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

In the Matter of the Accusation Against: **ARDING, III, ARTHUR JAMES** **ARDING ACCOUNTANCY CORPORATION** 2171 Shattuck Avenue Berkeley, CA 94704 California Public Accountant License No. 63875 Certified Public Accountancy Corporation Certificate No. COR 1724 Respondent.	Case No. AC-2014-15 OAH No. SF2013901977

DECISION AND ORDER

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

This Decision shall become effective on July 5, 2014.

It is so ORDERED on June 5, 2014.

For The CALIFORNIA BOARD OF ACCOUNTANCY
DEPARTMENT OF CONSUMER AFFAIRS

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

In the Matter of the Accusation Against: **ARTHUR JAMES ARDING III** **2171 Shattuck Avenue** **Berkeley, CA 94704** **Certified Public Accountant Certificate No. CPA 63875** **ARDING ACCOUNTANCY CORPORATION** **2171 Shattuck Avenue** **Berkeley, CA 94704** **Certified Public Accountancy Corporation Certificate No. COR 1724** Respondents.	Case No. AC-2014-15 **STIPULATED SETTLEMENT AND DISCIPLINARY ORDER**

In the interest of a prompt and speedy settlement of this matter, consistent with the public interest, and the responsibility of the California Board of Accountancy ("CBA") of the Department of Consumer Affairs, the parties hereby agree to the following Stipulated Settlement and Disciplinary Order which will be submitted to the CBA for approval and adoption as the final disposition of the Accusation.

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PARTIES

1. Patti Bowers ("Complainant") is the Executive Officer of the California Board of Accountancy. She brought this action solely in her official capacity and is represented in this matter by Kamala D. Harris, Attorney General of the State of California, by Susana A. Gonzales, Deputy Attorney General.

2. Respondents Arthur James Arding III and Arding Accountancy Corporation are represented in this proceeding by attorney James F. Hetherington, whose address is: 417 Montgomery Street, 10th Floor, San Francisco, CA 94104.

3. On or about May 13, 1993, the California Board of Accountancy issued Certified Public Accountant License Number CPA 63875 to Arthur James Arding III. The Certified Public Accountant Certificate was in full force and effect at all times relevant to the charges brought in this Accusation and will expire on June 30, 2014, unless renewed.

4. On or about June 1, 1981, the California Board of Accountancy issued Corporation Certificate Number COR 1724 to Arthur J Arding Jr. Accountant Inc. On May 6, 1994, the Board converted that Certificate Number to Arding Accountancy Corporation. The Corporation License was in full force and effect at all times relevant to the charges brought in this Accusation and will expire on June 30, 2015, unless renewed.

JURISDICTION

5. Accusation No. AC-2014-15 was filed before the California Board of Accountancy ("CBA"), Department of Consumer Affairs, and is currently pending against Respondents. The Accusation and all other statutorily required documents were properly served on Respondents on March 31, 2014. Respondents timely filed a Notice of Defense contesting the Accusation.

6. A copy of Accusation No. AC-2014-15 is attached as exhibit A and incorporated herein by reference.

ADVISEMENT AND WAIVERS

7. Respondents have carefully read, fully discussed with counsel, and understand the charges and allegations in Accusation No. AC-2014-15. Respondents have also carefully read,

fully discussed with counsel, and understand the effects of this Stipulated Settlement and Disciplinary Order.

8. Respondents are fully aware of their legal rights in this matter, including the right to a hearing on the charges and allegations in the Accusation; the right to be represented by counsel at their own expense; the right to confront and cross-examine the witnesses against them; the right to present evidence and to testify on their own behalf; the right to the issuance of subpoenas to compel the attendance of witnesses and the production of documents; the right to reconsideration and court review of an adverse decision; and all other rights accorded by the California Administrative Procedure Act and other applicable laws.

9. Respondents voluntarily, knowingly, and intelligently waive and give up each and every right set forth above.

CULPABILITY

10. Respondents understand and agree that the charges and allegations in Accusation No. AC-2014-15, if proven at a hearing, constitute cause for imposing discipline upon their Certified Public Accountant Certificate and Certified Public Accountancy Corporation Certificate.

