

# WISCONSIN DEPARTMENT OF REGULATION & LICENSING



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STATE OF WISCONSIN  
BEFORE THE ACCOUNTING EXAMINING BOARD

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IN THE MATTER OF THE DISCIPLINARY	:	
PROCEEDINGS AGAINST	:	
	:	FINDINGS AND ORDER
KUBNICK & WARREN, ROBERT L.	:	
KUBNICK, and JOHN P. WARREN, JR.	:	LS# 0505052ACC
	:	
RESPONDENTS.	:	

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Division of Enforcement Case No. 03 ACC 010

The parties to this action for the purposes of Wis. Stat. § 227.53 are:

Robert L. Kubnick  
1875 22 ¾ Street  
Rice Lake, WI 54868

John P. Warren, Jr.  
111 Hilltop Drive  
Rice Lake, WI 54868

Kubnick & Warren  
9 East Eau Claire Street  
Rice Lake, WI 54868

Division of Enforcement  
Department of Regulation and Licensing  
1400 East Washington Avenue  
P.O. Box 8935  
Madison, WI 53708-8935

Accounting Examining Board  
Department of Regulation & Licensing  
1400 East Washington Avenue  
P.O. Box 8935  
Madison, WI 53708-8935

## PROCEDURAL HISTORY

The parties in this matter agree to the terms and conditions of the attached Stipulation as the final decision of this matter, subject to the approval of the Accounting Examining Board. The Board has reviewed the attached Stipulation and considers it acceptable.

Accordingly, the Board in this matter adopts the attached Stipulation and makes the following:

### FINDINGS OF FACT

1. Robert L. Kubnick ("Kubnick") (DOB 08/09/1940) is duly licensed as a Certified Public Accountant in the state of Wisconsin (1-3827). This license was first granted on 03/13/1971.
2. Kubnick's most recent address on file with the Department of Regulation and Licensing is 1875 22 ¾ Street, Rice Lake, WI, 54868.
3. John P. Warren, Jr. ("Warren") (DOB 02/23/1944) is duly licensed as a Certified Public Accountant in the state of Wisconsin (1-3660). This license was first granted on 04/11/1970.
4. Warren's most recent address on file with the Department of Regulation and Licensing is 111 Hilltop Drive, Rice Lake, WI 54868.
5. Kubnick & Warren ("K&W") is duly licensed as an Accounting Firm in the state of Wisconsin (3-212). This license was first granted on 08/16/1972.
6. K&W's most recent address on file with the Department of Regulation and Licensing is 9 East Eau Claire Street, Rice Lake, WI 54868.
7. In 2002 the U.S. Department of Housing and Urban Development ("HUD") reviewed work performed by K&W, and represented by K&W as being in compliance with Generally Accepted Accounting Procedures ("GAAP") and Generally Accepted Auditing Standards ("GAAS"). HUD found that the work performed by K&W was not in compliance with GAAP and GAAS, including, but not limited to, the following:
  - a. A violation of the First General Standard of GAAP arising out of the use of an outdated version of HUD Handbook 2000.04 REV-2, *Consolidated Audit Guide for Audits of HUD Programs*.
  - b. A violation of the Third General Standard of GAAP arising out of a failure to adequately consider the timing of audit procedures in planning the audits.
  - c. A violation of the Standards of Field Work of GAAS arising out the use of a single audit program to evaluate 39 affiliated entities, which resulted in a failure to develop auditing programs that fully complied with GAAS.
  - d. A violation of the Third and/or Fourth Standards of Reporting arising out of a failure to disclose that a management fee was paid to an owner of an apartment complex.
  - e. A violation of the Third and/or Fourth Standards of Reporting arising out of a failure to include a required statement that the reports on compliance with law and regulations and internal control over financial reporting are an integral part of a GAGAS audit, and in considering the results of the audit, these reports should be read along with the auditor's report on the financial statements.
8. It is a violation of Wis. Admin. Code § Accy 1.202 for a person licensed to practice as a certified public accountant to "permit the certified public accountant's... name to be associated with financial statements... unless the certified public accountant... has complied with the generally accepted auditing standards promulgated by the American institute of

certified public accountants.”

9. It is a violation of Wis. Admin. Code § Accy 1.203 for a person licensed to practice as certified public accountant to “express an opinion that financial statements are presented in conformity with generally accepted accounting principles if such statements contain any departure from an accounting principle promulgated by the body designated by the council of the American institute of certified public accountants to establish such principles...”

### CONCLUSIONS OF LAW

1. The Wisconsin Accounting Examining Board has jurisdiction to act in these matters, pursuant to Wis. Stat. § 442.12, and has authority to enter into this stipulated resolution of this matter pursuant to Wis. Stat. § 227.44(5).

2. The conduct described in paragraph 7, above, constitutes one or more violations of Wis. Admin. Code §§ 1.202, and one or more violations of Wis. Admin. Code § Accy 1.203.

### MITIGATING FACTORS

1. Respondent Robert L. Kubnick has completed continuing education coursework, and taken other appropriate actions, to address causes of the violations found above.

2. Respondent John P. Warren Jr. has completed continuing education coursework, and taken other appropriate actions, to address causes of the violations found above.

3. Kubnick and Warren has undergone a peer review of its system of quality control, per the Statements on Quality Control Standards issued by the American Institute of Certified Public Accountants, and was found to have met those standards for the year ended August 31, 2003.

### ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED that:

1. The license of KUBNICK AND WARREN (3-212) to practice as Accounting Firm in the state of Wisconsin, be, and hereby is REPRIMANDED.

2. This matter be closed under prosecutorial discretion code P3 with respect to Mr. Kubnick and Mr. Warren, because there may have been a violation that was more than minor or technical, but it did not cause serious harm and a determination has been made that the expenditure of resources would greatly exceed the value to the public of having the matter pursued.

IT IS FURTHER ORDERED that:

3. Respondent KUBNICK AND WARREN shall, within thirty (30) days from the date of this Order, pay partial costs of this proceeding in the amount of five hundred (\$500.00) dollars. Payment shall be made payable to the Wisconsin Department of Regulation and Licensing, and mailed to:

Department Monitor  
Division of Enforcement  
Department of Regulation and Licensing  
P.O. Box 8935  
Madison, WI 53708-8935  
Telephone (608) 267-3817  
Fax (608) 266-2264

4. Violation of any of the terms of this Order may be construed as conduct imperiling public health, safety and

welfare and may result in a summary suspension of Respondent's license. The Board in its discretion may in the alternative impose additional conditions and limitations or other additional discipline for a violation of any of the terms of this Order. In the event Respondent KUBNICK AND WARREN fails to timely submit any payment of costs as set forth above, the Respondent's license(#3-212) SHALL BE SUSPENDED, without further notice or hearing, until Respondent has complied with the terms of this Order, and the period of suspension as set forth in this Order shall run consecutively.

5. This Order is effective on the date of signing.

#### ACCOUNTING EXAMINING BOARD

By: Thomas J. Kilkenny  
A Member of the Board

May 5, 2005  
Date