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SD Board of Accountancy

AICPA
Professional Ethics Division
Nonnegotiable
Settlement agreement

In the matter of:

Kathryn J. Nordstrom, CPA

Authority

The Professional Ethics Executive Committee of the AICPA and the South Dakota CPA Society Professional Ethics Committee (ethics charging authority or ECA), enter into this settlement agreement with Kathryn J. Nordstrom, CPA pursuant to the authority granted in the bylaws of the respective organizations.

Findings of fact/jurisdiction

Ms. Nordstrom is a member of the AICPA and the South Dakota CPA Society, and the ECA has jurisdiction in this matter.

Ms. Nordstrom's address on the records of the AICPA and the South Dakota CPA Society is

PO Box 1018
Yankton, SD 57078-1018

Specific charges.

1. The ECA opened an investigation with respect to Ms. Nordstrom's performance of professional services in the audit of the financial statements of Fort Peck Community College as of and for the fiscal year ended September 30, 2017. Ms. Nordstrom submitted her work product to comply with the directives of the letter of required corrective action issued to her on December 24, 2013.
2. The ECA conducted an investigation of this matter, which included informing Ms. Nordstrom of the following:
 - a. The rules of conduct that were the subject of the investigation
 - b. Her right to defer the investigation in the event the issues involved were concurrently the subject of litigation
 - c. That information arising from the investigation may form the basis for charges to be made against her

3. The ECA has reviewed the report, Ms. Nordstrom's responses to the ECA's inquiries, and other relevant documents Ms. Nordstrom submitted to support her response, including certain work papers, financial statements, and relevant correspondence.
4. Based on this information, there appears to be prima facie evidence that Ms. Nordstrom has violated the following rules of the AICPA and the South Dakota CPA Society codes of professional conduct:

Violations

Compliance with Standards Rule (1.310.001)

1. The auditor failed to perform sufficient audit procedures to determine whether the restricted portion of the endowment funded by federal grants was appropriately included in the Schedule of Expenditures of Federal Awards. As a result, the auditor failed to identify and audit a major federal program. (AU-C §725, AU-C §935, 2 CFR §200.518, 2 CFR §200.502)
2. The auditor failed to document: (AU-C §230)
 - a. procedures performed to support the assessment of control risk below high for the cash; investments; revenue, receivables, and receipts; capital assets; and debt audit areas. (AU-C §330)
 - b. the determination and evaluation of the sample sizes used for testing controls over the expenditures for goods and services and payroll expenditures audit areas. (AU-C §530)
 - c. the specific controls and relevant assertions tested for the expenditures for goods and services and payroll expenditures audit areas. (AU-C §330)
 - d. the specific procedures performed to determine that identified controls were implemented. (AU-C §315)
3. The auditor failed to obtain sufficient appropriate audit evidence to support the opinion on compliance with regard to the activities allowed or unallowed, allowable costs/cost principles, and period of performance compliance requirements for the Higher Education_Institutional Aid major federal program. (AU-C §935, 2 CFR §200.514)

This is not intended to be a comprehensive list of all the deficiencies in this matter. Had a more comprehensive review been made of the financial statements and working papers, additional deficiencies may have been noted.

Agreement

In consideration of the ECA forgoing further investigation of Ms. Nordstrom's conduct as described above, and in consideration of the ECA forgoing any further proceedings in the matter, Ms. Nordstrom agrees as follows:

- a. To waive her rights to further investigation of this matter in accordance with the Joint Ethics Enforcement Program (JEEP) Manual of Procedures
- b. To waive her rights to a hearing under AICPA bylaws section 7.4 and South Dakota CPA Society bylaws article VII
- c. To neither admit nor deny the above specified charges
- d. To her admonishment by the AICPA and South Dakota CPA Society from the effective date of this agreement.
- e. To comply immediately with professional standards applicable to the professional services she performs.
- ~~f.~~ To complete the following 12 hours of continuing professional education (CPE) courses* within 6 months of the date she signs this letter and provide evidence of such completion (e.g., attendance sheets, course completion certificates).

Advanced Topics in a Single Audit	10
Auditing Bits in Bytes™ Session 3: Internal Control Considerations	2

*Courses are subject to periodic pilot testing that could affect the CPE hours granted for the courses above. AICPA CPE selected to satisfy this directive should be based primarily on the course title and content. Significant credit hour differences should be pre-approved by the ECA.


- g. To hire an outside party, acceptable to the ECA, to perform a pre-issuance review of the reports, financial statements, and working papers on 3 audits subject to *Government Auditing Standards* performed by her for one year from the date the reviewer has been approved by the ECA. She must submit the names of the chosen reviewers to the ECA for approval no later than 30 days after the date she signs this letter. Also, no later than 30 days after the date she signs this letter, she must submit a list to the ECA of the audits subject to *Government Auditing Standards* on which she expects to participate and reports will be issued in the upcoming 12 months from which the engagements subject to pre-issuance review will be selected. The following information should be included regarding the engagements listed:

- i. Anticipated number of total hours to be spent on the engagement
- ii. Level of professional services to be rendered
- iii. Expected issuance date of the report
- iv. Her role and her anticipated hours on each engagement
- v. Type of organization
- vi. Whether it will be an initial engagement
- vii. Whether it will be subject to Uniform Guidance

She agrees to permit the outside party to report quarterly to the ECA on her progress in complying with this agreement as stated herein to comply with professional standards. The report should include the reviewer's comments in detail for each engagement (**a report that omits such detail will be unacceptable**); a description of the nature of the entity reviewed; the entity's year end; and the date of the review.

