

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

In the Matter of the Accusation Against:

KEVIN W. CAHILL
69730 Highway 111, Suite 215
Rancho Mirage, CA 92270

Certified Public Accountant
License No. CPA 37365

and

CAHILL & ASSOCIATES, An
Accountancy Corporation
69730 Highway 111, Suite 215
Rancho Mirage, CA 92270

Certified Public Accountancy Corporation
Certification No. COR 5706

Respondent.

Case No. AC-2012-18

OAH No. 2013050699

DECISION AND ORDER

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

This Decision shall become effective on

April 26, 2014

It is so ORDERED

March 27, 2014



FOR THE CALIFORNIA BOARD OF
ACCOUNTANCY
DEPARTMENT OF CONSUMER AFFAIRS

1 KAMALA D. HARRIS
Attorney General of California
2 JAMES M. LEDAKIS
Supervising Deputy Attorney General
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Attorneys for Complainant
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9 **BEFORE THE**
CALIFORNIA BOARD OF ACCOUNTANCY
10 **DEPARTMENT OF CONSUMER AFFAIRS**
11 **STATE OF CALIFORNIA**

12 In the Matter of the Accusation Against:

Case No. AC-2012-18

13 **KEVIN W. CAHILL**
69730 Highway 111, Suite 215
14 Rancho Mirage, CA 92270

OAH No. 2013050699

15 **Certified Public Accountant**
License No. CPA 37365

**STIPULATED SETTLEMENT AND
DISCIPLINARY ORDER**

16 and

17 **CAHILL & ASSOCIATES, An**
Accountancy Corporation
18 69730 Highway 111, Suite 215
19 Rancho Mirage, CA 92270

20 **Certified Public Accountancy Corporation**
21 Certification No. COR 5706

22 Respondents.

23
24 IT IS HEREBY STIPULATED AND AGREED by and between the parties to the above-
25 entitled proceedings that the following matters are true:

26 PARTIES

27 1. Patti Bowers ("Complainant") is the Executive Officer of the California Board of
28 Accountancy. She brought this action solely in her official capacity and is represented in this

1 matter by Kamala D. Harris, Attorney General of the State of California, by Carl W. Sonne,
2 Deputy Attorney General.

3 2. Respondent Kevin W. Cahill ("Respondent") is represented in this proceeding by
4 attorney David Ostrove, whose address is: 4th Floor, 499 North Canon Drive, Beverly Hills, CA
5 90210.

6 3. On or about May 6, 1983, the California Board of Accountancy issued Certified
7 Public Accountant License No. CPA 37365 to Kevin W. Cahill (Respondent). The Certified
8 Public Accountant License was in full force and effect at all times relevant to the charges brought
9 in First Amended Accusation No. AC-2012-18 and will expire on March 31, 2015, unless
10 renewed.

11 4. On or about February 3, 2006, the California Board of Accountancy issued Certified
12 Public Accountancy Corporation Number COR 5706 to Cahill & Associates (Respondent C&A).
13 The Certified Public Accountant License was in full force and effect at all times relevant to the
14 charges brought herein and will expire on February 28, 2014, unless renewed.

15 JURISDICTION

16 5. First Amended Accusation No. AC-2012-18 was filed before the California Board of
17 Accountancy (CBA), Department of Consumer Affairs, and is currently pending against
18 Respondents. The First Amended Accusation (Accusation) and all other statutorily required
19 documents were properly served on Respondents on March 4, 2014. Respondents timely filed
20 their Notice of Defense contesting the First Amended Accusation.

21 6. A copy of Accusation No. AC-2012-18 is attached as Exhibit A and incorporated
22 herein by reference.

23 ADVISEMENT AND WAIVERS

24 7. Respondents have carefully read, fully discussed with counsel, and understands the
25 charges and allegations in Accusation No. AC-2012-18. Respondents have also carefully read,
26 fully discussed with counsel, and understand the effects of this Stipulated Settlement and
27 Disciplinary Order.

