

STATE OF MINNESOTA  
BOARD OF ACCOUNTANCY

In the Matter of  
Kinner & Company, Ltd.  
CPA Firm Permit No. 00997

STIPULATION AND  
CONSENT ORDER  
Board File 2014-024

The Minnesota Board of Accountancy ("Board") is authorized pursuant to Minnesota Statutes section 214.10 (2012); Minnesota Statutes section 326A.02, subdivisions 4 and 6 (2012); and Minnesota Statutes section 326A.08 (2012) to review complaints against Certified Public Accountants and CPA firms and to take disciplinary action whenever appropriate.

The Board received information concerning Kinner & Company, Ltd., 404 Third Avenue, Brookings, South Dakota 57006 ("Respondent"). The Board's Complaint Committee ("Committee") reviewed that information.

It is hereby stipulated and agreed by Respondent and the Committee that without trial or adjudication of any issue of fact or law and without any evidence or admission by any party with respect to any such issue:

1. For the purpose of this Stipulation, Respondent waives all procedures and proceedings before the Board to which Respondent may be entitled under the United States and Minnesota constitution, statutes, or the rules of the Board, including the right to dispute the allegations against Respondent and to dispute the appropriateness of discipline in a contested case hearing pursuant to Minnesota Statutes Chapter 14 (2012), and to dispute any civil penalty imposed by this Stipulation. Respondent agrees that upon the *ex parte* application of the Committee, without notice to or appearance by Respondent, the Board may order the remedy specified in paragraph 7 below. Respondent waives the right to any judicial review of the order by appeal, by writ of certiorari, petition for review, or otherwise.

2. This Stipulation shall constitute the entire record of the proceedings herein upon which the Consent Order is based. All documents in the Board's files shall maintain the data classification to which they are entitled under the Minnesota Government Data Practices Act, Minnesota Statutes Chapter 13 (2012). They shall not, to the extent they are not already public documents, become public merely because they are referenced herein.

3. In the event the Board in its discretion does not approve this Stipulation or a lesser remedy than specified herein, this Stipulation and Consent Order shall be null and void and shall not be used for any purpose by either party. If this Stipulation is not approved and a contested case hearing is initiated by the Committee pursuant to Minnesota Statutes Chapter 14 (2012), Respondent agrees not to object to the Board's initiation of the hearing and it hearing the case on the basis that the Board has become disqualified because of its review and consideration of this Stipulation or of any records relating hereto.

### FACTS

4. This Stipulation is based upon the following facts. Respondent admits the facts referred to below and grants that the Board may, for the purpose of reviewing the record in paragraph 2 above, consider the following as true without prejudice to the Respondent in any current or future proceeding of the Board with regard to these or other allegations:

a. The Board issued a Certified Public Accountant Firm Permit ("CPA Firm Permit") to Respondent on October 19, 1995; Respondent currently holds an active CPA Firm Permit from the Board. Respondent is subject to the jurisdiction of the Board with respect to the matters referred to in this Stipulation.

b. A system review of Respondent's accounting and auditing practice for the period ended July 31, 2013 resulted in a peer review rating of fail.

c. The principal quality review findings were:

- 1) Significant deficiencies in documentation related to the risk-based standards, materiality, fraud testing, and documentation related to SSARS 19 and analytical procedures;
- 2) Significant deficiencies in engagement performance and engagement review; Surrounding compliance with Yellow Book/A-133 audit requirements, Clarity Standards, and required financial statement disclosures;
- 3) Significant deficiencies in documenting the firm's understanding and adoption of the 2011 Yellow Book, resulting in noncompliance with testing and reporting requirements, leading to the issuance of an incorrect opinion;
- 4) Deficiency in the firm's quality control policies and procedures identifying clients where management services are provided, which impairs independence; and
- 5) A significant deficiency in the design of the firm's internal monitoring program.

d. It is alleged that Respondent failed to comply with the applicable quality review requirements as set out in Minnesota statutes and rules.

e. Respondent took significant corrective actions and was very cooperative with the Board.

5. Respondent admits that the facts and conduct specified in paragraph 4 above constitute violations of Minnesota Statutes Chapter 326A (2012) and Minnesota Rules Chapter 1105 (2011), specifically Minnesota Statutes sections 326A.04, subdivision 10, 326A.05, subdivision 8 (a), 326A.08, subdivision 5 (a)(1) (2012) and Minnesota Rules Part 1105.5600, subpart 1.C (6) and 1.C (7) (2011), and are sufficient grounds for the

remedy specified in paragraph 7 below, and that proof at hearing of any one or more of the allegations set forth would empower the Board to take disciplinary action against Respondent's CPA Firm Permit.

6. This Stipulation shall not in any way or manner limit or affect the authority of the Board to proceed against Respondent by initiating a contested case hearing or by other appropriate means on the basis of any act, conduct, or admission of Respondent justifying disciplinary action which occurred before or after the date of this Stipulation and that is not directly related to the specific facts and circumstances set forth herein.

