

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

In the Matter of the Accusation Against:

Case No. AC-2014-51

**RICHARD CLAUDE TREMELLING**  
18 Belloreid Avenue  
San Rafael, California 94901

Certified Public Accountant Certificate No.  
41427

**TREMELLING AND ASSOCIATES**  
18 Belloreid Ave  
San Rafael, CA 94901

Fictitious Name Permit No. 2566,

Respondent.

**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 24, 2016.

It is so ORDERED March 25, 2016.

  
\_\_\_\_\_  
FOR THE CALIFORNIA BOARD OF  
ACCOUNTANCY  
DEPARTMENT OF CONSUMER AFFAIRS

1 KAMALA D. HARRIS  
Attorney General of California  
2 DIANN SOKOLOFF  
Supervising Deputy Attorney General  
3 KIM M. SETTLES  
Deputy Attorney General  
4 State Bar No. 116945  
1515 Clay Street, 20th Floor  
5 P.O. Box 70550  
Oakland, CA 94612-0550  
6 Telephone: (510) 622-2138  
Facsimile: (510) 622-2270  
7 E-mail: kim.settles@doj.ca.gov  
*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-2014-51

12 **RICHARD CLAUDE TREMELLING**  
13 **18 Belloreid Ave**  
**San Rafael, CA 94901**

**STIPULATED SETTLEMENT AND**  
**DISCIPLINARY ORDER**

14 **Certified Public Accountant Certificate No.**  
15 **41427**

16 **TREMELLING AND ASSOCIATES**  
17 **18 Belloreid Ave**  
**San Rafael, CA 94901**

18 **Fictitious Name Permit No. 2566,**

19 Respondent.  
20

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

23 **PARTIES**

24 1. Patti Bowers ("Complainant") is the Executive Officer of the California Board of  
25 Accountancy. She brought this action solely in her official capacity and is represented in this  
26 matter by Kamala D. Harris, Attorney General of the State of California, by Kim M. Settles,  
27 Deputy Attorney General.  
28



1 court review of an adverse decision; and all other rights accorded by the California  
2 Administrative Procedure Act and other applicable laws.

3 9. Respondent voluntarily, knowingly, and intelligently waives and gives up each and  
4 every right set forth above.

5 **CULPABILITY**

6 10. Respondent admits the truth of each and every charge and allegation in Accusation  
7 No. AC-2014-51.

8 11. Respondent agrees that his Certified Public Accountant Certificate and Fictitious  
9 Name Permit are subject to discipline and he agrees to be bound by the CBA's probationary terms  
10 as set forth in the Disciplinary Order below.

11 **CONTINGENCY**

12 12. This stipulation shall be subject to approval by the CBA. Respondent understands  
13 and agrees that counsel for Complainant and the staff of the CBA may communicate directly with  
14 the CBA regarding this stipulation and settlement, without notice to or participation by  
15 Respondent. By signing the stipulation, Respondent understands and agrees that he may not  
16 withdraw his agreement or seek to rescind the stipulation prior to the time the CBA considers and  
17 acts upon it. If the CBA fails to adopt this stipulation as its Decision and Order, the Stipulated  
18 Settlement and Disciplinary Order shall be of no force or effect, except for this paragraph, it shall  
19 be inadmissible in any legal action between the parties, and the CBA shall not be disqualified  
20 from further action by having considered this matter.

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

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

1 writing executed by an authorized representative of each of the parties.

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

5 **DISCIPLINARY ORDER**

6 IT IS HEREBY ORDERED that Certified Public Accountant Certificate No. 41427 and  
7 Fictitious Name Permit No. 2566 issued to Respondent Richard Claude Tremelling are revoked.  
8 However, the revocations are stayed and Respondent is placed on probation for three (3) years on  
9 the following terms and conditions.

10 1. **Obey All Laws**

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

13 2. **Cost Reimbursement**

14 Respondent shall reimburse the CBA \$15,000 for its investigation and prosecution costs.  
15 The payment shall be made as follows: quarterly payments (due with quarterly written reports),  
16 the final payment shall be due one year before probation is scheduled to terminate.

17 3. **Submit Written Reports**

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

24 4. **Personal Appearances**

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

28 ///

1           **5. Comply With Probation**

2           Respondent shall fully comply with the terms and conditions of the probation imposed by  
3 the CBA and shall cooperate fully with representatives of the CBA in its monitoring and  
4 investigation of the Respondent's compliance with probation terms and conditions.

5           **6. Practice Investigation**

6           Respondent shall be subject to, and shall permit, a practice investigation of the  
7 Respondent's professional practice. Such a practice investigation shall be conducted by  
8 representatives of the CBA, provided notification of such review is accomplished in a timely  
9 manner.

10          **7. Comply With Citations**

11          Respondent shall comply with all final orders resulting from citations issued by the CBA.

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

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

20          **9. Violation of Probation**

21          If Respondent violates probation in any respect, the CBA, after giving Respondent notice  
22 and an opportunity to be heard, may revoke probation and carry out the disciplinary order that  
23 was stayed. If an accusation or a petition to revoke probation is filed against Respondent during  
24 probation, the CBA shall have continuing jurisdiction until the matter is final, and the period of  
25 probation shall be extended until the matter is final.

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

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**10. Completion of Probation**

Upon successful completion of probation, Respondent's license will be fully restored.

**11. Supervised Practice**

Within 30 days of the effective date of this decision and order, Respondent shall submit to the CBA or its designee for its prior approval a plan of practice that shall be monitored by another CPA or PA who provides periodic reports to the CBA or its designee. Respondent shall pay all costs for such monitoring.

**12. Ethics Continuing Education**

Within 12 months of the effective date of this decision and order, Respondent Tremelling shall complete four hours of continuing education in course subject matter pertaining to the following: a review of nationally recognized codes of conduct emphasizing how the codes relate to professional responsibilities; case-based instruction focusing on real-life situational learning; ethical dilemmas facing the accounting profession; or business ethics, ethical sensitivity, and consumer expectations. Courses must be a minimum of one hour as described in California Code of Regulations Section 88.2. The hours are in addition to the continuing education hours required for relicensing.

If Respondent Tremelling fails to complete said courses within the time period provided, Respondent Tremelling shall so notify the CBA and shall cease practice until Respondent Tremelling completes said courses, has submitted proof of same to the CBA, and has been notified by the CBA that he may resume practice. Failure to complete the required courses within the time period provided shall constitute a violation of probation.

**13. Regulatory Review Course**

Within 12 months of the effective date of this decision and order, Respondent Tremelling 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. The course also will include an overview of historic and recent disciplinary actions taken by the CBA,

1 highlighting the misconduct which led to licensees being disciplined. The course shall be a  
2 minimum of two hours.

3 If Respondent Tremelling fails to complete said courses within the time period provided,  
4 Respondent shall so notify the CBA and shall cease practice until Respondent completes said  
5 courses, has submitted proof of same to the CBA, and has been notified by the CBA that he  
6 resume practice. Failure to complete the required courses within the time period provided shall  
7 constitute a violation of probation.

8 **14. Peer Review**

9 During the period of probation, all audit, review, and compilation reports and work papers  
10 shall be subject to peer review by a Board-recognized peer review program provider pursuant to  
11 California Business and Professions Code Section 5076 and California Code of Regulations, Title  
12 16, Division 1, Article 6, at Respondent's expense. The specific engagements to be reviewed  
13 shall be at the discretion of the peer reviewer. The peer review shall be completed within a period  
14 of time designated and specified in writing by the CBA or its designee, which time frame shall be  
15 incorporated as a condition of this probation.