1 stipulation, Respondents understand and agree that they may not withdraw their agreement or
2 seek to rescind the stipulation prior to the time the CBA considers and acts upon it. If the CBA
3 fails to adopt this stipulation as its Decision and Order, the Stipulated Settlement and Disciplinary
4 Order shall be of no force or effect, except for this paragraph, it shall be inadmissible in any legal
5 action between the parties, and the CBA shall not be disqualified from further action by having
6 considered this matter.

7 14. The parties understand and agree that Portable Document Format (PDF) and facsimile
8 copies of this Stipulated Settlement and Disciplinary Order, including PDF and facsimile
9 signatures thereto, shall have the same force and effect as the originals.

10 15. This Stipulated Settlement and Disciplinary Order is intended by the parties to be an
11 integrated writing representing the complete, final, and exclusive embodiment of their agreement.
12 It supersedes any and all prior or contemporaneous agreements, understandings, discussions,
13 negotiations, and commitments (written or oral). This Stipulated Settlement and Disciplinary
14 Order may not be altered, amended, modified, supplemented, or otherwise changed except by a
15 writing executed by an authorized representative of each of the parties.

16 16. In consideration of the foregoing admissions and stipulations, the parties agree that
17 the CBA may, without further notice or formal proceeding, issue and enter the following
18 Disciplinary Order:

19 **DISCIPLINARY ORDER**

20 IT IS HEREBY ORDERED that Certified Public Accountant License No. CPA 37365
21 issued to Respondent Kevin W. Cahill and Certified Public Accountancy Corporation Number
22 COR 5706 issued to Cahill & Associates (Respondents) are revoked. However, the revocations
23 are stayed and Respondents are placed on probation for three (3) years on the following terms and
24 conditions.

25 **1. Obey All Laws**

26 Respondent shall obey all federal, California, other states' and local laws, including those
27 rules relating to the practice of public accountancy in California.

28

1 2. **Cost Reimbursement**

2 Respondents shall reimburse the CBA \$20,000 for its investigation and prosecution costs.
3 The costs shall be paid in equal quarterly payments (due with quarterly written reports), the final
4 payment being due one year before probation is scheduled to terminate, or other payment plan
5 acceptable to the CBA.

6 3. **Submit Written Reports**

7 Respondents shall submit, within 10 days of completion of the quarter, written reports to
8 the CBA on a form obtained from the CBA. The respondents shall submit, under penalty of
9 perjury, such other written reports, declarations, and verification of actions as are required. These
10 declarations shall contain statements relative to respondents' compliance with all the terms and
11 conditions of probation. Respondents shall immediately execute all release of information forms
12 as may be required by the CBA or its representatives.

13 4. **Personal Appearances**

14 Respondents shall, during the period of probation, appear in person at interviews/meetings
15 as directed by the CBA or its designated representatives, provided such notification is
16 accomplished in a timely manner.

17 5. **Comply With Probation**

18 Respondents shall fully comply with the terms and conditions of the probation imposed by
19 the CBA and shall cooperate fully with representatives of the California Board of Accountancy in
20 its monitoring and investigation of the respondents' compliance with probation terms and
21 conditions.

22 6. **Practice Investigation**

23 Respondents shall be subject to, and shall permit, a practice investigation of the
24 respondents' professional practice. Such a practice investigation shall be conducted by
25 representatives of the CBA, provided notification of such review is accomplished in a timely
26 manner.

27 7. **Comply With Citations**

28 Respondents shall comply with all final orders resulting from citations issued by the

1 California Board of Accountancy.

2 **8. Tolling of Probation for Out-of-State Residence/Practice**

3 In the event respondent should leave California to reside or practice outside this state,
4 respondents must notify the CBA in writing of the dates of departure and return. Periods of non-
5 California residency or practice outside the state shall not apply to reduction of the probationary
6 period, or of any suspension. No obligation imposed herein, including requirements to file
7 written reports, reimburse the CBA costs, and make restitution to consumers, shall be suspended
8 or otherwise affected by such periods of out-of-state residency or practice except at the written
9 direction of the CBA.