The first report is due 120 days after the reviewer has been approved by the ECA, with subsequent reports due every 90 days thereafter. If none of the engagements selected for pre-issuance review were performed during a reporting period, she agrees to inform the ECA of such. She agrees to have this pre-issuance review performed at her expense. The ECA has the right to extend the period of time and number of engagements subject to pre-issuance review if there are deficiencies.

She agrees to inform the ECA of any changes in the composition of her practice, changes in her role, or if she has not performed any audits subject to *Government Auditing Standards* during the period she is subject to the pre-issuance reviews. If her practice changes and she is no longer involved with audits subject to *Government Auditing Standards*, no longer acts in a supervisory capacity on such engagements, or she has not performed such engagements during the above specified period, she must inform the ECA of this change and the ECA may require that she attest every six months for three years as to the nature of her practice. If, during the three-year attestation period she returns to performing such engagements, she must inform the ECA of this change and undergo the required pre-issuance reviews.

 To submit six months after completion of the pre-issuance reviews, a list of the highest level (audits, reviews, and compilations with note disclosures) of engagements that she performed in the six-month period following the date she completed the CPE courses. The following information should be included regarding the engagements listed:

- i. Total hours spent on each engagement
- ii. Level of professional services rendered
- iii. Her role and hours on each engagement
- iv. Type of report issued
- v. Type of organization
- vi. Whether it was an initial engagement

- vii. Whether it was subject to *Government Auditing Standards*
- viii. Whether it was subject to Uniform Guidance

The ECA will select one of these engagements for review. She will be informed of this selection and will be asked to submit information to include a copy of the auditor's report, the financial statements, and working papers related to that engagement for review by the ECA. The ECA may extend the period to select an engagement to ensure a suitable selection is available. A peer review undergone by her firm would not exempt her from this requirement.

She agrees to inform the ECA of any changes in the composition of her practice, changes in her role, or if she has not performed any audits subject to *Government Auditing Standards* until a suitable work product is selected for review. If her practice changes and she is no longer involved with audits subject to *Government Auditing Standards*, no longer acts in a supervisory capacity on such engagements, or she has not performed such engagements during the above specified period, she must inform the ECA of this change, and the ECA may require that she attest every six months for three years as to the nature of her practice. If, during the three-year attestation period she returns to performing such engagements, she must inform the ECA of this change, and the ECA will select a suitable work product for review.

After an initial review of such report, financial statements, and working papers, the ECA may decide she has substantially complied with professional standards and close this matter. Or, the ECA may decide that an ethics investigation of the engagement she submitted is warranted. If, at the conclusion of the investigation, the ECA finds that professional standards have in fact been violated, the ECA may refer the matter to the AICPA joint trial board for a hearing or take such other action as it deems appropriate.

- i. To be prohibited from performing peer reviews in any capacity until she has completed all directives in this letter. This prohibition will be communicated to her firm's peer review administering entity.

If she is currently a peer reviewer, please refer to PR-C 200 Paragraph .10 of the peer review standards that states that reviewers and reviewing firms should notify AICPA staff and all relevant administering entities of any limitations or restrictions on the reviewer's or reviewing firm's ability to practice or perform peer reviews. In addition, PR-C 200 paragraph .11 provides that a reviewer does not meet the required reviewer qualifications in the reviewer's ability to practice public accounting or perform peer reviews has been restricted by a regulatory, monitoring, or enforcement body beginning on the date the reviewer is notified of the restriction and ending on the date the restriction has been removed. This restriction will limit her ability to conduct peer reviews upon the effective date of the agreement. If she has questions about this standard, she can contact the peer review division at prptechnical@aicpa.org or 919-402-4502.

- j.* To be prohibited from serving as a member of any ethics or peer review committee of the AICPA or the South Dakota CPA Society until she has completed all directives in this letter. This prohibition will be communicated to those responsible for appointments to such committees. In addition, if she applies to join any other committee of the AICPA or the South Dakota CPA Society, she must inform those responsible for such appointments of the results of this ethics investigation.
- k.* To be prohibited from teaching continuing professional education courses approved by the AICPA or the state CPA societies in the areas of accounting and auditing and *Government Auditing Standards* and Uniform Guidance until she has completed all directives in this letter. This prohibition will be communicated to those responsible for engaging CPE instructors at the AICPA and the South Dakota CPA Society.
- l.* That the ECA shall provide a copy of this settlement agreement to the AICPA's Peer Review Division staff, her firm's peer review administering entity, and her firm's peer reviewer.
- m.* That the ECA shall publish her name, the name of her firm, the charges, and the terms of this settlement agreement.
- n.* That the ECA shall monitor her compliance with the terms of this settlement agreement and initiate an investigation where the ECA finds there has been noncompliance.

Effective Date

This agreement is effective on the latest date shown on the final page.

Signatures

I, Kathryn J. Nordstrom, CPA hereby consent and agree to the findings of fact, jurisdiction, terms, and conditions of the settlement agreement.

Signed Kathryn Nordstrom 6/29/23
Kathryn J. Nordstrom, CPA Date

For the Ethics Charging Authority

Signed Tommy Pollema 4-3-2023
Tommy Pollema for South Dakota CPA Society Date

Signed Bryan S. Lynch 04-03-2023
Bryan S. Lynch for AICPA Professional Ethics Executive Committee Date

Signed _____
Clinton N. McGrath, Jr. for AICPA Joint Trial Board Date