16 Within 45 days of the peer review report being accepted by a Board-recognized peer  
17 review program provider, Respondent shall submit to the CBA a copy of the peer review report,  
18 including any materials documenting the prescription of remedial or corrective actions imposed  
19 by the Board-recognized peer review program provider. Respondent shall also submit, if  
20 available, any materials documenting completion of any or all of the prescribed remedial or  
21 corrective actions.

22 **15. Continuing Education Courses**

23 Respondent shall complete and provide proper documentation of 16 hours of continuing  
24 education courses in the subject area of accounting and auditing each year Respondent is on  
25 probation for a total of 48 hours of additional education. The hours shall be completed by June  
26 30 of each year of probation. The hours are in addition to continuing education requirements for  
27 relicensing.

28 Failure to satisfactorily complete the required courses as scheduled shall constitute a

1 violation of probation.

2 **16. Active License Status**

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

6 **17. Samples - Audit, Review or Compilation**

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

12 **18. Administrative Penalty**

13 Respondent shall pay to the CBA an administrative penalty in the amount of \$2,500.00 for  
14 violations of the following provisions of the California Accountancy Act: Business & Professions  
15 Code section 5100, subdivision (g) (in conjunction with California Code of Regulations, title 16,  
16 section 89); Business & Professions Code section 5100, subdivision (g) (in conjunction with  
17 Business & Professions Code section 5076, subdivision (a); and California Code of Regulations,  
18 title 16, sections 40, subdivision (a); 41; 45; and 46, subdivision (b)); Business & Professions  
19 Code section 5100, subdivision (g) (in conjunction with Business & Professions Code section  
20 5060, subdivision (c)); and Business & Professions Code section 5100, subdivision (g) (in  
21 conjunction with Business & Professions Code section 5050, subdivision (a); and California Code  
22 of Regulations, title 16, section 80). This payment shall be made within 90 days of the effective  
23 date of this decision and order.

24 ///

25 ///

26 ///

27 ///

28 ///

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**ACCEPTANCE**

I have carefully read the Stipulated Settlement and Disciplinary Order. I understand the stipulation and the effect it will have on my Certified Public Accountant Certificate and my Fictitious Name Permit . 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: MARCH 8, 2016

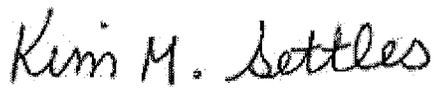
  
TREMELLING AND ASSOCIATES; RICHARD  
CLAUDE TREMELLING  
Respondent

**ENDORSEMENT**

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

Dated: March 8, 2016

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



KIM M. SETTLES  
Deputy Attorney General  
*Attorneys for Complainant*

SF2014902408  
90622264.doc

**Exhibit A**

**Accusation No. AC-2014-51**

1 KAMALA D. HARRIS  
Attorney General of California  
2 DIANN SOKOLOFF  
Supervising Deputy Attorney General  
3 GREGORY TUSS  
Deputy Attorney General  
4 State Bar No. 200659  
1515 Clay Street, 20th Floor  
5 Post Office Box 70550  
Oakland, California 94612-0550  
6 Telephone: (510) 622-2143  
Facsimile: (510) 622-2270  
7 *Attorneys for Complainant*

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

11 In the Matter of the Accusation Against:	Case No. AC-2014-51
12 <b>RICHARD CLAUDE TREMELLING</b>	<b>A C C U S A T I O N</b>
13 <b>18 Belloreid Avenue</b>	
14 <b>San Rafael, California 94901</b>	
15 <b>Certified Public Accountant Certificate No. 41427</b>	
16 <b>TREMELLING AND ASSOCAIATES</b>	
17 <b>1333 Jones Street, Suite 408</b>	
18 <b>San Francisco, California 94109</b>	
19 <b>Fictitious Name Permit No. 2566,</b>	
20 Respondent.	

20 Complainant alleges:

21 **I. PARTIES**

- 22 1. Patti Bowers (Complainant) brings this accusation solely in her official capacity as  
23 the Executive Officer of the California Board of Accountancy (CBA), Department of Consumer  
24 Affairs.
- 25 2. On or about October 12, 1984, the CBA issued Certified Public Accountant  
26 Certificate No. 41427 to respondent Richard Claude Tremelling. This certified public accountant  
27 certificate was expired from September 1, 2004, through August 31, 2009. It was renewed with  
28 inactive status from September 1, 2009, through August 31, 2011. It was expired from September

1 1, 2011, through June 18, 2012. It was renewed in the active status on June 19, 2012, and will  
2 expire on August 31, 2016, unless renewed.

3 3. On or about October 31, 2002, the CBA issued Fictitious Name Permit No. 1230  
4 to respondent Tremelling & Associates. Fictitious Name Permit No. 1230 expired on November  
5 1, 2007. The CBA issued Fictitious Name Permit No. 2566 to respondent on July 23, 2013.  
6 Fictitious Name Permit No. 2566 will expire on July 31, 2018, unless renewed.

7 **II. JURISDICTION**

8 4. This accusation is brought before the CBA under the authority of the following  
9 laws.

10 5. **Business and Professions Code section 5050.1, subdivision (a)**, states:

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

14 6. **Business and Professions Code section 5109** states:

15 "The expiration, cancellation, forfeiture, or suspension of a license, practice privilege, or  
16 other authority to practice public accountancy by operation of law or by order or decision of the  
17 board or a court of law, the placement of a license on a retired status, or the voluntary surrender  
18 of a license by a licensee shall not deprive the board of jurisdiction to commence or proceed with  
19 any investigation of or action or disciplinary proceeding against the licensee, or to render a  
20 decision suspending or revoking the license."

21 7. **Business and Professions Code section 5116, subdivision (a)**, states:

22 "The board, after appropriate notice and an opportunity for hearing, may order any  
23 licensee or applicant for licensure or examination to pay an administrative penalty as provided in  
24 this article as part of any disciplinary proceeding or other proceeding provided for in this  
25 chapter."

26 **III. STATUTORY AND REGULATORY AUTHORITY**

27 8. **Business and Professions Code section 5050, subdivision (a)**, states:

28 "Except as provided in subdivisions (b) and (c) of this section, in subdivision (a) of

1 Section 5054, and in Section 5096.12, no person shall engage in the practice of public  
2 accountancy in this state unless the person is the holder of a valid permit to practice public  
3 accountancy issued by the board or a holder of a practice privilege pursuant to Article 5.1  
4 (commencing with Section 5096).”

5 9. **Business and Professions Code section 5060, subdivision (c)**, states:

6 “Notwithstanding subdivision (b), a sole proprietor may practice under a name other than  
7 the name set forth on his or her permit to practice, provided the name is registered by the board, is  
8 in good standing, and complies with the requirements of subdivision (a).”

9 10. **Business and Professions Code section 5062** states:

10 “A licensee shall issue a report which conforms to professional standards upon completion  
11 of a compilation, review or audit of financial statements.”

12 11. **Business and Professions Code section 5076, subdivision (a)**, states:

13 “In order to renew its registration in an active status or convert to an active status, a firm,  
14 as defined in Section 5035.1, shall have a peer review report of its accounting and auditing  
15 practice accepted by a board-recognized peer review program no less frequently than every three  
16 years.”