10 **9. Violation of Probation**

11 If respondents violate probation in any respect, the CBA, after giving respondents notice
12 and an opportunity to be heard, may revoke probation and carry out the disciplinary order that
13 was stayed. If an accusation or a petition to revoke probation is filed against respondents during
14 probation, all of the allegations contained in Accusation No. AC-2012-18 shall be deemed
15 admitted for purposes of the accusation or a petition to revoke probation, and the CBA shall have
16 continuing jurisdiction until the matter is final, and the period of probation shall be extended until
17 the matter is final.

18 The CBA's Executive Officer may issue a citation under California Code of Regulations,
19 Section 95, to a licensee for a violation of a term or condition contained in a decision placing that
20 licensee on probation.

21 **10. Completion of Probation**

22 Upon successful completion of probation, Respondents' licenses will be fully restored.

23 **11. Regulatory Review Course**

24 Respondent Cahill shall complete a CBA-approved course on the provisions of the
25 California Accountancy Act and the California Board of Accountancy Regulations specific to the
26 practice of public accountancy in California emphasizing the provisions applicable to current
27 practice situations. The course also will include an overview of historic and recent disciplinary
28 actions taken by the CBA, highlighting the misconduct which led to licensees being disciplined.

1 The course shall be a minimum of two hours. This shall be in addition to continuing education
2 requirements for relicensing. The course shall be completed by December 31, 2014.

3 Respondents shall provide proof of completion to the CBA. Failure to complete the required
4 courses by December 31, 2014 shall constitute a violation of probation.

5 **12. Peer Review**

6 During the period of probation, all audit, review, and compilation reports and work papers
7 shall be subject to peer review by a Board-recognized peer review program provider pursuant to
8 California Business and Professions Code Section 5076 and California Code of Regulations, Title
9 16, Division 1, Article 6, at respondents' expense. The specific engagements to be reviewed
10 shall be at the discretion of the peer reviewer. The peer review shall be completed by March 15,
11 2015, which time frame shall be incorporated as a condition of this probation.

12 Within 45 days of the peer review report being accepted by a Board-recognized peer review
13 program provider, respondents shall submit to the CBA a copy of the peer review report,
14 including any materials documenting the prescription of remedial or corrective actions imposed
15 by the Board-recognized peer review program provider. Respondents shall also submit, if
16 available, any materials documenting completion of any or all of the prescribed remedial or
17 corrective actions.

18 **13. Continuing Education Courses In Accounting and Auditing**

19 Respondent Cahill shall complete and provide proper documentation of 32 hours of
20 professional education courses in the subject matter of accounting and auditing. The professional
21 education courses shall be completed within a period of time designated and specified in writing
22 by the CBA or its designee, which time frame shall be incorporated as a condition of this
23 probation. This shall be in addition to continuing education requirements for relicensing. The
24 courses shall be completed by December 31, 2014. Respondents shall provide proof of
25 completion to the CBA. Failure to complete the required courses by December 31, 2014 shall
26 constitute a violation of probation.

27 **14. Active License Status**

28 Respondents shall at all times maintain active license status with the CBA, including during

1 any period of suspension. If either license is expired at the time the CBA's decision becomes
2 effective, the license must be renewed within 30 days of the effective date of the decision.

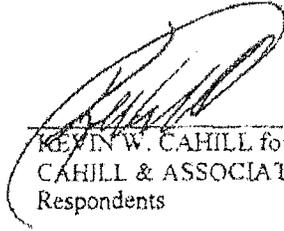
3 15. Samples - Audit, Review or Compilation

4 During the period of probation, if Respondents undertake an audit, review or compilation
5 engagement, the respondents shall submit to the CBA as an attachment to the required quarterly
6 report a listing of the same. The CBA or its designee may select one or more from each category
7 and the resulting report and financial statement and all related working papers must be submitted
8 to the CBA or its designee upon request.