11. For the purpose of resolving the Accusation without the expense and uncertainty of further proceedings, Respondents agree that, at a hearing, Complainant intends to present evidence establishing a factual basis for the charges in the Accusation, and Respondents hereby give up their right to contest those charges.

12. Respondent Arthur James Arding III agrees that his Certified Public Accountant Certificate is subject to discipline and he agrees to be bound by the CBA's probationary terms as set forth in the Disciplinary Order below.

13. Respondent Arding Accountancy Corporation agrees that its Certified Public Accountancy Corporation Certificate is subject to discipline and agrees to be bound by the CBA's probationary terms as set forth in the Disciplinary Order below.

CIRCUMSTANCES IN MITIGATION

14. Respondents have never been the subject of any disciplinary action. Respondents admitted responsibility and sought resolution at an early stage in the proceedings.

CONTINGENCY

15. This stipulation shall be subject to approval by the California Board of Accountancy. Respondents understand and agree that counsel for Complainant and the staff of the California Board of Accountancy may communicate directly with the CBA regarding this stipulation and settlement, without notice to or participation by Respondents or their counsel. By signing the stipulation, Respondents understand and agree that they may not withdraw their agreement or seek to rescind the stipulation prior to the time the CBA considers and acts upon it. If the CBA fails to adopt this stipulation as its Decision and Order, the Stipulated Settlement and Disciplinary Order shall be of no force or effect, except for this paragraph, it shall be inadmissible in any legal action between the parties, and the CBA shall not be disqualified from further action by having considered this matter.

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

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

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

DISCIPLINARY ORDER

IT IS HEREBY ORDERED that Certified Public Accountant Certificate No. CPA 63875 issued to Respondent Arthur James Arding III, and Certified Public Accountancy Corporation Certificate No. COR 1724 issued to Respondent Arding Accountancy Corporation are revoked.

However, the revocation is stayed and Respondents are placed on probation for three (3) years on the following terms and conditions.

1. **Obey All Laws**

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

2. **Cost Reimbursement**

Respondents shall reimburse the CBA $12,500.00 for its investigation and prosecution costs. The payment shall be made in ten quarterly payments (due with quarterly written reports), the final payment being due six months before probation is scheduled to terminate.

3. **Submit Written Reports**

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

4. **Personal Appearances**

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

5. **Comply With Probation**

Respondents shall fully comply with the terms and conditions of the probation imposed by the CBA and shall cooperate fully with representatives of the California Board of Accountancy in its monitoring and investigation of their compliance with probation terms and conditions.

6. **Practice Investigation**

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

7. **Comply With Citations**

Respondents shall comply with all final orders resulting from citations issued by the California Board of Accountancy.

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

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

9. **Violation of Probation**

If Respondents violate probation in any respect, the CBA, after giving respondents notice and an opportunity to be heard, may revoke probation and carry out the disciplinary order that was stayed. If an accusation or a petition to revoke probation is filed against Respondent Arthur James Arding III or Respondent Arding Accountancy Corporation during probation, the CBA shall have continuing jurisdiction until the matter is final, and the period of probation shall be extended until the matter is final.

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

10. **Completion of Probation**

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

11. **Regulatory Review Course**

Respondent Arthur James Arding III shall complete a CBA-approved course on the provisions of the California Accountancy Act and the California Board of Accountancy Regulations specific to the practice of public accountancy in California emphasizing the provisions applicable to current practice situations prior to December 31, 2014. The course also

will include an overview of historic and recent disciplinary actions taken by the CBA, highlighting the misconduct which led to the licensee being disciplined. The course shall be a minimum of two hours.

If Respondent Arthur James Arding III fails to complete said courses within the time period provided, he shall so notify the CBA and shall cease practice until he completes said courses, submits proof of same to the CBA, and receives notification by the CBA that he may resume practice. Failure to complete the required courses shall constitute a violation of probation.

12. **Continuing Education Courses**

Respondent Arthur James Arding III shall complete 24 hours of professional education in auditing (including compilations), and accounting courses. The professional education courses shall be completed by December 31, 2014. This shall be in addition to continuing education requirements for relicensing.

Failure to satisfactorily complete the required courses as scheduled shall constitute a violation of probation.

13. **Active License Status**

Respondents shall at all times maintain active license status with the CBA, including during any period of suspension. If either license is expired at the time the CBA's decision becomes effective, the license must be renewed within 30 days of the effective date of the decision.

