

**STATE OF MINNESOTA**  
**BOARD OF ACCOUNTANCY**

**In the Matter of  
Althoff and Nordquist LLC  
CPA Firm Permit No. 01414**

**STIPULATION AND  
CONSENT ORDER  
Board File 2020-381**

The Minnesota Board of Accountancy is authorized pursuant to Minn. Stat. §§ 214.10, 326A.02, subds. 4, 6, and 326A.08, subd. 1 (2018) to review complaints against certified public accountants and to take disciplinary action whenever appropriate.

The Board received information concerning Althoff and Nordquist LLC, 1300 Northridge Dr NW, Pine City, MN 55063 ("Respondent"). The Board's Complaint Committee reviewed that information.

It is hereby stipulated and agreed by Respondent and the Committee that without trial or adjudication:

1. For the purpose of this stipulation and consent order, 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 Minn. Stat. ch. 14 (2018), 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. In the event the Board in its discretion does not approve this stipulation and consent order or propose 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 and consent order is not approved and the Committee initiates a contested-case hearing pursuant to Minn. Stat. ch. 14 (2018), Respondent agrees not to object to the Board hearing the case on the basis that the Board has become disqualified because of its review and consideration of this stipulation and consent order or of any records relating hereto.

### FACTS

4. This stipulation and consent order 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:

- a. The Board issued a Certified Public Accountant Firm Permit ("CPA Firm Permit") to Respondent on September 16, 2005.
- b. Respondent's complete peer review documentation was due to the Board no later than September 30, 2019.
- c. Respondent's CPA Firm Permit expired on December 31, 2019.
- d. On January 3<sup>rd</sup>, March 19<sup>th</sup>, April 1<sup>st</sup>, and April 15<sup>th</sup>, 2020, the firm's renewal was returned due to incomplete peer review documentation.
- e. The peer review documentation identified that during a review of the system of quality control of Respondent's accounting and auditing practice for the period ending June 30, 2018, significant deficiencies were found, which resulted in a peer review rating of "fail". Specifically, the engagement performance deficiencies include, in part, the following:

- (1) Lack of a signed engagement letter that specifies the year(s) covered, or include required language from SSARS 21.
- (2) Lack of documentation of the assessment of the audited entity management's ability to effectively oversee the nonaudit services provided.
- (3) Audit documentation is not sufficient to enable an experienced auditor having no previous connection to the audit to understand the nature, timing, and extent of procedures performed.
- (4) The financial statements do not contain the appropriate content and presentation format for: 1) the government-wide and fund financial statements of a state and local government and a not-for profit, and 2) a construction contractor.
- (5) The auditor did not properly document and identify compliance requirements of major programs that are considered direct and material, assess and document the risk assessment of material noncompliance with each major program's compliance requirements and internal controls over these compliance requirements that was sufficient to plan the audit to support a low assessed level of control risk or adequately document testing over each material compliance requirement. Also, the auditor did not properly consider, perform and document tests of compliance with applicable laws and regulations related to the Minnesota Legal Compliance Audit Guide for Relief Associations. Reports were issued on compliance without documentation of the procedures performed or even if they were performed.
- (6) The auditor did not document sufficient procedures to determine whether the Statement of Expenditures of Federal Awards (SEFA) is presented fairly in all material respects in relation to the entity's financial statements as a whole. Also, the

auditor had not documented or determined that the entity had sufficient internal controls in place and operating to prepare and fairly present the required information in the SEFA, including proper identification of federally funded expenditures.

(7) A report is not dated in conformity with the requirements of professional standards. This report is dated 3/19/18 and supervision and review procedures are being performed up to 3/26/18. Also, incorrect opinion units are referred to in an auditor's report. It appears the report was not appropriately modified in accordance with professional standards for GASB Statement No. 67 not being adopted.

(8) On an audit, the auditor did not document an expectation of recorded amounts or ratios and evaluate whether the expectation is sufficiently precise to identify a misstatement that, individually or when aggregated with other misstatements, may cause the financial statements to be materially misstated or document the amount of any difference of recorded amounts from expected values that is acceptable without further investigation and compare the recorded amounts with expectations. On a review, the accountant did not document developing expectations of recorded amounts or ratios and comparing to actual results.

- f. The peer review further found that the firm's quality control policies and procedures over engagement performance are not designed to provide reasonable assurance that engagements are consistently performed in accordance with professional standards. The firm's lack of appropriate use of the practice aids and resources available to the firm and proper supervision and review contributed to the above significant deficiencies. In our opinion, the significant deficiencies described above contributed to the

following engagements that did not conform to professional standards in all material respects:

- (1) Compilation of financial statements without disclosures for another industry;
- (2) Review of financial statements for a construction contractor;
- (3) A Single Audit of a school district;
- (4) A Government Auditing Standards audit of a not-for-profit organization (fire relief association);
- (5) A Government Auditing Standards audit of a state and local government.