17 12. **Business and Professions Code section 5097, subdivision (b)**, states:

18 “Audit documentation shall contain sufficient documentation to enable a reviewer with  
19 relevant knowledge and experience, having no previous connection with the audit engagement, to  
20 understand the nature, timing, extent, and results of the auditing or other procedures performed,  
21 evidence obtained, and conclusions reached, and to determine the identity of the persons who  
22 performed and reviewed the work.”

23 13. **Business and Professions Code section 5100** states in part:

24 “After notice and hearing the board may revoke, suspend, or refuse to renew any permit or  
25 certificate granted under Article 4 (commencing with Section 5070) and Article 5 (commencing  
26 with Section 5080), or may censure the holder of that permit or certificate for unprofessional  
27 conduct that includes, but is not limited to, one or any combination of the following causes:

28 ...

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

6           ...

7           “(e) Violation of Section 5097.

8           ...

9           “(g) Willful violation of this chapter or any rule or regulation promulgated by the board  
10 under the authority granted under this chapter.”

11           14.     **California Code of Regulations, title 16, section 40, subdivision (a)**, states:

12           “A firm performing services as defined in Section 39(a) shall have a peer review report  
13 accepted by a Board-recognized peer review program once every three years in order to renew its  
14 license.”

15           15.     **California Code of Regulations, title 16, section 41**, states:

16           “A firm shall enroll with a Board-recognized peer review program provider, and shall  
17 cooperate with the Board-recognized peer review program provider with which the firm is  
18 enrolled to arrange, schedule, and complete a peer review, in addition to taking and completing  
19 any remedial or corrective actions prescribed by the Board-recognized peer review program  
20 provider.”

21           16.     **California Code of Regulations, title 16, section 45**, states in part:

22           “(a) Beginning on January 1, 2014, at the time of renewal, a licensee shall report to the  
23 Board specific peer review information as required on Form PR-1 (Rev. 1/12), which is hereby  
24 incorporated by reference.

25           “(b) Prior to January 1, 2014, the date for existing California licensees to report peer  
26 review results, on the form indicated in subsection (a), shall be based on the licensee’s license  
27 number according to the following schedule: for license numbers ending with 01-33 the reporting  
28 date is no later than July 1, 2011; for license numbers ending with 34-66 the reporting date is no

1 later than July 1, 2012; for license numbers ending with 67-00 the reporting date is no later than  
2 July 1, 2013.”

3 17. **California Code of Regulations, title 16, section 46, subdivision (b)**, states:

4 “Upon request by the Board, a firm shall submit to the Board all requested documents  
5 related to the peer review including:

6 “(1) If the firm received a peer review report issued under Section 48(b)(1)(A) or  
7 (b)(2)(A) it shall submit the copy of the peer review report including materials documenting the  
8 acceptance of the report.

9 “(2) If the firm received a peer review report issued under Section 48(b)(1)(B) or  
10 (b)(2)(B) it shall submit the copy of peer review report including any materials documenting the  
11 prescription of remedial or corrective actions imposed by a Board-recognized peer review  
12 program provider. In addition, a firm shall also submit any materials, if available, documenting  
13 completion of any or all of the prescribed remedial or corrective actions.”

14 18. **California Code of Regulations, title 16, section 58**, states:

15 “Licensees engaged in the practice of public accountancy shall comply with all applicable  
16 professional standards, including but not limited to generally accepted accounting principles and  
17 generally accepted auditing standards.”

18 19. **California Code of Regulations, title 16, section 68.2**, states in part:

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

23 “(c) Audit documentation shall include both the report date and the date of issuance of the  
24 report.”

25 20. **California Code of Regulations, title 16, section 80, subdivision (b)**, states in  
26 part:

27 “The holder of a license in an inactive status shall not engage in the practice of public  
28 accountancy as defined in Section 5051 of the Business and Professions Code.”

1           21.     **California Code of Regulations, title 16, section 89**, states in part:

2           “(b) If credit is claimed for completing the two hour regulatory review course specified in  
3 Section 87.8, a licensee shall obtain and retain for six years after renewal of his/her license, a  
4 certificate of completion or its equivalent.

5           ...

6           “(c) If continuing education credit for attending a continuing education course is claimed,  
7 the licensee shall obtain and retain for four years after renewal a certificate of completion or its  
8 equivalent.

9           ...

10          “(d) If continuing education credit is claimed for completing a self-study course, the  
11 licensee shall obtain and retain for four years after renewal a receipt or its equivalent.

12          ...

13          “(j) The Board may solicit and verify such information. If a licensee is found to have a  
14 deficiency, the licensee shall be so notified and shall be required to provide copies of the  
15 documentation required by this section.”

16                               **IV.     APPLICABLE PROFESSIONAL STANDARDS**

17          22.     Professional standards or standards of practice pertinent to this accusation include  
18 the following:

19          23.     Generally Accepted Auditing Standards (GAAS) are issued by the American  
20 Institute of Certified Public Accountants (AICPA). The ten interrelated GAAS (AU § 150.02) are  
21 discussed in the Statements on Auditing Standards (SAS). The SAS is codified by “AU” number  
22 in the AICPA’s Codification of Statements on Auditing Standards.

23          24.     **AU 150.02** states:

24                “The general, field work, and reporting standards (the 10 standards) approved and adopted  
25 by the membership of the AICPA, as amended by the AICPA Auditing Standards Board (ASB),  
26 are as follows :

27                “General Standards

28                “1. The auditor must have adequate technical training and proficiency to perform the

1 audit.

2 "2. The auditor must maintain independence in mental attitude in all matters relating to the  
3 audit.

4 "3. The auditor must exercise due professional care in the performance of the audit and  
5 the preparation of the report.

6 "Standards of Field Work

7 "1. The auditor must adequately plan the work and must properly supervise any assistants.

8 "2. The auditor must obtain a sufficient understanding of the entity and its environment,  
9 including its internal control, to assess the risk of material misstatement of the financial  
10 statements whether due to error or fraud, and to design the nature, timing, and extent of further  
11 audit procedures.

12 "3. The auditor must obtain sufficient appropriate audit evidence by performing audit  
13 procedures to afford a reasonable basis for an opinion regarding the financial statements under  
14 audit.

15 "Standards of Reporting

16 "1. The auditor must state in the auditor's report whether the financial statements are  
17 presented in accordance with generally accepted accounting principles.

18 "2. The auditor must identify in the auditor's report those circumstances in which such  
19 principles have not been consistently observed in the current period in relation to the preceding  
20 period.

21 "3. When the auditor determines that informative disclosures are not reasonably adequate,  
22 the auditor must so state in the auditor's report.

23 "4. The auditor must either express an opinion regarding the financial statements, taken as  
24 a whole, or state that an opinion cannot be expressed, in the auditor's report. When the auditor  
25 cannot express an overall opinion, the auditor should state the reasons therefor in the auditor's  
26 report. In all cases where an auditor's name is associated with financial statements, the auditor  
27 should clearly indicate the character of the auditor's work, if any, and the degree of responsibility  
28 the auditor is taking, in the auditor's report."

1           25.    **AU 150.04** states:

2           “The nature of the 10 standards and the SASs requires the auditor to exercise professional  
3 judgment in applying them. Materiality and audit risk also underlie the application of the 10  
4 standards and the SASs, particularly those related to field work and reporting. When, in rare  
5 circumstances, the auditor departs from a presumptively mandatory requirement, the auditor must  
6 document in the working papers his or her justification for the departure and how the alternative  
7 procedures performed in the circumstances were sufficient to achieve the objectives of the  
8 presumptively mandatory requirement.”