14. **Supervised Practice**

Within thirty days of the effective date of this decision, Respondents shall submit to the Board or its designee for its prior approval a plan of practice, regarding the preparation of compilations, that shall be monitored by another CPA or PA who provides periodic reports to the Board or its designee. Respondents shall pay all costs for such monitoring.

15. **Peer Review**

During the period of probation, all compilation reports and work papers shall be subject to peer review by a certified peer reviewer at Respondents' expense. The review shall evaluate Respondent Arthur James Arding III's and Arding Accountancy Corporation's system of quality control, including its organizational structure, the policies and procedures established by the firm,

and the firm's compliance with its quality control system as determined on the basis of a review of selected engagements. The specific engagements to be reviewed shall be at the discretion of the peer reviewer.

Upon completion of the peer review, Respondents shall submit a copy of the report with the reviewer's conclusions and findings to the Board.

16. **Restricted Practice**

Respondents shall not engage in and shall be prohibited from performing any audits or reviews.

IT IS HEREBY FURTHER ORDERED that:

17. **Restricted Practice**

After completion of probation, Respondents shall be permanently prohibited from engaging in and performing audits and reviews. This condition shall continue until such time, if ever, Respondents successfully petition the Board for reinstatement of their ability to perform audits and reviews. Respondents understand and agree that the Board is under no obligation to reinstate their ability to perform audits and reviews, that the Board has made no representations concerning whether any such reinstatement might occur, and that the decision to reinstate is within the sole discretion of the Board.

18. **Full Compliance**

Respondents understand and agree that this Stipulated Settlement and Disciplinary Order as a resolution to the charges in Accusation No. AC-2014-15 is based upon, inter alia, Respondents full compliance with paragraph 17 of this Order (Restricted Practice). If Respondents fail to satisfy this condition, they agree that the Board can file an Accusation against them for unprofessional conduct based upon their failure to comply with paragraph 17 as an independent basis for disciplinary action, pursuant to Business and Professions Code section 5100. In addition, Respondents consent that the Board may enforce paragraph 17 in any court of competent jurisdiction (including an administrative court) to enjoin them, temporarily or permanently, or both, from violating paragraph 17, and may seek all other remedies allowed by law in such proceeding.

ACCEPTANCE

I have carefully read the above Stipulated Settlement and Disciplinary Order and have fully discussed it with my attorney, James F. Hetherington. I understand the stipulation and the effect it will have on my Certified Public Accountant Certificate, and I enter into this Stipulated Settlement and Disciplinary Order voluntarily, knowingly, and intelligently, and agree to be bound by the Decision and Order of the California Board of Accountancy.

DATED: 4/29/14

ARTHUR JAMES ARDING III

I have carefully read the above Stipulated Settlement and Disciplinary Order and have fully discussed it with my attorney, James F. Hetherington. I understand the stipulation and the effect it will have on my Certified Public Accountancy Corporation Certificate, and I enter into this Stipulated Settlement and Disciplinary Order voluntarily, knowingly, and intelligently, and agree to be bound by the Decision and Order of the California Board of Accountancy.

DATED: 4/29/14

ARTHUR JAMES ARDING III
ARDING ACCOUNTANCY CORPORATION

I have read and fully discussed with Respondent Arding and Respondent Corporation the terms and conditions and other matters contained in the above Stipulated Settlement and Disciplinary Order. I approve its form and content.

DATED: 4/29/14

James F. Hetherington
Attorney for Respondents

ENDORSEMENT

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

Dated:

Respectfully submitted,

KAMALA D. HARRIS
Attorney General of California
DIANN SOKOLOFF
Supervising Deputy Attorney General

SUSANA A. GONZALES
Deputy Attorney General
Attorneys for Complainant

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Exhibit A

Accusation No. AC-2014-15

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

In the Matter of the Accusation Against: **ARTHUR JAMES ARDING III** **2171 Shattuck Avenue** **Berkeley, CA 94704** **Certified Public Accountant Certificate No. CPA 63875** **ARDING ACCOUNTANCY CORPORATION** **2171 Shattuck Avenue** **Berkeley, CA 94704** **Certified Public Accountancy Corporation Certificate No. COR 1724** Respondents.	Case No. AC-2014-15 **ACCUSATION**

Complainant alleges:

PARTIES

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

2. On or about May 13, 1993, the California Board of Accountancy issued Certified Public Accountant License Number CPA 63875 to Arthur James Arding III ("Respondent

Arding"). The Certified Public Accountant Certificate was in full force and effect at all times relevant to the charges brought in this Accusation and will expire on June 30, 2014, unless renewed.