9 ACCEPTANCE

10 I have carefully read the above Stipulated Settlement and Disciplinary Order and have fully
11 discussed it with my attorney, David Ostrove. I understand the stipulation and the effect it will
12 have on my Certified Public Accountant License and Certified Public Accountancy Corporation
13 license. I enter into this Stipulated Settlement and Disciplinary Order voluntarily, knowingly, and
14 intelligently, and agree to be bound by the Decision and Order of the California Board of
15 Accountancy

16
17 DATED: 3/5/14


18 KEVIN W. CAHILL for himself and for
19 CAHILL & ASSOCIATES
20 Respondents

21 I have read and fully discussed with Respondents Kevin W. Cahill and Cahill & Associates
22 the terms and conditions and other matters contained in the above Stipulated Settlement and
23 Disciplinary Order. I approve its form and content.

24
25 DATED: 3/5/14


26 DAVID OSTROVE
27 Attorney for Respondents
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ENDORSEMENT

The foregoing Stipulated Settlement and Disciplinary Order is hereby respectfully submitted for consideration by the California Board of Accountancy.

Dated: *March 7, 2014*

Respectfully submitted,
KAMALA D. HARRIS
Attorney General of California
JAMES M. LEDAKIS
Supervising Deputy Attorney General



CARL W. SONNE
Deputy Attorney General
Attorneys for Complainant

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17 **and**
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69730 Highway 111, Suite 215
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19
20 **Certified Public Accountancy Corporation**
Certification No. COR 5706
21
22 Respondent.

Case No. AC-2012-18

FIRST AMENDED ACCUSATION

23 Complainant alleges:

24 **PARTIES**

25 1. Patti Bowers (Complainant) brings this First Amended Accusation (Accusation)
26 solely in her official capacity as the Executive Officer of the California Board of Accountancy,
27 Department of Consumer Affairs.
28

1 prosecution of the case, including, but not limited to, attorneys' fees. The board
2 shall not recover costs incurred at the administrative hearing.

3 7. Section 5109 of the Code states:

4 The expiration, cancellation, forfeiture, or suspension of a license, practice
5 privilege, or other authority to practice public accountancy by operation of law or
6 by order or decision of the board or a court of law, the placement of a license on a
7 retired status, or the voluntary surrender of a license by a licensee shall not deprive
8 the board of jurisdiction to commence or proceed with any investigation of or
9 action or disciplinary proceeding against the licensee, or to render a decision
10 suspending or revoking the license.

11 REGULATIONS

12 8. Title 16, California Code of Regulations, section 58 (Board Rule 58) states that
13 "licensees engaged in the practice of public accountancy shall comply with all applicable
14 professional standards, including but not limited to generally accepted accounting principles and
15 generally accepted auditing standards."

16 9. Title 16, California Code of Regulations, section 87(c) (Board Rule 87(c)) states:

17 Government Auditing Continuing Education Requirement.

18 A licensee who engages in planning, directing, conducting substantial portions of
19 field work, or reporting on financial or compliance audits of a governmental
20 agency shall complete 24 of the 80 hours required pursuant to subsection (a) in the
21 areas of governmental accounting, auditing or related subjects. This continuing
22 education shall be completed in the same two-year license renewal period as the
23 report is issued. A governmental agency is defined as any department, office,
24 commission, authority, board, government-owned corporation, or other
25 independent establishment of any branch of federal, state or local government.
26 Related subjects are those which maintain or enhance the licensee's knowledge of
27 governmental operations, laws, regulations or reports; any special requirements of
28 governmental agencies; subjects related to the specific or unique environment in
which the audited entity operates; and other auditing subjects which may be
appropriate to government auditing engagements. A licensee who meets the
requirements of this subsection shall be deemed to have met the requirements of
subsection (d).