9           26.    **AU 311.08** states:

10          “The auditor should establish an understanding with the client regarding the services to be  
11 performed for each engagement and should document the understanding through a written  
12 communication with the client. Such an understanding reduces the risk that either the auditor or  
13 the client may misinterpret the needs or expectations of the other party. For example, it reduces  
14 the risk that the client may inappropriately rely on the auditor to protect the entity against certain  
15 risks or to perform certain functions that are the client's responsibility. The understanding should  
16 include the objectives of the engagement, management's responsibilities, the auditor's  
17 responsibilities, and limitations of the engagement.”

18          27.    **AU 311.13** states:

19          “The auditor should establish the overall audit strategy for the audit.”

20          28.    **AU 311.14** states:

21          “In establishing the overall audit strategy, the auditor should:

22          “a. Determine the characteristics of the engagement that define its scope, such as the basis  
23 of reporting, industry-specific reporting requirements, and the locations of the entity;

24          “b. Ascertain the reporting objectives of the engagement to plan the timing of the audit  
25 and the nature of the communications required, such as deadlines for interim and final reporting,  
26 and key dates for expected communications with management and those charged with  
27 governance; and

28          “c. Consider the important factors that will determine the focus of the audit team's efforts,

1 such as determination of appropriate materiality levels, preliminary identification of areas where  
2 there may be higher risks of material misstatement, preliminary identification of material  
3 locations and account balances, evaluation of whether the auditor may plan to obtain evidence  
4 regarding the operating effectiveness of internal control, and identification of recent significant  
5 entity-specific, industry, financial reporting, or other relevant developments.

6 “In developing the audit strategy, the auditor also should consider the results of  
7 preliminary engagement activities (see paragraphs .11 and .12) and, where practicable, experience  
8 gained on other engagements performed for the entity.

9 “The Appendix [paragraph .34] to this section lists examples of matters the auditor may  
10 consider in establishing the overall audit strategy for an engagement.”

11 29. AU 311.19 states:

12 “The auditor must develop an audit plan in which the auditor documents the audit  
13 procedures to be used that, when performed, are expected to reduce audit risk to an acceptably  
14 low level.”

15 30. AU 311.21 states:

16 “The audit plan should include:

17 “• A description of the nature, timing, and extent of planned risk assessment procedures  
18 sufficient to assess the risks of material misstatement, as determined under section 314,  
19 Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement.

20 “• A description of the nature, timing, and extent of planned further audit procedures at  
21 the relevant assertion level for each material class of transactions, account balance, and  
22 disclosure, as determined under section 318, Performing Audit Procedures in Response to  
23 Assessed Risks and Evaluating the Audit Evidence Obtained. The plan for further audit  
24 procedures reflects the auditor’s decision whether to test the operating effectiveness of controls,  
25 and the nature, timing, and extent of planned substantive procedures.

26 “• A description of other audit procedures to be carried out for the engagement in order to  
27 comply with generally accepted auditing standards (for example, seeking direct communication  
28 with the entity’s lawyers).

1           “Planning for these audit procedures takes place over the course of the audit as the audit  
2 plan for the engagement develops. For example, planning of the auditor’s risk assessment  
3 procedures may occur early in the audit process. However, planning of the nature, timing, and  
4 extent of specific further audit procedures depends on the outcome of those risk assessment  
5 procedures. The auditor should document changes to the original audit plan. In addition, the  
6 auditor may begin the execution of further audit procedures for some classes of transactions,  
7 account balances, and disclosures before completing the more detailed audit plan of all remaining  
8 further audit procedures.”

9           31.    **AU 312.69** states:

10           “The auditor should document:

11           “a. The levels of materiality, as discussed in paragraph .27, and tolerable misstatement,  
12 including any changes thereto, used in the audit and the basis on which those levels were  
13 determined.

14           “b. A summary of uncorrected misstatements, other than those that are trivial, related to  
15 known and likely misstatements.

16           “c. The auditor’s conclusion as to whether uncorrected misstatements, individually or in  
17 aggregate, do or do not cause the financial statements to be materially misstated, and the basis for  
18 that conclusion.

19           “d. All known and likely misstatements identified by the auditor during the audit, other  
20 than those that are trivial, that have been corrected by management.”

21           32.    **AU 314.06** states:

22           “The auditor should perform the following risk assessment procedures to obtain an  
23 understanding of the entity and its environment, including its internal control:

24           “a. Inquiries of management and others within the entity

25           “b. Analytical procedures

26           “c. Observation and inspection

27           “The auditor is not required to perform all the risk assessment procedures described above  
28 for each aspect of the understanding described in paragraph .21. However, all the risk assessment

1 procedures should be performed by the auditor in the course of obtaining the required  
2 understanding.”

3 33. AU 314.40 states:

4 “The auditor should obtain an understanding of the five components of internal control  
5 sufficient to assess the risk of material misstatement of the financial statements whether due to  
6 error or fraud, and to design the nature, timing, and extent of further audit procedures. The  
7 auditor should obtain a sufficient understanding by performing risk assessment procedures to  
8 evaluate the design of controls relevant to an audit of financial statements and to determine  
9 whether they have been implemented. The auditor should use such knowledge to:

10 “• Identify types of potential misstatements.

11 “• Consider factors that affect the risks of material misstatement.

12 “• Design tests of controls, when applicable, and substantive procedures.”

13 34. AU 314.41 states:

14 “Internal control is a process – effected by those charged with governance, management,  
15 and other personnel – designed to provide reasonable assurance about the achievement of the  
16 entity’s objectives with regard to reliability of financial reporting, effectiveness and efficiency of  
17 operations, and compliance with applicable laws and regulations. Internal control over  
18 safeguarding of assets against unauthorized acquisition, use, or disposition may include controls  
19 relating to financial reporting and operations objectives. Internal control consists of five  
20 interrelated components:

21 “a. Control environment sets the tone of an organization, influencing the control  
22 consciousness of its people. It is the foundation for all other components of internal  
23 control, providing discipline and structure.

24 “b. Entity’s risk assessment is the entity’s identification and analysis of relevant risks to  
25 achievement of its objectives, forming a basis for determining how the risks should be managed.

26 “c. Information and communication systems support the identification, capture, and  
27 exchange of information in a form and time frame that enable people to carry out their  
28 responsibilities.

1           “d. Control activities are the policies and procedures that help ensure that management  
2 directives are carried out.

3           “e. Monitoring is a process that assesses the quality of internal control performance over  
4 time.

5           “Appendix B [paragraph .126] contains a detailed discussion of the internal control  
6 components.”

7           35.    **AU 314.55** states:

8           “As stated in paragraph .06, the auditor should perform risk assessment procedures to  
9 obtain an understanding of internal control. Procedures to obtain audit evidence about the design  
10 and implementation of relevant controls may include inquiring of entity personnel, observing the  
11 application of specific controls, inspecting documents and reports, and tracing transactions  
12 through the information system relevant to financial reporting. Inquiry alone is not sufficient to  
13 evaluate the design of a control relevant to an audit and to determine whether it has been  
14 implemented.”

15          36.    **AU 314.70** states:

16          “The auditor should obtain sufficient knowledge of the control environment to understand  
17 the attitudes, awareness, and actions of those charged with governance concerning the entity’s  
18 internal control and its importance in achieving reliable financial reporting. In understanding the  
19 control environment, the auditor should concentrate on the implementation of controls because  
20 controls may be established but not acted upon.”

