of the Accusation Against:

**JOHN GOODELL**  
1435 River Park Drive, Suite 400  
Sacramento, California 95815

Certified Public Accountant License No. 35366

Respondent.

Case No. AC-2007-41

OAH Case No. 2007110267

**DECISION AND ORDER**

The attached Stipulated Settlement and Disciplinary Order is hereby adopted by the California Board of Accountancy as its Decision in this matter.

This Decision shall become effective on April 28, 2008.

It is so ORDERED March 28, 2008.

  
FOR THE CALIFORNIA BOARD OF ACCOUNTANCY

ORIGINAL

1 EDMUND G. BROWN JR., Attorney General  
of the State of California  
2 ARTHUR D. TAGGART  
Supervising Deputy Attorney General  
3 STERLING A. SMITH, State Bar No. 84287  
Deputy Attorney General  
4 1300 I Street, Suite 125  
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7 Attorneys for Complainant

8 **BEFORE THE**  
9 **CALIFORNIA BOARD OF ACCOUNTANCY**  
10 **DEPARTMENT OF CONSUMER AFFAIRS**  
11 **STATE OF CALIFORNIA**

12 In the Matter of the Accusation Against:

Case No. AC-2007-41

13 **JOHN GOODELL**  
1435 River Park Drive, Suite 400  
15 Sacramento, California 95815

OAH Case No. 2007110267

16 Certified Public Accountant License No. 35366

**STIPULATED SETTLEMENT AND  
DISCIPLINARY ORDER**

Respondent.

17 IT IS HEREBY STIPULATED AND AGREED by and between the parties to the  
18 above-entitled proceedings that the following matters are true:

19 PARTIES

20 1. Carol Sigmann is the Executive Officer of the California Board of  
21 Accountancy (Complainant) brought this action solely in her official capacity and is represented  
22 in this matter by Edmund G. Brown Jr., Attorney General of the State of California, by Sterling  
23 A. Smith, Deputy Attorney General.

24 2. Respondent John Goodell John Goodell (Respondent) is representing  
25 himself in this proceeding and has chosen not to exercise his right to be represented by legal  
26 counsel.

27 3. On or about July 30, 1982, the California Board of Accountancy ("Board")  
28 issued Certified Public Accountant License No. 35366 to John Goodell (Respondent). The

1 license will expire on July 31, 2009, unless renewed.

2 JURISDICTION

3 4. Accusation No. AC-2007-41 was filed before the Board, and is currently  
4 pending against Respondent. The Accusation and all other statutorily required documents were  
5 properly served on Respondent on August 7, 2007. Respondent timely filed his Notice of  
6 Defense contesting the Accusation. A copy of Accusation No. AC-2007-41 is attached as exhibit  
7 A and incorporated herein by reference.

8 ADVISEMENT AND WAIVERS

9 5. Respondent has carefully read, and understands the charges and allegations  
10 in Accusation No. AC-2007-41. Respondent has also carefully read, and understands the effects  
11 of this Stipulated Settlement and Disciplinary Order.

12 6. Respondent is fully aware of his legal rights in this matter, including the  
13 right to a hearing on the charges and allegations in the Accusation; the right to be represented by  
14 counsel at his own expense; the right to confront and cross-examine the witnesses against him;  
15 the right to present evidence and to testify on his own behalf; the right to the issuance of  
16 subpoenas to compel the attendance of witnesses and the production of documents; the right to  
17 reconsideration and court review of an adverse decision; and all other rights accorded by the  
18 California Administrative Procedure Act and other applicable laws.

19 7. Respondent voluntarily, knowingly, and intelligently waives and gives up  
20 each and every right set forth above.

21 CULPABILITY

22 8. Respondent admits the truth of each and every charge and allegation in  
23 Accusation No. AC-2007-41.

24 9. Respondent agrees that his Certified Public Accountant License No. 35366  
25 is subject to discipline and he agrees to be bound by the Board's imposition of discipline as set  
26 forth in the Disciplinary Order below.