PROFESSIONAL STANDARDS

10. Professional standards¹ of practice pertinent to this Accusation for a financial
statement audit include, without limitation, *Generally Accepted Accounting Principles*² (GAAP)

¹ All references herein to standards and other authoritative literature are to the versions in effect at
the time the audits were performed.

1 and the Financial Accounting Standard Board ("FASB") standards. The mission of the FASB is to
2 establish and improve standards of financial accounting and reporting for the guidance and
3 education of the public, including issuers, auditors, and users of financial information. The
4 standards of practice pertinent to this Accusation and the engagements at issue include, without
5 limitation, the following standards:

6 a. FASB ASC 972-360-25-5 states "Common interest realty associations shall
7 recognize common personal property, such as furnishings, recreational equipment,
8 maintenance equipment, and work vehicles, that are used by the CIRA in operating,
9 preserving, maintaining, repairing, and replacing common property and providing other
10 services, as assets (*capitalize*)."

11 b. FASB ASC 840-10-25-37 states "if land is the sole item of property leased and either
12 the transfer-of-ownership criterion in 840-10-25-1(a) or the bargain-purchase-option criterion
13 in paragraph 840-10-25-1(b) is met, the lessee shall account for the lease as a capital lease.
14 Otherwise, the lessee shall account for the lease as an operating lease".

15 c. FASB ASC 810-10-10-1 states the purpose of consolidated financial
16 statements is to present, ... the results of operations and the financial position of a
17 parent and all its subsidiaries as if the consolidated group were a single economic
18 entity. There is a presumption that consolidated financial statements are ... necessary
19 for a fair presentation when one of the entities in the consolidated group directly or
20 indirectly has a controlling financial interest in the other entities. FASB ASC 810-
21 10-45-1 (consolidated financial statements) and 810-10-45-10 (combined financial
22 statements for a group of related entities) describe consolidated and combined
23 financial statements being presented in the same manner.

24
25 ² "Generally Accepted Accounting Principles" (GAAP) are the basic postulates and broad
26 principles of accounting pertaining to business enterprises. These principles establish guidelines
27 for measuring, recording, and classifying the transactions of a business entity. "Generally
28 Accepted Auditing Standards" (GAAS) are the standards prescribed for the conduct of auditors in
the performance of an examination of management's financial statements. See *SEC v. Arthur
Young & Co.*, 590 F.2d 785, 788 nn. 2 & 4 (9th Cir. 1979).

1 d. FASB ACS 840-10-25-38(b)(2) describes how a lessee shall account for
2 leases involving both land and buildings. If the lease does not meet either the
3 transfer-of-ownership criterion in paragraph FASB ACS 840-10-25-1(a) or the
4 bargain-purchase-option criterion in paragraph FASB ACS 840-10-25-1(b) and the
5 fair value of the land is 25 percent or more of the total fair value of the leased
6 property at lease inception, the lessee shall consider the land and the building
7 separately for purposes of applying the lease-term criterion in paragraph FASB ACS
8 840-10-25-1(c) and the minimum-lease-payment criterion in paragraph FASB ACS
9 840-10-25-1(d).

10 1. If the building element meets the criterion of (c) or (d) then the
11 building would be accounted for as a capital lease. The land element of the
12 lease should be accounted for separately as an operating lease.

13 2. If the building element meets neither of the criterion of (c) or (d)
14 then both the building element and the land element should be accounted for
15 by the lessee as a single operating lease.

16 FACTS

17
18 11. The Desert Princess Homeowners Association ("HOA"), a California homeowners
19 association, also known as a common interest realty association, and Desert Princess
20 Homeowners Club, Inc. ("Club"), a non-profit mutual benefit corporation, engaged Respondents
21 to prepare audited financial statements for both the HOA and Club for the years ending
22 September 30, 2008 and 2009. Respondents had prepared the audits for the HOA and Club for
23 several years prior to the 2008/2009 audit engagement.

