

**BEFORE THE ALABAMA STATE
BOARD OF PUBLIC ACCOUNTANCY**

| | | |
|--------------------------------|---|----------------------|
| IN THE MATTER OF |) | |
| THE COMPLAINT AGAINST: |) | |
| EDWARD F. STOCKTON, CPA |) | CASE NO. 02-4 |
| CERTIFICATE NO. 5353-R |) | |
| |) | |
| RESPONDENT. |) | |

FINAL ORDER

THIS CAUSE came to be heard before the Alabama State Board of Public Accountancy (the "Board"), on May 6, 2003 in Montgomery, Alabama. Mr. Edward F. Stockton offered a signed Consent Agreement and Wavier, which was ACCEPTED by the Board and is incorporated herein by reference.

It is therefore ORDERED, ADJUDGED and DECREED by the Board that the provisions set forth in the aforesaid Consent Agreement are hereby approved and that the terms and conditions thereof shall become effective immediately.

DONE this 6th day of May, 2003.

ALABAMA STATE BOARD OF PUBLIC ACCOUNTANCY

CONCUR:

MESSRS. CARDEN, DeLOACH
PATTERSON AND WHITE

RECUSED:

MR. KASSOUF

ATTEST:



J. Lamar Harris, CPA
Executive Director

May 20, 2003

BEFORE THE ALABAMA STATE BOARD OF PUBLIC ACCOUNTANCY

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| EDWARD F. STOCKTON, CPA |) | CASE NO. 02-4 |
| CERTIFICATE NO. 5353-R |) | |
| |) | |
| RESPONDENT. |) | |

CONSENT AGREEMENT

The Alabama State Board of Public Accountancy, ("Board"), having evidence that Edward F. Stockton (Respondent) is in violation of the Board's *Rules of Professional Conduct* governing the Accounting Profession, specifically, Rule 30-X-6-.03(1)(b) (*Due Professional Care*), Rule 30-X-6-.03(1)(c) (*Planning and Supervision*), Rule 30-X-6-.03(2) (*Auditing Standards*), Rule 30-X-6-.03(3) (*Accounting Principles*), and Rule 30-X-6-.05(1) (*Conduct Discreditable to the Public Accounting Profession*), and Respondent, desiring to avoid the necessity of a formal hearing, does hereby enter into this Consent Agreement. By waiver dated March 28, 2003 (attached), Respondent acknowledged his understanding that he had a right to a formal hearing in this matter, and by his signature, knowingly waived such right.

ALLEGATIONS

The investigative committee of the Board hereby proffers the following charges and factual allegations in support of this Consent Agreement.

1. Respondent is a Certified Public Accountant in the State of Alabama, and was so licensed at all times relevant to matters stated herein.
2. On February 16, 2001 Respondent rendered an independent auditor's report reflecting an unqualified opinion of the financial condition of the Opelika Housing Authority (OHA) for the fiscal year ending June 30, 2000. A copy of this report is on file in the Board's office and available upon written request.
3. According to testimony provided by Respondent to the Board's investigative

committee on January 16, 2003 (a copy of this transcript is on file in the Board's office and available upon written request) a contract associate conducted the OHA audit work while Respondent provided oversight. (T.18) Respondent testified that he never actually visited the offices of the OHA, and that the contract associate conducting the audit work on the OHA was not a certified public accountant. (T.18-19) Respondent also testified that he and the contract associate conducted "[p]robably 40 or 50" Housing Authority audits in the calendar year 2000. (T.16)

4. In his Independent Auditor's Report of the OHA for the fiscal year ending June 30, 2000 Respondent states that "I conducted my audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States." In this Report, Respondent states that the financial statements were prepared in accordance with generally accepted accounting principles (GAAP) whereas, in prior years, the Department of Housing and Urban Development (HUD) required that financial statements of housing authorities be prepared in accordance with a comprehensive basis of accounting other than GAAP.

