

STATE OF MINNESOTA
BOARD OF ACCOUNTANCY

In the Matter of
Hoffman, Philipp & Knutson, PLLC
CPA Firm Permit No. F2044

STIPULATION AND
CONSENT ORDER
Board Files 2017-385, 2017-386, 2017-402,
2017-403, 2017-404, 2017-405, 2017-406,
and 2017-407

The Minnesota Board of Accountancy ("Board") is authorized pursuant to Minnesota Statutes section 214.10 (2016); Minnesota Statutes section 326A.02, subdivisions 4 and 6 (2016); and Minnesota Statutes section 326A.08, subdivision 1 (2016) to review complaints against certified public accountants and to take disciplinary action whenever appropriate.

The Board received information concerning Hoffman, Philipp & Knutson, PLLC, 1541 Highway 59 South, Thief River Falls, Minnesota 56701 ("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:

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 constitutions, 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 (2016), 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.

3. The Board issued a Certified Public Accountant Firm Permit ("CPA Firm Permit") to Respondent on December 5, 2014; Respondent currently holds a 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 and consent order, pursuant to Minnesota Statute 326A.08, Subd. 5.(a)(2016).

4. 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 (2016), 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

5. 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. Respondent audited the following eight (8) Minnesota counties for the year ending December 31, 2015: Hubbard, Roseau, Clearwater, Kittson, Koochiching, Lake of the Woods, Pennington, and Red Lake.

- b. The eight Minnesota county audits were reviewed by the Office of the State Auditor, and were determined to be missing the proper audit documentation as required to support the audit reports. This information was published in the Office of the State Auditor's report *Assessing the Adequacy of 2015 County Audits performed by Private CPA Firms*, which was published in March 2017.
- c. The Office of the State Auditor identified several material departures from the relevant standards and lack of documentation in the reports, *Kittson County: Issues Impacting the Audit*, *Pennington County: Issues Impacting the Audit*, and *Hubbard County: Issues Impacting the Audit*, including, but not limited to: documentation that general and payroll expenditures were free from material misstatement; internal control testing; analysis of a comparison of current year activity to the prior year procedures to support balances reported; documentation and testing for compliance with federal programs; and substantive procedures to support balances reported.
- d. The Office of the State Auditor re-issued the December 31, 2015 audit for Kittson County on April 19, 2018, re-issued the December 31, 2015 audit for Pennington County on March 22, 2018, and re-issued the December 31, 2015 audit for Hubbard County on May 23, 2018.
- e. Respondent performed substandard work by failing to include the correct documents in the eight county audits.

6. Respondent admits that the facts and conduct specified in paragraph 5 above constitute violations of Minnesota Statutes section 326A.08, subdivisions 5 (a)(1) and 5 (a)(10) (2016), and Minnesota Rules 1105.5600, subparts 1.C (6) and 1105.7800.A. (2017) (in reference to AICPA Code of Professional Conduct section 2.310.001), 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 pursuant to Minnesota Statutes section 326A.08 (2016).

7. 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

8. Upon this stipulation and record, as set forth in paragraphs 2 and 5 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's CPA Firm Permit is **CENSURED** and **REPRIMANDED**.
- b. Respondent shall pay to the Board a **CIVIL PENALTY** of Sixteen Thousand Dollars (\$16,000.00). Respondent shall submit a Civil Penalty of Sixteen Thousand Dollars (\$16,000.00) by check to the Board within sixty (60) days of the Board's approval of this stipulation and consent order.
- c. Respondent's peer review cycle **SHALL BE** reset, and Respondent's next peer review **SHALL BE** for the year ending September 30, 2018.
- d. Firm partners Marit Ellen Knutson, CPA, and Crystelle Michele Philipp, CPA, **SHALL** each complete the NASBA Center for Public Trust Ethics Training, with a required passing score of no less than 80%. Partners Knutson and Philipp shall each submit

documentation of course completion to the Board within sixty (60) days of the Board's approval of this Stipulation and Consent Order. Partners Knutson and Philipp both completed the above training on October 3, 2018, and submitted documentation of course-completion to the Board on October 10, 2018.