21          37.    **AU 314.102** states:

22          “The auditor should identify and assess the risks of material misstatement at the financial  
23 statement level and at the relevant assertion level related to classes of transactions, account  
24 balances, and disclosures. For this purpose, the auditor should:

25           “• Identify risks throughout the process of obtaining an understanding of the entity and its  
26 environment, including relevant controls that relate to the risks, and considering the classes of  
27 transactions, account balances, and disclosures in the financial statements.

28           “• Relate the identified risks to what can go wrong at the relevant assertion level.

1       “• Consider whether the risks are of a magnitude that could result in a material  
2 misstatement of the financial statements.

3       “• Consider the likelihood that the risks could result in a material misstatement of the  
4 financial statements.”

5       38.    **AU 314.122** states:

6       “The auditor should document:

7       “a. The discussion among the audit team regarding the susceptibility of the entity’s  
8 financial statements to material misstatement due to error or fraud, including how and when the  
9 discussion occurred, the subject matter discussed, the audit team members who participated, and  
10 significant decisions reached concerning planned responses at the financial statement and relevant  
11 assertion levels.

12       “b. Key elements of the understanding obtained regarding each of the aspects of the entity  
13 and its environment identified in paragraph .21, including each of the components of internal  
14 control identified in paragraph .41, to assess the risks of material misstatement of the financial  
15 statements; the sources of information from which the understanding was obtained; and the risk  
16 assessment procedures.

17       “c. The assessment of the risks of material misstatement both at the financial statement  
18 level and at the relevant assertion level as required by paragraph .102 and the basis for the  
19 assessment.

20       “d. The risks identified and related controls evaluated as a result of the requirements in  
21 paragraphs .110 and .117.”

22       39.    **AU 316.58** states:

23       “Examining journal entries and other adjustments for evidence of possible material  
24 misstatement due to fraud. Material misstatements of financial statements due to fraud often  
25 involve the manipulation of the financial reporting process by (a) recording inappropriate or  
26 unauthorized journal entries throughout the year or at period end, or (b) making adjustments to  
27 amounts reported in the financial statements that are not reflected in formal journal entries, such  
28 as through consolidating adjustments, report combinations, and reclassifications. Accordingly,

1 the auditor should design procedures to test the appropriateness of journal entries recorded in the  
2 general ledger and other adjustments (for example, entries posted directly to financial statement  
3 drafts) made in the preparation of the financial statements. More specifically, the auditor should:

4 "a. Obtain an understanding of the entity's financial reporting process and the controls  
5 over journal entries and other adjustments. (See paragraphs .59 and .60.)

6 "b. Identify and select journal entries and other adjustments for testing. (See paragraph  
7 .61.)

8 "c. Determine the timing of the testing. (See paragraph .62.)

9 "d. Inquire of individuals involved in the financial reporting process about inappropriate  
10 or unusual activity relating to the processing of journal entries and other adjustments."

11 40. AU 316.83 states:

12 "The auditor should document the following:

13 "• The discussion among engagement personnel in planning the audit regarding the  
14 susceptibility of the entity's financial statements to material misstatement due to fraud, including  
15 how and when the discussion occurred, the audit team members who participated, and the subject  
16 matter discussed (See paragraphs .14 through .17.)

17 "• The procedures performed to obtain information necessary to identify and assess the  
18 risks of material misstatement due to fraud (See paragraphs .19 through .34.)

19 "• Specific risks of material misstatement due to fraud that were identified (see paragraphs  
20 .35 through .45), and a description of the auditor's response to those risks (See paragraphs .46  
21 through .56.)

22 "• If the auditor has not identified in a particular circumstance, improper revenue  
23 recognition as a risk of material misstatement due to fraud, the reasons supporting the auditor's  
24 conclusion (See paragraph .41.)

25 "• The results of the procedures performed to further address the risk of management  
26 override of controls (See paragraphs .58 through .67.)

27 "• Other conditions and analytical relationships that caused the auditor to believe that  
28 additional auditing procedures or other responses were required and any further responses the

1 auditor concluded were appropriate, to address such risks or other conditions (See paragraphs .68  
2 through .73.)

3 “• The nature of the communications about fraud made to management, those charged  
4 with governance, and others (See paragraphs .79 through .82.)”

5 41. AU 318.44 states:

6 “When there are a number of controls for which the auditor determines that it is  
7 appropriate to use audit evidence obtained in prior audits, the auditor should test the operating  
8 effectiveness of some controls each year. The purpose of such tests of operating effectiveness is  
9 to avoid the possibility that the auditor might apply the approach of paragraph .42 to all controls  
10 on which the auditor proposes to rely, but test all those controls in a single audit period with no  
11 testing of controls in the subsequent two audit periods. In addition to providing audit evidence  
12 about the operating effectiveness of the controls being tested in the current audit, such tests  
13 provide collateral evidence about the continuing effectiveness of the control environment and  
14 therefore contribute to the decision about whether it is appropriate to rely on audit evidence  
15 obtained in prior audits. Therefore, when the auditor determines in accordance with paragraphs  
16 .40 through .43 that it is appropriate to use audit evidence obtained in prior audits for a number of  
17 controls, the auditor should plan to test a sufficient portion of the controls in each audit period, so  
18 that at a minimum, each control is tested at least every third audit.”

19 42. AU 318.52 states:

20 “The auditor's substantive procedures should include the following audit procedures  
21 related to the financial statement reporting process:

22 “• Agreeing the financial statements, including their accompanying notes, to the  
23 underlying accounting records; and

24 “• Examining material journal entries and other adjustments made during the course of  
25 preparing the financial statements.

26 “The nature and extent of the auditor's examination of journal entries and other  
27 adjustments depend on the nature and complexity of the entity's financial reporting system and  
28 the associated risks of material misstatement.”

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

43. AU 318.77 states:

“The auditor should document:

“a. The overall responses to address the assessed risks of misstatement at the financial statement level

“b. The nature, timing, and extent of the further audit procedures

“c. The linkage of those procedures with the assessed risks at the relevant assertion level

“d. The results of the audit procedures

“e. The conclusions reached with regard to the use in the current audit of audit evidence about the operating effectiveness of controls that was obtained in a prior audit

“The manner in which these matters are documented is based on the auditor’s professional judgment. Section 339, Audit Documentation, establishes standards and provides guidance regarding documentation in the context of the audit of financial statements.”

44. AU 326.15 states:

“Assertions used by the auditor (see paragraph .16) fall into the following categories:

“a. Assertions about classes of transactions and events for the period under audit:

“i. Occurrence. Transactions and events that have been recorded have occurred and pertain to the entity.

“ii. Completeness. All transactions and events that should have been recorded have been recorded.

“iii. Accuracy. Amounts and other data relating to recorded transactions and events have been recorded appropriately.

“iv. Cutoff. Transactions and events have been recorded in the correct accounting period.

“v. Classification. Transactions and events have been recorded in the proper accounts.

“b. Assertions about account balances at the period end:

“i. Existence. Assets, liabilities, and equity interests exist.

“ii. Rights and obligations. The entity holds or controls the rights to assets, and liabilities are the obligations of the entity.

“iii. Completeness. All assets, liabilities, and equity interests that should have been

1 recorded have been recorded.

2 "iv. Valuation and allocation. Assets, liabilities, and equity interests are included in the  
3 financial statements at appropriate amounts and any resulting valuation or allocation adjustments  
4 are appropriately recorded.