5. Respondent failed to conduct the OHA audit in accordance with GAAP. Indeed, an examination of the OHA audit reveals that administrative and other costs, known as "soft costs" were capitalized rather than expensed as required by GAAP and by the PHA GAAP FLYER issued by HUD in June 1999. Respondent acknowledged to the investigative committee that the "soft costs" should have been expensed rather than being capitalized and accordingly he should have qualified his opinion on the audit report. (T. 62). If proven, this allegation would support a finding that Respondent has violated the Board's *Rules of Professional Conduct* governing the Accounting Profession, specifically, Rule 30-X-6-.03(1)(b) (*Due Professional Care*), Rule 30-X-6-.03(2) (*Auditing Standards*), Rule 30-X-6-.03(3) (*Accounting Principles*), and Rule 30-X-6-.05(1) (*Conduct Discreditable to the Public Accounting Profession*).

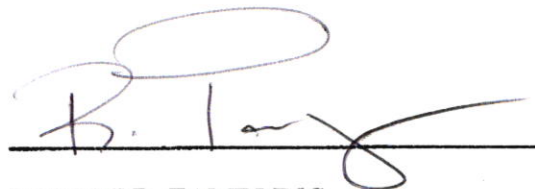
ORDER

Based upon the above referenced Allegations and Stipulations and Waiver attached hereto, Respondent stipulates that the Board may enter the following disciplinary order. The Board hereby revokes Respondent's certificate and permit to practice as a Certified Public Accountant in this State. Respondent agrees to surrender his Alabama Certified Public Accountant Certificate and permit to practice public accountancy upon execution of this agreement. In addition, Respondent agrees to pay upon execution of this agreement an administrative fine to the Board by cashier's check or money order in the amount of \$500 for the costs incurred by the Board in the investigation of this matter.

FOR THE BOARD

4-15-03

DATE



ROBERT D. TAMBLING
Attorney for the Alabama State
Board of Public Accountancy

FOR THE RESPONDENT

03/28/03

DATE



EDWARD F. STOCKTON

J. FAIRLEY McDONALD, III
Attorney for the Respondent

State of PENNSYLVANIA

County of McKEAN

Subscribed and sworn to before me, a Notary Public on this 28th day of MARCH, 2003.
by Edward F. Stockton.

Marilyn U. Hannah
Notary Public
My Commission Expires: _____



NOTARIAL SEAL
MARILYN U. HANNAH, Notary Public
Kane Boro, McKean County, PA
My Commission Expires March 31, 2005

WAIVER

I have read the Consent Agreement set forth above and understand and agree to the terms and conditions set forth therein. I understand that I am waving certain rights accorded to me by the Alabama Administrative Procedure Act, *Code of Alabama* 1975, § 41-22-1 *et seq.*, and the Public Accountancy Act of 1973, *Code of Alabama* 1975, § 34-1-1 *et seq.*, including the right to a hearing in this matter, the right to confront and cross examine witnesses who would testify against me, the right to testify and contest the charges and allegations which could be brought against me, the right to petition for reconsideration of the Board's decision and the right to seek review of that decision by the Courts of this State. I understand that by entering into this Consent Agreement I am enabling the Board to issue an order imposing upon me the conditions recited herein without further process or proceedings. I knowingly and intelligently waive all of the above rights and any other rights which may be accorded to me by the Alabama Administrative Procedure Act, *Code of Alabama* 1975, § 41-22-1 *et seq.*, the Public Accountancy Act of 1973, *Code of Alabama* 1975, § 34-1-1 *et seq.*, or other laws. I further understand that, if it is determined by the Board or its staff that I have not fully complied with the terms and conditions of the above Consent Agreement, the Board may file a formal complaint and hold a disciplinary hearing against me based upon the allegations recited in the Consent Agreement.

03/28/03

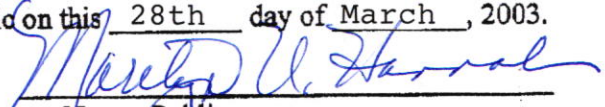
DATE



EDWARD F. STOCKTON

State of PENNSYLVANIA
County of McKEAN

Subscribed and sworn to before me, a Notary Public on this 28th day of March, 2003.



Notary Public

My Commission Expires: _____