24 12. In 1992, the HOA, the Club, or their predecessor in interest acquired the sublease on
25 which the Club's property is situated. The sublease terminates in 2044, at which time the
26 property and all fixtures and improvements thereon revert to the lessor/property owner.
27 Consequently, the HOA members have an interest in the lease, not the land that is leased.
28

1 13. On December 23, 2009, Respondents signed the audit report for the HOA and Club
2 for the year ending September 30, 2008 and 2009. Respondents' audit reports both stated that the
3 accompanying financial statements "present fairly, in all material respects, the financial position
4 of [the HOA and Club] ... in conformity with the accounting principles generally accepted in
5 the United States of America." The financial statements included the following financial
6 information and explanatory notes:

7 a. The HOA's "Schedule of Changes in Replacement Fund Balances," treated
8 the purchases for vehicles in the amount of \$48,164, landscape equipment in the amount
9 of \$2,187, and Club equipment in the amount of \$310,203 as *expenses* for the year ending
10 2009.

11 b. The 2008-2009 HOA financial statement's Note 1 states that the HOA had
12 in its "Capital Fund" for 2009: (i) "Land and improvements" in the amount of \$2,860,433,
13 (ii) "Buildings and Building improvements" in the amount of \$2,222,070, and (iii)
14 "Original equipment" in the amount of \$421,870, for a total of \$5,504,373.

15 (i) Notes 1 and 2 to the 2008-2009 HOA financial statements state in part:

16
17 **"The property, plant, and equipment in the capital fund** represent the
18 original acquisition costs of the Desert Princess Homeowner Club (the
19 Club) (see Note 2) and the **significant improvements** of \$488,080 to land
20 and buildings since 1993. The Board of Directors decided to separately
21 report the original investment of reserve funds of approximately
22 \$2,360,000 together with the entire investment in the Club land and
23 buildings in a separate capital fund. **The capital fund was established**
24 **through an interfund transfer of the net book value of capital fund**
25 **assets (i.e. investment in Country Club) at October 1, 2008. This**
26 **investment** is comprised of \$1,355,432 of property and equipment from
27 the operating fund and \$2,870,943 of an interfund receivable from the
28 operating fund. For financial reporting purposes, the capital fund is
reported together with the replacement fund under the reserve fund
columns in the accompanying financial statements.

24 NOTE 2. COUNTRY CLUB PURCHASE AND RELATED-PARTY
25 TRANSACTIONS

26 **In April 1992, the Association entered into an agreement to purchase**
27 **the Desert Princess Homeowners Club clubhouse, 18 holes of the**
28 **original golf course, driving range, tennis courts and building, and two**
maintenance buildings from the Resolution Trust Corporation. The
purchase was completed on January 21, 1993. As a result, the total
acquisition cost has been recorded on the books of the Association at

1 \$5,016,293. As discussed above, in conjunction with this purchase, the
2 Association had incurred debt in the original amount of \$2,657,000 and
3 used reserve funds of approximately \$2,360,000 to acquire the Club. By
4 agreement, the golf course, clubhouse, and related facilities are being
5 operated by the Desert Princess Homeowners Club, Inc., and both the
6 Association and the Club have agreed that operations of the Club are to be
7 budgeted primarily to be self-supportive. Effective October 1, 1994, the
8 Association entered into a lease agreement with the Desert Princess
9 Homeowners Club, Inc. (a related party). The lease is for one year with
10 automatic one-year renewal options and is payable on a monthly basis.
11 Rental income for the years ended September 30, 2009 and 2008 totaled
12 \$120,000 and \$150,000, respectively." (Emphasis added.)

13 c. The 2008-2009 audited financial reports for the HOA and Club were set forth in
14 separate, rather than consolidated, audit reports, despite these entities' financial inter-relatedness,
15 common ownership as affiliated entities, and common directorships.

16 14. In January, 2010, the CBA received a consumer complaint regarding Respondents'
17 audit of the HOA and Club.