5 "c. Assertions about presentation and disclosure:

6 "i. Occurrence and rights and obligations. Disclosed events and transactions have  
7 occurred and pertain to the entity.

8 "ii. Completeness. All disclosures that should have been included in the financial  
9 statements have been included.

10 "iii. Classification and understandability. Financial information is appropriately presented  
11 and described and disclosures are clearly expressed.

12 "iv. Accuracy and valuation. Financial and other information are disclosed fairly and at  
13 appropriate amounts."

14 45. AU 326.17 states:

15 "The auditor should use relevant assertions for classes of transactions, account balances,  
16 and presentation and disclosures in sufficient detail to form a basis for the assessment of risks of  
17 material misstatement and the design and performance of further audit procedures. The auditor  
18 should use relevant assertions in assessing risks by considering the different types of potential  
19 misstatements that may occur, and then designing further audit procedures that are responsive to  
20 the assessed risks."

21 46. AU 329.04 states:

22 "Analytical procedures are used for the following purposes:

23 "a. To assist the auditor in planning the nature, timing, and extent of other auditing  
24 procedures

25 "b. As a substantive test to obtain audit evidence about particular assertions related to  
26 account balances or classes of transactions

27 "c. As an overall review of the financial information in the final review stage of the audit

28 "Analytical procedures should be applied to some extent for the purposes referred to in (a)

1 and (c) above for all audits of financial statements made in accordance with generally accepted  
2 auditing standards. In addition, in some cases, analytical procedures can be more effective or  
3 efficient than tests of details for achieving particular substantive testing objectives.”

4 47. AU 329.22 states:

5 “When an analytical procedure is used as the principal substantive test of a significant  
6 financial statement assertion, the auditor should document all of the following:

7 “a. The expectation, where that expectation is not otherwise readily determinable from the  
8 documentation of the work performed, and factors considered in its development

9 “b. Results of the comparison of the expectation to the recorded amounts or ratios  
10 developed from recorded amounts

11 “c. Any additional auditing procedures performed in response to significant unexpected  
12 differences arising from the analytical procedure and the results of such additional procedures”

13 48. AU 337.08 states:

14 “A letter of audit inquiry to the client’s lawyer is the auditor’s primary means of obtaining  
15 corroboration of the information furnished by management concerning litigation, claims, and  
16 assessments. Audit evidence obtained from the client’s inside general counsel or legal  
17 department may provide the auditor with the necessary corroboration. However, audit evidence  
18 obtained from inside counsel is not a substitute for information outside counsel refuses to  
19 furnish.”

20 49. AU 339.03 states:

21 “The auditor must prepare audit documentation in connection with each engagement in  
22 sufficient detail to provide a clear understanding of the work performed (including the nature,  
23 timing, extent, and results of audit procedures performed), the audit evidence obtained and its  
24 source, and the conclusions reached. Audit documentation:

25 “a. Provides the principal support for the representation in the auditor’s report that the  
26 auditor performed the audit in accordance with generally accepted auditing standards.

27 “b. Provides the principal support for the opinion expressed regarding the financial  
28 information or the assertion to the effect that an opinion cannot be expressed.”

1           50.    **AU 339.10** states:

2            “The auditor should prepare audit documentation that enables an experienced auditor,  
3 having no previous connection to the audit, to understand:

4            “a. The nature, timing, and extent of auditing procedures performed to comply with SASs  
5 and applicable legal and regulatory requirements;

6            “b. The results of the audit procedures performed and the audit evidence obtained;

7            “c. The conclusions reached on significant matters; and

8            “d. That the accounting records agree or reconcile with the audited financial statements or  
9 other audited information.”

10          51.    **AU 339.16** states:

11          “If the auditor has identified information that contradicts or is inconsistent with the  
12 auditor’s final conclusions regarding a significant finding or issue, the auditor should document  
13 how the auditor addressed the contradiction or inconsistency in forming the conclusion.”

14          52.    **AU 339.18** states:

15          “In documenting the nature, timing, and extent of audit procedures performed, the auditor  
16 should record:

17          “a. Who performed the audit work and the date such work was completed; and

18          “b. Who reviewed specific audit documentation and the date of such review.”

19          53.    **AU 339.20** states:

20          “Audit documentation of procedures performed, including tests of operating effectiveness  
21 of controls and substantive tests of details that involve inspection of documents or confirmation  
22 should include the identifying characteristics of the specific items tested.”

23          54.    **AU 339.27** states:

24          “The auditor should complete the assembly of the final audit file on a timely basis, but  
25 within 60 days following the report release date (documentation completion date). Statutes,  
26 regulations, or the audit firm’s quality control policies may specify a shorter period of time in  
27 which this assembly process should be completed.”

28          ///

1           55.    **AU 350.26** states:

2            “The auditor should project the misstatement results of the sample to the items from  
3 which the sample was selected. There are several acceptable ways to project misstatements from  
4 a sample. For example, an auditor may have selected a sample of every twentieth item (50 items)  
5 from a population containing one thousand items. If he discovered overstatements of \$3,000 in  
6 that sample, the auditor could project a \$60,000 overstatement by dividing the amount of  
7 misstatement in the sample by the fraction of total items from the population included in the  
8 sample. The auditor should add that projection to the misstatements discovered in any items  
9 examined 100 percent. This total projected misstatement should be compared with the tolerable  
10 misstatement for the account balance or class of transactions, and appropriate consideration  
11 should be given to sampling risk. If the total projected misstatement is less than tolerable  
12 misstatement for the account balance or class of transactions, the auditor should consider the risk  
13 that such a result might be obtained even though the true monetary misstatement for the  
14 population exceeds tolerable misstatement. For example, if the tolerable misstatement in an  
15 account balance of \$1 million is \$50,000 and the total projected misstatement based on an  
16 appropriate sample (see paragraph .23) is \$10,000, he may be reasonably assured that there is an  
17 acceptably low sampling risk that the true monetary misstatement for the population exceeds  
18 tolerable misstatement. On the other hand, if the total projected misstatement is close to the  
19 tolerable misstatement, the auditor may conclude that there is an unacceptably high risk that the  
20 actual misstatements in the population exceed the tolerable misstatement. An auditor uses  
21 professional judgment in making such evaluations.”

22           56.    **AU 530.01** states:

23            “The auditor’s report should not be dated earlier than the date on which the auditor has  
24 obtained sufficient appropriate audit evidence to support the opinion. Paragraph .05 describes the  
25 procedure to be followed when a subsequent event occurring after the date of the auditor’s report  
26 is disclosed in the financial statements.”

27           57.    **AU 560.11** states:

28            “Certain specific procedures are applied to transactions occurring after the balance-sheet

1 date such as (a) the examination of data to assure that proper cutoffs have been made and (b) the  
2 examination of data which provide information to aid the auditor in his evaluation of the assets  
3 and liabilities as of the balance-sheet date.”

4 58. Generally Accepted Government Auditing Standards (GAGAS) are discussed in  
5 the GAO’s Government Auditing Standards, 2011 Revision, as amended (Yellow Book), Chapter  
6 3.

