

**PROCEEDINGS BEFORE THE
WASHINGTON STATE BOARD OF ACCOUNTANCY**

In the Matter of the Certified Public
Accountant (CPA) Certificate and/or
Licenses to Practice Public Accounting of:

Keith A. Schmidt
License No. 19162

Respondent.

No. ACB-1462

CONSENT AGREEMENT

The Washington State Board of Accountancy (Board) and Keith A. Schmidt
(Respondent), stipulate and agree as follows:

Section 1: Procedural Stipulations

- 1.1 Respondent understands that the Board may issue a statement of charges in this matter and proceed to a hearing before the Board upon the merits of said charges. The Board has not done so in order to facilitate resolution of this matter in accordance with the legislative intent endorsed in RCW 34.05.060 and the provisions of WAC 4-30-140.
- 1.2 Respondent understands that should the Board prevail at hearing based on a statement of charges that the Board has the power and authority to deny, suspend, revoke, or refuse to renew the Respondent's CPA certificate or any individual or firm licenses to practice public accounting as a CPA or CPA firm in Washington and may impose a fine plus the Board's investigative and legal costs in bringing charges or impose conditions precedent to renewal of the certificate or license, or impose full restitution to injured parties.
- 1.3 Respondent has the right to defend against a statement of charges by demanding a hearing and presenting evidence on the Respondent's behalf. Respondent voluntarily waives the

right to a hearing and all other rights which may be accorded the Respondent by the Administrative Procedures Act, chapter 34.05 RCW, and the laws of Washington, including the right to petition the courts for judicial review.

- 1.4 Respondent wishes to expedite the resolution of this matter by means of this Consent Agreement and does not desire to proceed to a formal hearing based on the issuance of a statement of charges.
- 1.5 Respondent understands that the terms of this Consent Agreement are not binding unless approved by the Board and fully executed.
- 1.6 Should this Consent Agreement be rejected by the Board and the Board proceeds to issue a statement of charges, the Respondent waives any objection to the participation of any members of the Board at a hearing on this matter, other than the consulting Board member in this proceeding.

The parties further stipulate to the following Stipulated Facts, Conclusions of Law, and Agreed Order:

Section 2: Stipulated Facts

- 2.1 Respondent holds a valid Certified Public Accountant (CPA) license to practice public accounting (License No. 19162, issued on March 17, 1997) in Washington State.
- 2.2 In 2006/2007, Respondent first performed tax services for Complainant's LLC ("Company"), a company that was formed with three partners. Respondent also separately prepared the individual tax returns for each of the partners.
- 2.3 On October 10, 2014, Partner 1 contacted Respondent to inquire about whether or not Respondent could audit the financial statements for the previous three years.

- 2.4 On October 22, 2014, Respondent informed Partner 1 that firm in which he was a partner, Eide Bailly, could provide the audit services, and suggested a meeting in mid-November.
- 2.5 On October 24, 2014, Respondent met with Partner 2. Partner 2 disclosed to Respondent that Partner 2 had been using the company credit card for personal expenses. Respondent encouraged Partner 2 to discuss the matter with an attorney.
- 2.6 On October 30, 2014, Respondent emailed Partner 2, stating, in part: "I suggest you come clean." Other emails between Respondent and the partner document knowledge of the partner's use of company funds.
- 2.7 In mid-November 2014, an attorney for the Company called Respondent and asked for a recommendation for a different CPA firm to perform the forensic audit.
- 2.8 On November 12, 2014, the Company engaged the recommended CPA to perform the audit.
- 2.9 On November 26, 2014, the Company informed Respondent that they hired the recommended CPA firm to perform the audit. At that time, Partner 1 indicated they were seeking to have the audit done without Partner 2's knowledge.
- 2.10 On December 31, 2014, Partner 1 confirmed to Respondent that the audit was completed, and confirmed suspicions about Partner 2.
- 2.11 In January 2015, Partner 2 was placed on administrative leave, and subsequently fired.
- 2.12 On February 9, 2015, Respondent notified Partner 1 of the company that he had a potential conflict of interest due to the services provided to Partner 2's adverse position, in response to a request to prepare the 2014 tax return.
- 2.13 In August 2015, Respondent's firm and the Company agreed to mediation, and privately settled the claim against the firm in January 2016.

Section 3: Conclusions of Law

- 3.1 The Board has jurisdiction over the Respondent and the subject matter of this proceeding.
- 3.2 The conduct described above constitutes cause for Board discipline under RCW 18.04.295, for violations of WAC 4-30-040. WAC 4-30-040 requires CPAs remain free of conflicts of interest unless such conflicts are specifically permitted by Board rule or professional standards listed in WAC 4-30-048.
- 3.3 The conduct described above constitutes cause for Board discipline under RCW 18.04.295, for violations of WAC 4-30-048(11). WAC 4-30-048(11) requires compliance with the Professional Code of Conduct (“the Code”) issued by the AICPA including interpretations and ethics rulings. The Code section 1.110.010.01 states a member should use professional judgment, taking into account whether a reasonable and informed third party who is aware of the relevant information would conclude that a conflict of interest exists. In cases where an identified threat may be so significant that no safeguard will eliminate the threat or reduce it to an acceptable level, or the member is unable to implement effective safeguards, the member should (a) decline to perform or discontinue the professional services that would result in the conflict of interest; or (b) terminate the relevant relationships or dispose of the relevant interests to eliminate the threat or reduce it to an acceptable level.

Section 4: Agreed Order

- 4.1 Respondent consents to the entry of this Agreement and has waived any right to a hearing.
- 4.2 Pursuant to RCW 18.04.295, the Board has the power to impose discipline. Based on the preceding Stipulated Facts and Conclusions of Law, the Board and Respondent agree that:

- 4.2.1 Respondent shall pay the Board a fine in the amount of one thousand dollars (\$1,000) within 90 days of the service of this Agreement.
- 4.2.2 Respondent shall pay the Board the amount of five hundred dollars (\$500) to reimburse the Board's investigative and legal costs within 90 days of the service of this Agreement.
- 4.2.3 Complete four (4) hours of Continuing Professional Education (CPE) in Ethics for Washington CPAs within 90 days of the service of this Agreement. Respondent shall submit a certificate of completion within 30 days of course completion.
- 4.2.4 Complete four (4) hours of CPE covering the AICPA Code of Professional Conduct within 90 days of the service of this Agreement. Respondent shall submit a certificate of completion within 30 days of course completion.

I, Keith A. Schmidt, certify that I have read this Consent Agreement in its entirety, and that I fully understand and agree to all of it and that it may be presented to the Board without my appearance. If the Board accepts the Consent Agreement, I understand that I will receive a signed copy.

DATED this 15th day of September, 2016.

RESPONDENT


Keith A. Schmidt

Keith A. Schmidt

The Board accepts and enters this Consent Agreement.

DATED this 26th day of SEPTEMBER, 2016.

WASHINGTON STATE
BOARD OF ACCOUNTANCY



Thomas G. Neill, CPA
Chair