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1                   2.       **Submit Written Reports.** Respondent shall submit, within ten (10) days  
2 of completion of the quarter, written reports to the Board on a form obtained from the Board.  
3 The Respondent shall submit, under penalty of perjury, such other written reports, declarations,  
4 and verification of actions as are required. These declarations shall contain statements relative to  
5 Respondent's compliance with all the terms and conditions of probation. Respondent shall  
6 immediately execute all release of information forms as may be required by the Board or its  
7 representatives.

8                   3.       **Personal Appearances.** Respondent shall, during the period of probation,  
9 appear in person at interviews/meetings as directed by the Board or its designated  
10 representatives, provided such notification is accomplished in a timely manner:

11                   4.       **Comply With Probation.** Respondent shall fully comply with the terms  
12 and conditions of the probation imposed by the Board and shall cooperate fully with  
13 representatives of the Board in its monitoring and investigation of the Respondent's compliance  
14 with probation terms and conditions.

15                   5.       **Practice Investigation.** Respondent shall be subject to, and shall permit,  
16 practice investigation of the Respondent's professional practice. Such a practice investigation  
17 shall be conducted by representatives of the Board, provided notification of such review is  
18 accomplished in a timely manner.

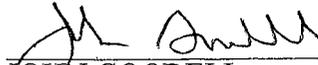
19                   6.       **Comply With Citations.** Respondent shall comply with all final orders  
20 resulting from citations issued by the Board.

21                   7.       **Tolling of Probation For Out-of-State Residence/Practice.** In the event  
22 Respondent should leave California to reside or practice outside this state, Respondent must  
23 notify the Board in writing of the dates of departure and return. Periods of non-California  
24 residency or practice outside the state shall not apply to reduction of the probationary period, or  
25 of any suspension. No obligation imposed herein, including requirements to file written reports,  
26 reimburse the Board costs, or make restitution to consumers, shall be suspended or otherwise  
27 affected by such periods of out-of-state residency or practice except at the written direction of the  
28 Board.



1 Settlement and Disciplinary Order voluntarily, knowingly, and intelligently, and agree to be  
2 bound by the Decision and Order of the Board.

3 DATED: 1/7/08

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5   
6 JOHN GOODELL  
7 Respondent

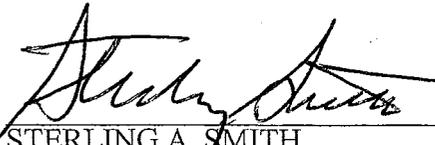
8 ENDORSEMENT

9 The foregoing Stipulated Settlement and Disciplinary Order is hereby respectfully  
10 submitted for consideration by the Board.

11 DATED: Jan 23, 2008

12 EDMUND G. BROWN JR., Attorney General  
13 of the State of California

14 ARTHUR D. TAGGART  
15 Supervising Deputy Attorney General

16   
17 STERLING A. SMITH  
18 Deputy Attorney General

19 Attorneys for Complainant

20 DOJ Matter ID: SA2007101300  
21 Stipulated Settlement.wpd

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**Exhibit A**  
**Accusation No. AC-2007-41**

1 EDMUND G. BROWN JR., Attorney General  
of the State of California

2 ARTHUR D. TAGGART  
Supervising Deputy Attorney General

3 STERLING A. SMITH, State Bar No. 84287  
Deputy Attorney General

4 California Department of Justice  
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5 P.O. Box 944255  
Sacramento, CA 94244-2550

6 Telephone: (916) 323-3795  
Facsimile: (916) 324-5567

7 Attorneys for Complainant

8  
9 **BEFORE THE**  
**CALIFORNIA BOARD OF ACCOUNTANCY**  
**DEPARTMENT OF CONSUMER AFFAIRS**  
10 **STATE OF CALIFORNIA**

11 In the Matter of the Accusation Against:

Case No. AC-2007-41

12 **JOHN LOUIS GOODELL**  
1435 River Park Drive, Suite 400  
13 Sacramento, CA 95815

**ACCUSATION**

14 **Certified Public Accountant**  
License No. 35366

15 Respondent.

16  
17 Complainant alleges:

18 **PARTIES**

19 1. Carol Sigmann (Complainant) brings this Accusation solely in her official  
20 capacity as the Executive Officer of the California Board of Accountancy.