7 59. **Yellow Book 3.76** states:

8 “Auditors performing work in accordance with GAGAS, including planning, directing,  
9 performing audit procedures, or reporting on an audit conducted in accordance with GAGAS,  
10 should maintain their professional competence through continuing professional education (CPE).  
11 Therefore, each auditor performing work in accordance with GAGAS should complete, every 2  
12 years, at least 24 hours of CPE that directly relates to government auditing, the government  
13 environment, or the specific or unique environment in which the audited entity operates.  
14 Auditors who are involved in any amount of planning, directing, or reporting on GAGAS audits  
15 and auditors who are not involved in those activities but charge 20 percent or more of their time  
16 annually to GAGAS audits should also obtain at least an additional 56 hours of CPE (for a total of  
17 80 hours of CPE in every 2-year period) that enhances the auditor’s professional proficiency to  
18 perform audits. Auditors required to take the total 80 hours of CPE should complete at least 20  
19 hours of CPE in each year of the 2-year periods. Auditors hired or initially assigned to GAGAS  
20 audits after the beginning of an audit organization’s 2-year CPE period should complete a  
21 prorated number of CPE hours.”

22 60. **Yellow Book 3.82** states:

23 “Each audit organization performing audits in accordance with GAGAS must:

24 “a. establish and maintain a system of quality control that is designed to provide the audit  
25 organization with reasonable assurance that the organization and its personnel comply with  
26 professional standards and applicable legal and regulatory requirements, and

27 “b. have an external peer review performed by reviewers independent of the audit  
28 organization being reviewed at least once every 3 years.”



1 **A. Respondent's audit documentation lacked evidence to support that the engagements**  
2 **were properly planned.**

3 1) HOL

4 a. Respondent failed to assess materiality, perform analytical procedures, or  
5 document his consideration of fraud.

6 b. Respondent did not have an overall audit strategy or an audit plan.

7 c. Respondent's documentation did not include dates of preparation, conclusions, or  
8 preparer and reviewer information.

9 2) SYC

10 a. Respondent failed to timely obtain a signed engagement letter, assess materiality,  
11 or perform analytical procedures. Respondent failed to document his understanding of the entity  
12 or his consideration of fraud.

13 b. Respondent did not have an overall audit strategy or a more detailed audit plan.  
14 The documentation contained a blank "Summary of Audit Objectives" which did not contain  
15 overall objectives, assess areas of higher risk, or contain information about the testing of internal  
16 controls. The blank audit plans did not reduce audit risk to an acceptably low level and did not  
17 include information that adequately explained the nature, timing, or extent of audit procedures  
18 performed.

19 c. Respondent's documentation did not include dates of preparation, conclusions, or  
20 preparer and reviewer information.

21 **B. Respondent failed to document his understanding of the internal control structure**  
22 **and the assessed level of control risk.**

23 1) HOL

24 a. Respondent did not obtain an understanding of the five components of internal  
25 control. He did not evaluate internal controls or test their effectiveness. He did not assess risk at  
26 the relevant assertion level for each class of transactions, account balance, and disclosure.

27 b. Respondent's documentation did not include dates of preparation, conclusions, or  
28 preparer, and reviewer information.

- 1 2) SYC
- 2 a. Respondent did not obtain an understanding of the five components of internal
- 3 control. He did not evaluate internal controls or test their effectiveness. He did not assess risk at
- 4 the relevant assertion level for each class of transactions, account balance, and disclosure.
- 5 b. Respondent's documentation did not include dates of preparation, conclusions, or
- 6 preparer and reviewer information.
- 7 **C. Respondent failed to obtain sufficient audit evidence.**
- 8 1) HOL
- 9 a. The audit documentation provided by respondent would not enable an experienced
- 10 auditor to understand the work performed and the conclusions reached. Respondent did not audit
- 11 material accounts such as cash, fixed assets, rental income, office salaries, legal fees, or
- 12 management fees. Respondent did not document linkage between procedures and assessed risk at
- 13 the relevant assertion level. Respondent's documentation contained tickmarks but did not include
- 14 dates of preparation, conclusions, or preparer and reviewer information.
- 15 2) SYC
- 16 a. The audit documentation provided by respondent would not enable an experienced
- 17 auditor to understand the work performed and the conclusions reached. Respondent did not audit
- 18 material accounts such as cash, security deposits, deferred rent, reserve for replacements, rental
- 19 income, or management fees. Respondent failed to address contradictions in the documentation.
- 20 Respondent did not document linkage between procedures and assessed risk at the relevant
- 21 assertion level. Respondent's documentation did not include dates of preparation, conclusions, or
- 22 preparer and reviewer information.
- 23 **D. Respondent failed to make inquiries of the client's legal counsel.**
- 24 1) HOL
- 25 a. Respondent's audit documentation did not include litigation, claims, or assessment
- 26 information from management or any corroborating information from legal counsel.
- 27 b. Respondent did not document his justification for the departure from
- 28 presumptively mandatory requirements or how the alternative procedures performed in the

1 circumstances were sufficient to achieve the objectives.

2 **E. Respondent failed to perform cut-off procedures and failed to examine material**  
3 **journal entries.**

4 1) HOL

5 a. On September 28, 2012, respondent issued the auditor's report for the year ended  
6 July 31, 2012. Respondent did not perform procedures to determine that additions and deductions  
7 to net assets were reported in the proper period and that there were no unrecorded transactions.  
8 Respondent did not examine journal entries for evidence of possible misstatement.

9 2) SYC

10 a. On September 1, 2011, respondent issued the auditor's report for the year ended  
11 June 30, 2011. Respondent did not perform procedures to determine that additions and  
12 deductions to net assets were reported in the proper period and that there were no unrecorded  
13 transactions. Respondent did not examine journal entries for evidence of possible misstatement.

14 **F. Respondent failed to comply with governmental auditing standards.**

15 a. Between September 1, 2011, and August 31, 2013, respondent did not obtain the  
16 required additional 56 hours that enhanced his professional proficiency to perform audits.

17 b. Respondent performed audits while his license was inactive or expired.

18 c. Respondent failed to obtain an external peer review.

19 d. Respondent did not have or maintain a system of quality control.

20 **VII. CAUSES FOR DISCIPLINE**

21 **First Cause for Discipline**

22 **Unprofessional Conduct: Gross Negligence**

23 **Business and Professions Code section 5100, subdivision (c); Codification of Statements on**  
24 **Auditing Standards AU sections 150, 311, 312, 314, 316, 318, 326, 329, 337, 339, 350, 530,**  
25 **and 560; Government Auditing Standards (Yellow Book), Chapter 3**

26 65. The allegations of paragraph 64 are realleged and incorporated by reference as if  
27 fully set forth.

28 66. Respondent has subjected his certified public accountant certificate and fictitious  
name permit to discipline for the unprofessional conduct of gross negligence (Bus & Prof. Code,  
§ 5100, subd. (c)). Respondent performed audits for HOL and SYC which contained numerous

1 extreme departures from professional standards, including departures from generally accepted  
2 auditing standards.

3 **Second Cause for Discipline**  
4 **Unprofessional Conduct: Repeated Negligent Acts**  
5 **Business and Professions Code section 5100, subdivision (c); Codification of Statements on**  
6 **Auditing Standards AU sections 150, 311, 312, 314, 316, 318, 326, 329, 337, 339, 350, 530,**  
7 **and 560; Government Auditing Standards (Yellow Book), Chapter 3**

8 67. The allegations of paragraph 64 are realleged and incorporated by reference as if  
9 fully set forth.

10 68. Respondent has subjected his certified public accountant certificate and fictitious  
11 name permit to discipline for the unprofessional conduct of repeated negligent acts (Bus & Prof.  
12 Code, § 5100, subd. (c)). Respondent performed audits for HOL and SYC which contained  
13 numerous extreme departures from professional standards, including departures from generally  
14 accepted auditing standards.