18 15. In his March 31, 2009, license renewal form submitted to the CBA, Respondent
19 Cahill stated that he was subject to government continuing education, which requires 24 of 80
20 required qualifying continuing education hours to be in governmental audit work. On his form,
21 Respondent Cahill stated that he was not using the two year reporting cycle for his license
22 renewal, but another two-year time period to calculate his qualifying governmental audit course
23 work.

24 FIRST CAUSE FOR DISCIPLINE

25 (Gross Negligence)

26 16. Respondents, and each of them, are subject to disciplinary action under section
27 5100(c) of the Code in that Respondent was grossly negligent by preparing audited financial
28 statements for the HOA and Club that contained extreme departures from professional standards
that indicate a lack of competency in the practice of public accountancy. Those acts constituting
gross negligence, individually and cumulatively, fall into the following categories:

29 a. Respondent failed to capitalize personal property additions in compliance with
30 professional standards. Specifically, each of the following items from the HOA's "Schedule
31 of Changes in Replacement Fund Balances," should have been capitalized, and not
32 expensed:

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- (i) purchases for vehicles in the amount of \$48,164;
- (ii) landscape equipment in the amount of \$2,187, and
- (iii) Club equipment in the amount of \$310,203.

b. Respondent's audited financial statements incorrectly report in the notes that the HOA purchased the "Desert Princess Homeowners Club clubhouse, 18 holes of the original golf course, driving range, tennis courts and building, and two maintenance buildings from the Resolution Trust Corporation" when, in fact, the purchase was not of land assets and improvements thereon, but a sub-lease for that property that terminates in the year 2044. (At the termination of the sublease, the clubhouse, 18-hole golf course, driving range, tennis courts and building, and two maintenance buildings, and all improvements thereon, revert to the owner/lessor.)

c. The financial statements report that the HOA as owner of the land and buildings of the Club which is materially misleading as the HOA only owns a lease that terminates in 2044, upon the termination of which the clubhouse, 18-hole golf course, driving range, tennis courts and building, and two maintenance buildings, and all improvements thereon, revert to the owner/lessor, facts should have been disclosed in the HOA's financial statements and the sublease should not have been accounted for as assets of owned land and property.

d. Respondent failed to consolidate or combine the financial statements of two related entities, which both share common ownership by their members, common directorships, and financial inter-relatedness.

SECOND CAUSE FOR DISCIPLINE
(Repeated Acts of Negligence)

17. Respondent Cahill is subject to disciplinary action under section 5100(c) of the Code in that Respondent Cahill engaged in repeated acts of negligence that indicate a lack of competency in the practice of public accountancy in preparing and auditing the financial statements for the HOA and Club that contained the departures from professional standards described in paragraph 16, above.

1 THIRD CAUSE FOR DISCIPLINE

2 (Continuing Education Violation)

3 18. Respondent Cahill is subject to disciplinary action under section 5100(g) of the Code
4 in that in violation of California Code of Regulations, Title 16, Regulation 87(c) (Rule 87 (c),
5 Respondent Cahill failed to complete the required 24 hours of continuing education in
6 governmental accounting and auditing subject matter prior to his March 31, 2009 license renewal,
7 as set forth in paragraph 15, above.
8

9 **PRAYER**

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

12 1. Revoking or suspending or otherwise imposing discipline upon Certified Public
13 Accountant License Number CPA 37365, issued to Kevin W. Cahill;

14 2. Revoking or suspending or otherwise imposing discipline upon Certified Public
15 Accountancy Corporation Number COR 5706, issued to Cahill & Associates;

16 3. Ordering Kevin W. Cahill and Cahill & Associates to pay the California Board of
17 Accountancy the reasonable costs of the investigation and enforcement of this case, pursuant to
18 Business and Professions Code section 5107; and

19 4. Taking such other and further action as deemed necessary and proper.
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23 DATED: 3/4/2014

Patti Bowers
PATTI BOWERS
Executive Officer
California Board of Accountancy
Department of Consumer Affairs
State of California
Complainant

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