#### REMEDY

7. Upon this Stipulation and record, as set forth in paragraphs 2 and 4 above, and without any further notice of proceedings, the Committee and Respondent agree that the Board may, in its discretion, issue an order to Respondent requiring compliance with the following:

a. Respondent shall pay to the Board a **CIVIL PENALTY** of Two Thousand Dollars (\$2,000.00). Respondent shall submit a Civil Penalty of Two Thousand Dollars (\$2,000.00) by check to the Board within sixty (60) days of the Board's approval of this Stipulation and Order.

b. Respondent shall engage a peer reviewer to conduct a pre-issuance review of one (1) ERISA and two (2) Yellow Book audits performed during 2014. Respondent shall provide the Board with a copy of the separate reports issued as a result of those reviews within thirty (30) days, but no later than March 31, 2015.

c. Respondent shall complete an annual peer review for the fiscal year ending July 31, 2015. Respondent shall provide the Board with a copy of the report issued as a result of the review within thirty (30) days, but no later than December 31, 2015.

d. Within thirty (30) days of the date the Board Chair signs the attached Order, Respondent shall submit to the Board documentation showing

successful completion of eight (8) hours of continuing professional education in auditing by all professional staff who work on audit engagements.

e. Within thirty (30) days of the date the Board Chair signs the attached Order, Respondent shall submit to the Board documentation showing successful completion of sixteen (16) hours of Yellow Book continuing professional education by all professional staff who work on Yellow Book/single audit engagements.

8. Any appropriate court may, upon application of the Board, enter its decree enforcing the order of the Board.

9. The undersigned authorized representative of Respondent, whose signature appears below, hereby acknowledges that he has read, understands, and agrees to this Stipulation and Consent Order and is freely and voluntarily signing the Stipulation without threat or promise by the Board or any of its members, employees, or agents. When signing the Stipulation, Respondent acknowledges that it is fully aware that the Stipulation and Consent Order must be approved by the Board. The Board may approve the Stipulation and Consent Order as proposed, approve the order subject to specified change, or reject it. If the changes are unacceptable to Respondent or the Board rejects the Stipulation, it will be of no effect except as specified herein.

10. Under the Minnesota Government Data Practices Act, this Stipulation is classified as public data upon its issuance by the Board. (Minnesota Statutes section 13.41, subdivision 5 (2012)). All documents in the record shall maintain the data classification to which they are entitled under the Minnesota Government Data Practices Act, Minnesota Statutes Chapter 13 (2012). They shall not, to the extent they are not already public documents, become public merely because they are referenced herein. A summary of this Order will appear in the Board's newsletter. A summary will also be sent to the national discipline data bank pertaining to the practice of public accounting.

11. This Stipulation contains the entire agreement between the parties. Respondent is not relying on any other agreement or representation of any kind, verbal or otherwise.

12. Respondent is aware that Respondent may choose to be represented by legal counsel in this matter. Respondent knowingly waived legal representation.

13. If approved by the Board, a copy of this Stipulation and Consent Order shall be served personally or by first class mail on Respondent. The Order shall be effective and deemed issued when it is signed by the Board Chair or designee of the Chair.

**CONSENT:**

**RESPONDENT**

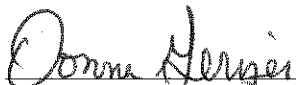
  
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KINNER & COMPANY, LTD.

By: Nathan Kinner

Its: Managing Shareholder

Dated: July 18, 2014

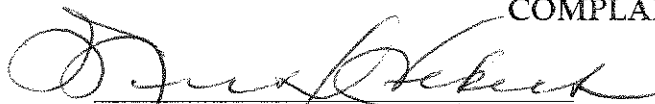
SUBSCRIBED and sworn to before me on  
this the 18th day of July, 2014.

  
\_\_\_\_\_  
(Notary Public)

My Commission Expires:

Dec. 18, 2015

COMPLAINT COMMITTEE



MICHAEL M. VEKICH, CPA  
Chair

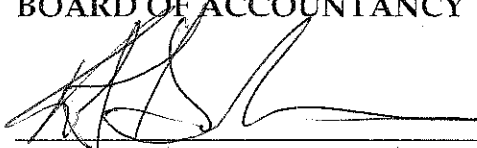
Dated: 7/30, 2014

**ORDER:**

Upon consideration of the foregoing Stipulation and based upon all the files, records and proceedings, herein,

1. IT IS HEREBY ORDERED that all the terms of this Stipulation and Consent Order are adopted and implemented this 30 day of July, 2014.

STATE OF MINNESOTA  
BOARD OF ACCOUNTANCY



ROBERT P. SAUNDERS, CPA  
Chair

AFFIDAVIT OF SERVICE BY MAIL

RE: Kinner & Company, Ltd.; Firm Permit Number 00997

STATE OF MINNESOTA )  
 ) ss.  
COUNTY OF RAMSEY )

Bev Carey, being first duly sworn, deposes and says:

That at the City of St. Paul, County of Ramsey and State of Minnesota, on this the 1st day of August, 2014, she served the attached Stipulation and Consent Order, by depositing in the United States mail at said city and state, a true and correct copy thereof, properly enveloped, with prepaid first class postage, and addressed to:

Kinner & Company, Ltd.  
Nathan Kinner  
404 Third Avenue  
Brookings, South Dakota 57006

Bev Carey  
Bev Carey

Subscribed and sworn to before me on this the 1st day of AUGUST, 2014

Lynette Dufresne  
(Notary Public)