- e. Respondent SHALL hire a reviewer to complete four (4) post-issuance peer reviews of audits for the year ended 2016. One (1) for Kittson County, one (1) for Clearwater County, and two (2) additional government entity audits selected at random by the peer reviewer. The peer reviewer must be selected from peer reviewers approved by the American Institute of Certified Public Accountants, the Minnesota Society of Certified Public Accountants, or the Minnesota Association of Public Accountants. Respondent shall submit the required post-issuance peer reviews to the Board within 120 days of the Board's approval of this stipulation and consent order.

- f. Respondent SHALL hire a reviewer to complete four (4) pre-issuance peer reviews of audits for the year ending 2017. The reviewer shall randomly select two (2) county audits and two (2) other government entity audits. The peer reviewer must be selected from peer reviewers approved by the American Institute of Certified Public Accountants, the Minnesota Society of Certified Public Accountants, or the Minnesota Association of Public Accountants. Respondent shall submit the required pre-issuance peer reviews to the Board by the date of issuance of the audit.

9. The undersigned representative of Respondent hereby represents and warrants that the undersigned representative has been duly authorized by Respondent to sign this stipulation and consent order on Respondent's behalf, that he or she 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 this stipulation, this stipulation 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 (2016)). 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 (2016). 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 it may choose to be represented by legal counsel in this matter. Respondent is represented by Charles Jones, Esq.

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.

14. Pursuant to Minnesota Statutes Section 16D.17 (2016), after ninety (90) days of the Board's approval of this stipulation and order, the Board may file and enforce any unpaid portion of the civil penalty imposed by this order as a judgment against the Respondent in district court without further notice or additional proceedings.

CONSENT:

RESPONDENT

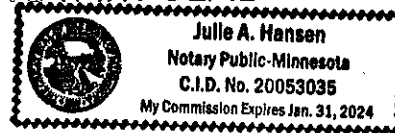
Hoffman, Philipp & Knutson
HOFFMAN, PHILIPP & KNUTSON, PLLC
By: Marit Knutson
Its: Partner
Dated: 10-29, 2018

SUBSCRIBED and sworn to before me on
this the 29th day of October, 2018.

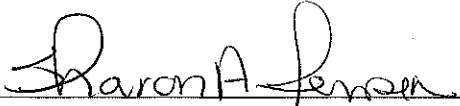
Julie A. Hansen
(Notary Public)

My Commission Expires Jan. 31, 2024

NOTARY SEAL



COMPLAINT COMMITTEE



SHARON A. JENSEN, CPA

Chair

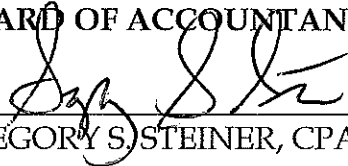
Dated: 12/4, 2018

ORDER:

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

1. **IT IS HEREBY ORDERED** that all other terms of this Stipulation and Consent Order are adopted and implemented this 4th day of December, 2018.

STATE OF MINNESOTA
BOARD OF ACCOUNTANCY



GREGORY S. STEINER, CPA

Chair

AFFIDAVIT OF SERVICE BY MAIL

RE: Hoffman, Philipp & Knutson, PLLC; Firm Permit No. F2044

STATE OF MINNESOTA)
) ss.
COUNTY OF RAMSEY)

Sara Datko, being first duly sworn, deposes and says:


4th That at the City of St. Paul, County of Ramsey and State of Minnesota, on this the 4th day of December, 2018, 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 first class and certified postage prepaid, and addressed to:

Moss & Barnett
Charles Jones
150 South Fifth Street Suite 1200
Minneapolis, Minnesota 55402


Sara Datko

CERTIFIED MAIL
Return Receipt Requested
7017 3040 0000 1240 8854

Subscribed and sworn to before me on
this the 4th day of December, 2018.


(Notary Public)