21 2. On or about July 30, 1982, the California Board of Accountancy issued  
22 Certified Public Accountant License No. 35366 to John Louis Goodell (Respondent). The  
23 Certified Public Accountant License was in full force and effect at all times relevant to the  
24 charges brought herein and will expire on July 31, 2007, unless renewed. At all relevant times,  
25 Respondent was a partner in the accounting firm of Goodell, Porter & Fredericks, LLP.

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1 **JURISDICTION**

2 3. This Accusation is brought before the California Board of Accountancy  
3 ("Board") under the authority of the following sections of the Business and Professions Code  
4 ("Code").

5 4. Section 5100 of the Code provides that, after notice of hearing, the Board  
6 "may revoke, suspend or refuse to renew any permit or certificate granted under Article 4  
7 (commencing with Section 5070) and Article 5 (commencing with Section 5080), or may censure  
8 the holder of that permit or certificate for unprofessional conduct which includes "dishonesty,  
9 fraud, gross negligence, or repeated negligent acts committed in the same or different  
10 engagements, for the same or different clients, or any combination of engagements or clients.  
11 each resulting in a violation of applicable professional standards that indicate a lack of  
12 competency in the practice of public accountancy..."

13 5. Section 5107 of the Code states, in pertinent part, that the Board's  
14 Executive Officer may request the administrative law judge, as part of the proposed decision in a  
15 disciplinary proceeding, to direct any holder of a permit or certificate, found to have committed a  
16 violation or violations of this chapter to pay to the Board all reasonable costs of investigation and  
17 prosecution of the case, including, but not limited, to attorney's fees.

18 6. Section 118, subdivision(b) of the Code provides that the expiration of a  
19 license shall not deprive the Board of jurisdiction to proceed with a disciplinary action during the  
20 period within which the license may be renewed, restored, reissued or reinstated.

21 **FACTUAL BACKGROUND**

22 7. At all relevant times, Marin Schools Insurance Authority ("MSIA") was  
23 and now is a State of California Joint Powers Agency established as a cooperative program of  
24 self-funding and risk management of property and liability, workers' compensation, employee  
25 vision and dental for Marin County public education agencies. MSIA pools the contributions of  
26 participants and uses them to purchase insurance coverage for workers' compensation, property  
27 damage, and liability claims. MSIA also uses such contributions to fund liabilities for claims up  
28 to the deductibles for such claims, with employee vision and dental contributions used entirely

1 for self-insurance purposes. The health care plans are fully insured, and premium payments are  
2 billed to each participant district directly from the insurers.

3 8. In or about 2002-2003, MSIA began to offer health care programs,  
4 including vision and dental, which were administered by Keenan and Associates. Health care  
5 premiums and fees were directly billed to MSIA participants by carriers and administrator  
6 Keenan and Associates. At all relevant times, Workers Compensation claims were administered  
7 for MSIA by ESIS. No fiscal transactions passed through MSIA, and no health care fund was  
8 maintained by MSIA.

9 9. Some time before August 2003, Respondent was engaged by MSIA to  
10 perform an audit of MSIA's financial statements for the fiscal year ended June 30, 2003, in  
11 accordance with audit standards generally accepted in the United States of America and the  
12 standards applicable to financial audits contained in the Government Auditing Standards, issued  
13 by the Comptroller of the United States. At all relevant times, Respondent was the engagement  
14 partner of and had final responsibility for the MSIA audit.

15 10. On or about August 26, 2003, Respondent issued an "Independent  
16 Auditor's Report on Financial Statements" for MSIA for the fiscal year ending on June 30, 2003.  
17 ("the Audit Report"), together with an "Independent Auditor's Report on Compliance and on  
18 Internal Control Over Financial Reporting Based on Audit of Financial Statements Performed in  
19 Accordance with Government Auditing Standards." Respondent represented in the Audit Report,  
20 without qualification or reservation, that MSIA's financial statements present fairly, in all  
21 material respects, the financial position of MSIA as of June 30, 2003, and that the results of its  
22 operations and its cash flows for the year then ended were in conformity with accounting  
23 principles generally accepted in the United States of America.