3. On or about June 1, 1981, the California Board of Accountancy issued Corporation Certificate Number COR 1724 to Arthur J Arding Jr. Accountant Inc. On May 6, 1994, the Board converted that Certificate Number to Arding Accountancy Corporation ("Respondent Corporation"). The Corporation License was in full force and effect at all times relevant to the charges brought in this Accusation and will expire on June 30, 2015, unless renewed.

JURISDICTION

4. This Accusation is brought before the California Board of Accountancy (CBA), Department of Consumer Affairs, under the authority of the following laws. All section references are to the California Business and Professions Code unless otherwise indicated.

5. Business and Professions Code Sections 118, subdivision (b), and 5109 provide in pertinent part that the suspension, expiration, cancellation, or forfeiture of a license issued by the Board shall not deprive the Board of its authority to investigate, or to institute or continue a disciplinary proceeding against a licensee upon any ground provided by law, or to enter an order suspending or revoking the license or otherwise taking disciplinary action against the licensee on any such ground.

STATUTORY AND REGULATORY PROVISIONS

6. Section 5050.1(a) of the Code states:

"Any person that engages in any act that is the practice of public accountancy in this state consents to the personal, subject matter, and disciplinary jurisdiction of the board. This subdivision is declarative of existing law."

7. Section 5100 states, in pertinent part:

"After notice and hearing, the board may revoke, suspend, or refuse to renew any permit or certificate granted under Article 4 (commencing with Section 5070) and Article 5 (commencing with Section 5080), or may censure the holder of that permit or certificate for unprofessional

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conduct that includes, but is not limited to, one or any combination of the following causes:

. . .

"(c) Dishonesty, fraud, gross negligence, or repeated negligent acts committed in the same or different engagements, for the same or different clients, or any combination of engagements or clients, each resulting in a violation of applicable professional standards that indicate a lack of competency in the practice of public accountancy or in the performance of the bookkeeping operations described in Section 5052."

8. Section 5156 states:

"An accountancy corporation shall not do or fail to do any act the doing of which or the failure to do which would constitute unprofessional conduct under any statute, rule or regulation now or hereafter in effect. In the conduct of its practice, it shall observe and be bound by such statutes, rules and regulations to the same extent as a person holding a permit under Section 5070 of this code. The board shall have the same powers of suspension, revocation and discipline against an accountancy corporation as are now or hereafter authorized by Section 5100 of this code, or by any other similar statute against individual licensees, provided, however, that proceedings against an accountancy corporation shall be conducted in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code, and the board shall have all the powers granted therein."

9. Section 5062 states: "A licensee shall issue a report which conforms to professional standards upon completion of a compilation, review or audit of financial statements."

10. Code section 5097 states, in pertinent part,

"(a) Audit documentation shall be a licensee's records of the procedures applied, the tests performed, the information obtained, and the pertinent conclusions reached in an audit engagement. Audit documentation shall include, but is not limited to, programs, analyses, memoranda, letters of confirmation and representation, copies or abstracts of company documents, and schedules or commentaries prepared or obtained by the licensee.

"(b) Audit documentation shall contain sufficient documentation to enable a reviewer with relevant knowledge and experience, having no previous connection with the audit engagement, to

understand the nature, timing, extent, and results of the auditing or other procedures performed, evidence obtained, and conclusions reached, and to determine the identity of the persons who performed and reviewed the work.

"(c) Failure of the audit documentation to document the procedures applied, tests performed, evidence obtained, and relevant conclusions reached in an engagement shall raise a presumption that the procedures were not applied, tests were not performed, information was not obtained, and relevant conclusions were not reached. This presumption shall be a rebuttable presumption affecting the burden of proof relative to those portions of the audit that are not documented as required in subdivision (b). The burden may be met by a preponderance of the evidence."

11. California Code of Regulations, title 16, section 58, provides that licensees engaged in the practice of public accountancy shall comply with all applicable professional standards, including but not limited to generally accepted accounting principles and generally accepted auditing standards.