- g. Based on the findings, to complete their peer review, Respondent was required to perform a pre-issuance review of the reports, financial statements, and working papers for the firm's next state/local government audit engagement and the next school district audit engagement.
- h. On February 17, 2020, due to the results from the first pre-issuance reviews, the firm was required to perform another pre-issuance review of the reports, financial statements, and working papers of the firm's next audit of a state/local government and the next audit of a school district.
- i. On April 15, 2020: (1) the Board received information concerning attest services that the firm had been performing without a firm permit.
- j. On May 11, 2020, the firm reported that they worked on and completed two cities audits after December 31, 2019, including one issued on March 28, 2020. They also reported that they had worked on but did not complete work for five other cities and a regional library system.

5. Respondent admits that the facts and conduct specified in paragraph 4 above constitute violations of Minn. Stat. §§ 326A.05 subd, 1(a)(1), 326A.08, subd. 5(a)(1), (6), and (10) (2018), and Minn. R. 1105.4200(B)(1), 1105.4700(A) and (C), 1105.5400, 1105.5600, subp. 1(C)(1), (6), and (7), and 1105.7800(A), (C), and (F) (2019), 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 Minn. Stat. § 326A.08 (2018).

6. This stipulation and consent order shall not limit the authority of the Board to proceed against Respondent by appropriate means on the basis of any conduct justifying disciplinary action which occurred before or after the date of this stipulation and consent order 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's CPA Firm Permit is **CENSURED** and **REPRIMANDED**.
- b. Respondent shall pay to the Board a **CIVIL PENALTY** of ten thousand dollars (\$10,000). Respondent shall submit to the Board payment of the civil penalty by check payable to the Board of Accountancy within sixty days of the Board's approval of this Stipulation and Consent Order.

- c. Respondent shall **CEASE AND DESIST** from issuing audit reports until such time that the Respondent obtains a current firm permit with the Board.

8. Respondent's representative hereby acknowledges that he or she has read, understands, and agrees to this stipulation and consent order and is freely and voluntarily signing the stipulation on behalf of Respondent without threat or promise by the Board or any of its members, employees, or agents. When signing the stipulation, Respondent acknowledges that they are 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 proposed changes are unacceptable to Respondent or the Board rejects the stipulation, it will be of no effect except as specified herein.

9. Under the Minnesota Government Data Practices Act, this Stipulation is classified as public data upon its issuance by the Board. Minn. Stat. § 13.41, subd. 5 (2018). All documents in the record shall maintain the data classification to which they are entitled under the Minnesota Government Data Practices Act, Minn. Stat. ch. 13 (2018). 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.

10. 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.

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

12. 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.

13. Pursuant to Minn. Stat. § 16D.17 (2018), ninety days after the Board's approval of this stipulation and consent 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.

14. Pursuant to Minn. Stat. § 16D.13 (2018), thirty days after the civil penalty imposed by paragraph 7(c) is due, simple interest computed in accordance with that section shall begin to accrue on the civil penalty.

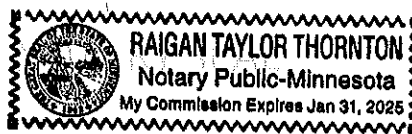
**CONSENT:**

**RESPONDENT**

Althoff's Nordquist, LLC  
ALTHOFF AND NORDQUIST LLC  
By: [Signature]  
Its: \_\_\_\_\_  
Dated: July 24, 2020

SUBSCRIBED and sworn to before me on this the 24<sup>th</sup> day of July, 2020.

[Signature]  
(Notary Public)



My Commission Expires: Jan. 31<sup>st</sup> 2025



COMPLAINT COMMITTEE

Greg Steiner by Sharon Jensen  
GREGORY STEINER, CPA

Chair

Dated: July 29, 2020

**ORDER:**

Upon consideration of the foregoing Stipulation and based upon all the files, records and proceedings herein, the terms of this Stipulation and Consent Order are **ADOPTED** and the remedy therein **ORDERED** this 29 day of July, 2020.

STATE OF MINNESOTA  
BOARD OF ACCOUNTANCY

Sharon A Jensen  
SHARON JENSEN, CPA  
Chair

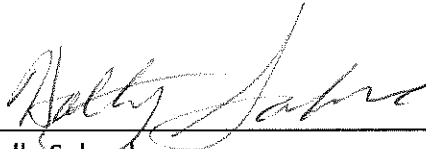
STATE OF MINNESOTA  
MINNESOTA BOARD OF ACCOUNTANCY  
85 East 7<sup>th</sup> Place, Suite 125  
St. Paul, MN 55101

CERTIFICATE OF SERVICE BY U.S. MAIL

Case Title: **Althoff and Nordquist LLC**  
File #2020-381

I, Holly Salmela, verify by oath or affirmation that on the 30<sup>th</sup> day of July, 2020, at the City of Saint Paul, in the county of Ramsey, in the State of Minnesota, served the Stipulation and Consent Order by depositing a true and correct copy in the United States mail, properly enveloped, with first class postage prepaid and addressed to the following named individual(s) or entities at the address indicated below.

Althoff and Nordquist LLC  
Mr. Carl D. Nordquist Jr.  
1300 Northridge Dr NW  
Pine City, MN 55063

  
\_\_\_\_\_  
Holly Salmela