24 **FIRST CAUSE FOR DISCIPLINE**

25 **(For Gross Negligence)**

26 11. Respondent is subject to disciplinary action under Section 5100(c) of the  
27 Code in that he committed acts of gross negligence in performing the audit of MSIA and in  
28 preparation of the Audit Report by failing to comply with generally accepted auditing standards

1 and/or standards required by the Governmental Accounting Standards Board ("GASB") in the  
2 following respects:

3 (a) Respondent failed to adequately plan the MSIA audit or properly  
4 supervise his assistants;

5 (b) Respondent's work papers do not document that the audit  
6 engagement was adequately planned, to include consideration of MSIA's volatile business  
7 climate (particularly with respect to workers' compensation claims) during its 2002-2003 fiscal  
8 year, consideration of business conditions that required modification of audit testing, or  
9 collection/testing of evidential matter regarding the claims administration services provided for  
10 MSIA by claims administrators Keenan and Associates and ESIS, so as to afford a reasonable  
11 basis for Respondent's unqualified opinion.

12 (c) Respondent relied upon outdated and/or inadequate information to  
13 calculate MSIA's liability for workers' compensation claims, failed to perform testing of relevant  
14 claim procedures by ESIS and failed to obtain competent evidential matter available to  
15 Respondent, resulting in Respondent's acceptance of financial statements that included  
16 an understatement of such liabilities (including claim adjustment expenses) of approximately  
17 \$5.1 million.

18 (d) Respondent relied upon outdated and/or inadequate information to  
19 calculate MSIA's liabilities for vision and dental claims, failed to perform testing of relevant  
20 claim procedures by claims administrator Keenan and Associates and failed to obtain competent  
21 evidential matter available to Respondent, resulting in Respondent's acceptance of financial  
22 statements that included an understatement of such liabilities (including claim adjustment  
23 expenses) by approximately \$15,143 for vision care claims and \$378,463 for dental claims.

24 (e) The Audit Report failed to set forth any qualification of  
25 Respondent's stated opinion that MSIA's financial statements present fairly, in all material  
26 respects, the financial position of MSIA at June 30, 2003, despite the lack of competent  
27 evidential matter regarding MSIA's liabilities for workers' compensation, dental and vision  
28 claims.

1 (f) The Notes to the Financial Statements prepared by Respondent fail  
2 to include a description of the number and types of entities participating in the risk pool  
3 administered by MSIA as required by GASB 10, paragraph 49.

4 (g) The Notes to the Financial Statements audited by the Respondent  
5 fail to include disclosure that the activities of MSIA are accounted for as an "enterprise fund".

6 (h) The Notes to the Financial Statements audited by the Respondent  
7 fail to disclose condensed financial statements for all joint ventures in which MSIA participated,  
8 as required by GASB Statement No. 14, paragraph 75.

9 (i) The Notes to the Financial Statements audited by the Respondent  
10 fail to disclose the tax exempt status of MSIA as required by Accounting Principles Board (APB)  
11 No.22, Paragraph 12.

12 (j) The Notes to the Financial Statements audited by the Respondent  
13 fail to disclose that MSIA's management used estimates in preparing its financial statements.

14 (k) Respondent presented only one year of claims liability  
15 reconciliation in violation of GASB 10, Paragraph 49, requiring a two year reconciliation of  
16 claims liability.

17 **PRAYER**

18 WHEREFORE, Complainant requests that a hearing be held on the matters herein  
19 alleged, and that following the hearing, the California Board of Accountancy issue a decision:

20 A. Revoking, suspending or otherwise imposing discipline upon Certified  
21 Public Accountant License No. 35366, issued to John Louis Goodell;

22 B. Ordering John Louis Goodell to pay the California Board of Accountancy  
23 the reasonable costs of the investigation and enforcement of this case, pursuant to Business and  
24 Professions Code section 5107; and

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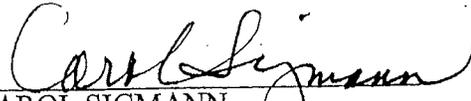
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C. Taking such other and further action as deemed necessary and proper.

DATED: July 30, 2007



CAROL SIGMANN  
Executive Officer  
California Board of Accountancy  
Department of Consumer Affairs  
State of California  
Complainant

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