12. California Code of Regulations, title 16, section 68.2, subdivision (b) states:

"(b) In addition to the requirements of Business and Professions Code Section 5097(b), audit documentation shall provide the date the document or working paper was completed by the preparer(s) and any reviewer(s), and shall include the identity of the preparer(s) and any reviewer(s)."

APPLICABLE PROFESSIONAL STANDARDS

13. Standards of practice pertinent to this Accusation and the engagement in issue include, without limitation:

A. Generally Accepted Auditing Standards ("GAAS") are codified by the American Institute of Certified Public Accountants (AICPA). The ten GAAS (AU §150), which are interrelated, are discussed in the Statements on Auditing Standards ("SAS"). The SAS are codified by "AU" number in the AICPA's *Codification of Statements on Auditing Standards*. Among the SAS relevant to this Accusation, in addition to AU §150 which sets forth the Generally Accepted Auditing Standards and introduces the concepts of "materiality" and "audit

risk," are: AU §150.02 (Auditor's Opinion Regarding Financial Statements); AU §623.09 (Requirements for Special Reports); AU §623.10 (Financial Statements Prepared on an Other Comprehensive Basis of Accounting); AU §324.16 (Service Organizations); AU §339.10 (Audit Documentation); AU §314.122 (Understanding the Entity); AU §318.77 (Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained); AU §314.24 (Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement); and AU §339.18 (Audit Documentation Regarding Identification of Preparer and Reviewer).

B. Standards applicable to financial reporting are referred to as Generally Accepted Accounting Principles ("GAAP"), and are derived from many sources. Statements of Financial Accounting Standards ("SFAS" or "FAS," "FASB") are the most authoritative source for GAAP. The statements pertinent to this Accusation include, without limitation: FASB 962-205-50-1 (Required Disclosures for Financial Statements); FASB 235-10-50-1 (Requiring Description of Significant Accounting Policies); and FAS 157-32 (Required Disclosures for Reporting Entity); FASB 962-205-45-1 (Other Presentation Matters). Also pertinent to this Accusation is the AICPA Audit and Accounting Guide for Employee Benefit Plans 10.20 (Objective of Auditing Procedures).

C. IRS Instructions for Completing Form 5500.

D. Employee Retirement Income Security Act ("ERISA") section 1023, subdivision (a)(3)(A), states, in pertinent part, that the annual report shall include a financial statement, and:

> "The administrator of an employee benefit plan shall engage, on behalf of all plan participants, an independent qualified public accountant, who shall conduct such an examination of any financial statements of the plan, and of other books and records of the plan, as the document may deem necessary to enable the accountant to form an opinion as to whether the financial statements and schedules required to be included in the annual reports...of this section are presented fairly in conformity with generally accepted accounting principles..."

E. *The AICPA Audit and Accounting Guide for Employee Benefit Plans*, section 10.20, states:

"The objective of auditing procedures applied to individual participant accounts of defined contribution plans is to provide the auditor with a reasonable basis for concluding:

"a. Whether net assets have been allocated to the individual participant accounts in accordance with the plan instrument;

"b. Whether the sum of the participant accounts reconciles with the total net assets available for plan benefits;

"c. Whether participant transactions are authorized and have been executed at the proper amount in the proper period."

COST RECOVERY

14. Section 5107, subdivision (a) of the Code states:

"The executive officer of the board may request the administrative law judge, as part of the proposed decision in a disciplinary proceeding, to direct any holder of a permit or certificate found to have committed a violation or violations of this chapter to pay to the board all reasonable costs of investigation and prosecution of the case, including, but not limited to, attorneys' fees. The board shall not recover costs incurred at the administrative hearing."

FIRST CAUSE FOR DISCIPLINE
(Gross Negligence)
(Bus. & Prof. Code, § 5100, subd. (c))

15. Respondents have subjected their certificates to disciplinary action in that they were grossly negligent in their performance of the audit of Berg Senior Services, LLC 401K Plan for the year 2009. (Bus. & Prof. Code, § 5100, subd. (c).) Respondents issued the auditor's report on or about September 28, 2010. The audit engagement was required to be performed in accordance with GAAS and GAAP, which constitute the standard of practice in the State of California.