15 **Third Cause for Discipline**  
16 **Unprofessional Conduct: Willful Failure to Provide Information in Audit Documentation**  
17 **Business and Professions Code sections 5097, subdivision (b), 5100, subdivisions (e) and (g),**  
18 **and California Code of Regulations, title 16, section 68.2, subdivisions (b) and (c)**

19 69. The allegations of paragraph 64 are realleged and incorporated by reference as if  
20 fully set forth.

21 70. Respondent has subjected his certified public accountant certificate and fictitious  
22 name permit to discipline for the unprofessional conduct of willfully failing to provide  
23 information in audit documentation (Bus & Prof. Code, §§ 5097, subd. (b), 5100, subd. (g); Cal.  
24 Code Regs., tit. 16, § 68.2, subds. (b) & (c)). Respondent's audit documentation did not include  
25 dates of preparation, conclusions, or preparer and reviewer information.

26 **Fourth Cause for Discipline**  
27 **Unprofessional Conduct:**  
28 **Willful Failure to Issue Report Conforming to Professional Standards**  
29 **Business and Professions Code sections 5062 and 5100, subdivision (g)**

30 71. The allegations of paragraph 64 are realleged and incorporated by reference as if  
31 fully set forth.

32 72. Respondent has subjected his certified public accountant certificate and fictitious

1 name permit to discipline for the unprofessional conduct of willfully failing to issue a report  
2 which conforms to professional standards upon completion of an audit of financial statements  
3 (Bus & Prof. Code, §§ 5062, 5100, subd. (g)). Respondent's HOL and SYC audit documentation  
4 does not support his unqualified opinions in the audit.

5 **Fifth Cause for Discipline**  
6 **Unprofessional Conduct: Willful Failure to Comply with Professional Standards**  
7 **Business and Professions Code section 5100, subdivision (g), and California Code of**  
8 **Regulations, title 16, section 58**

9 73. The allegations of paragraph 64 are realleged and incorporated by reference as if  
10 fully set forth.

11 74. Respondent has subjected his certified public accountant certificate and fictitious  
12 name permit to discipline for the unprofessional conduct of willfully failing to comply with  
13 professional standards (Bus & Prof. Code, § 5100, subd. (g); Cal. Code Regs., tit. 16, § 58).  
14 Respondent issued audit reports for HOL and SYC which contained numerous extreme departures  
15 from professional standards, including departures from generally accepted auditing standards.  
16 Also respondent's HOL and SYC audit documentation does not support his unqualified opinions  
17 in the audit.

18 **Sixth Cause for Discipline**  
19 **Unprofessional Conduct: Willful Failure to Provide Certificates of Completion**  
20 **Business and Professions Code section 5100, subdivision (g), and California Code of**  
21 **Regulations, title 16, section 89**

22 75. Respondent has subjected his certified public accountant certificate and fictitious  
23 name permit to discipline for the unprofessional conduct of willfully failing to provide certificates  
24 of completion of continuing accounting education courses. (Bus & Prof. Code, § 5100, subd. (g);  
25 Cal. Code Regs., tit. 16, § 89). Respondent did not provide certificates of completion for any  
26 continuing education accounting courses taken between September 1, 2009, and August 31, 2011.  
27 He did not provide certificates of completion for fraud courses taken from CalCPA between 2010  
28 and 2013. He did not provide certificates of completion for HUD hours claimed on his license  
renewals. He did not provide certificates of completion for non-technical courses given by Dr.  
Arnold Wolfe.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**Seventh Cause for Discipline**  
**Failure to Comply with Peer Review Requirements**  
**Business and Professions Code sections 5076, subdivision (a), and 5100, subdivision (g), and**  
**California Code of Regulations, title 16, sections 40, subdivision (a), 41, 45, and 46,**  
**subdivision (b)**

76. Respondent has subjected his certified public accountant certificate and fictitious name permit to discipline for failing to comply with peer review requirements (Bus & Prof. Code, §§ 5076, 5100, subd. (g); Cal. Code Regs., tit. 16, §§ 40, subd. (a), 41, 45, 46, subd. (b)). Based on his license number, respondent was required to report his peer review status to the CBA no later than July, 1, 2011. He also was required to have a peer review accepted by a CBA-recognized peer review program before he renewed his license on June 19, 2012. Despite being notified by the CBA, respondent has failed to undergo a peer review and has not returned a peer review reporting form to the CBA.

**Eighth Cause for Discipline**  
**Unprofessional Conduct: Willful Practice Under Unregistered Name**  
**Business and Professions Code sections 5060, subdivision (c), 5100, subdivision (g)**

77. Respondent has subjected his certified public accountant certificate and fictitious name permit to discipline for the unprofessional conduct of willfully practicing under a name not registered with the CBA (Bus & Prof. Code, §§ 5060, subd. (c), 5100, subd. (g)). Tremelling & Associates fictitious name permit was expired from November 1, 2007, to July 23, 2013. Respondent's engagement letter to providing audit services for HOL dated July 1, 2008, was printed on Tremelling & Associates's letterhead. Respondent issued audit reports for SYR and HOL in 2011 and 2012 under the firm name Tremelling & Associates.

**Ninth Cause for Discipline**  
**Unlicensed Practice**  
**Business and Professions Code sections 5050, subdivision (a), 5100, subdivision (g), and**  
**California Code of Regulations, title 16, section 80**

78. Respondent has subjected his certified public accountant certificate and fictitious name permit to discipline for the unprofessional conduct of willfully practicing public accountancy without a valid permit (Bus & Prof. Code, §§ 5050, subd. (a), 5100, subd. (g); Cal. Code Regs., tit. 16, § 80, subd. (b)). Respondent's certified public accountant certificate was expired from September 1, 2004, through August 31, 2009. It was renewed in the inactive status

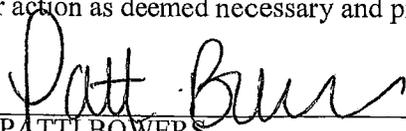
1 from September 1, 2009, through August 31, 2011. It was expired from September 1, 2011,  
2 through June 18, 2012. Respondent's issued an engagement letter dated July 1, 2008, to provide  
3 accounting services for HOL. He performed an audit for SYR for the year ended June 30, 2011,  
4 and issued an opinion on September 1, 2011.

5 PRAYER

6 WHEREFORE, complainant requests that a hearing be held on the matters alleged in this  
7 accusation, and that following the hearing the California Board of Accountancy issues a decision:

- 8 1. Revoking or suspending or otherwise imposing discipline upon Certified Public  
9 Accountant Certificate No. 41427 issued to Richard Claude Tremelling;
- 10 2. Revoking or suspending or otherwise imposing discipline upon Fictitious Name  
11 Permit No. 2566 issued to Tremelling & Associates;
- 12 3. Ordering Richard Claude Tremelling to pay any administrative penalty as part of  
13 any disciplinary proceeding or other proceeding provided for in this chapter under Business and  
14 Professions Code section 5116;
- 15 4. Ordering Richard Claude Tremelling to pay the California Board of Accountancy  
16 the reasonable costs of the investigation and enforcement of this case under Business and  
17 Professions Code section and 5107; and
- 18 5. Taking such other and further action as deemed necessary and proper.

19 DATED: 10/7/2015

  
20 PATTI BOWERS  
21 Executive Officer  
22 California Board of Accountancy  
23 Department of Consumer Affairs  
24 State of California  
25 Complainant

26 SF2014902408  
27 90426747.doc  
28