16. Respondents' gross negligence included the following extreme departures from the standard of practice:

Audit Reporting

A. Respondents' audit report failed to comply with GAAS, and Respondents did not modify the report to indicate any departures from GAAP. The financial statements did not disclose: (1) Description of the Plan; (2) Summary of Accounting Policies; (3) Investments/Fair

Value Measurements FAS 157; and (4) Tax Status. (FASB 962-205-50-1; FASB 235-10-50-1; FAS 157-32; *The AICPA Audit and Accounting Guide for Employee Benefit Plans*, section A.52.)

B. Respondents failed to express an opinion on the Plan's financial statements. (AU §150.02; AU §623.09; AU §623.10; *IRS Instructions for completing Form 5500*; ERISA, § 1023, subd. (a)(3)(A).)

Audit Workpapers

C. Respondents did not consider the effect of time periods and controls not covered by the Service Provider's report in assessing the entity's control environment. (AU §150.02; AU §324.16; AU §339.10.)

D. Respondents did not properly document their depth of understanding of the entity's internal control and how that knowledge was used to assess risk and design relevant audit procedures. Respondents failed to document: (1) their understanding of the environment as identified by the five components of internal control; (2) their assessment of the risks of material misstatement at the relevant assertion level; (3) the risks identified and related controls; and (4) the linkage of further audit procedures with assessed risks at the relevant assertion level. (AU §314.122; AU §318.77; AU §339.10.)

Audit Evidence

E. Respondents' understanding of the PLAN's regulatory environment was insufficient. (AU §150.02; AU §314.24.)

F. Respondents did not perform sufficient individual participant data testing. (AU §339.10; *The AICPA Audit and Accounting Guide for Employee Benefit Plans*, § 10.20.)

Due Care

G. Respondents failed to exercise due care in the performance of the audit. (AU §339.10; AU §339.18.)

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SECOND CAUSE FOR DISCIPLINE

(Failure to Issue Audit Report in Conformance with Professional Standards)
(Bus. & Prof. Code, § 5062)

17. Respondents have subjected their certificates to disciplinary action in that they failed to issue an audit report in conformance with professional standards. (Bus. & Prof. Code, § 5062.) The circumstances are set forth in paragraphs 15 and 16, and each of their subparts, above.

THIRD CAUSE FOR DISCIPLINE

(Failure to Comply with Professional Standards In the Reporting and Performance of the Audit)
(Cal. Code of Regs., tit. 16, § 58)

18. Respondents have subjected their certificates to disciplinary action in that they failed to comply with professional standards in the reporting and performance of the audit. (Cal. Code Regs., tit. 16, § 58.) The circumstances are set forth in paragraphs 15 and 16, and each of their subparts, above.

FOURTH CAUSE FOR DISCIPLINE

(Failure to Sign Audit Documentation)
(Bus. & Prof. Code, § 5097, subds. (a), (b), & (c); Cal. Code of Regs., tit. 16, § 68.2, subd. (b))

19. Respondents have subjected their certificates to disciplinary action in that they failed to prepare sufficient audit documentation including, but not limited to, signing and dating the audit documentation. (Bus. & Prof. Code, § 5097, subds. (a), (b), & (c); Cal. Code of Regs., tit. 16, § 68.2, subd. (b).) The circumstances are set forth in paragraphs 15 and 16, and each of their subparts, above.

PRAYER

WHEREFORE, Complainant requests that a hearing be held on the matters alleged in this Accusation, and that following the hearing, the California Board of Accountancy issue a decision:

1. Revoking, suspending, or otherwise imposing discipline upon Certified Public Accountant Certificate Number CPA 63875, issued to Arthur James Arding III;

2. Revoking, suspending, or otherwise imposing discipline upon Certified Public Accountancy Corporation Certificate Number COR 1724, issued to Arding Accountancy Corporation;

3. Ordering Arthur James Arding III and Arding Accountancy Corporation to pay the California Board of Accountancy the reasonable costs of the investigation and enforcement of this case, pursuant to Business and Professions Code section 5107;

4. Ordering Arthur James Arding III and Arding Accountancy Corporation to pay the California Board of Accountancy an administrative penalty pursuant to Business and Professions Code section 5116;

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

DATED: April 14, 2014

Patti Bowers

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

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