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CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO

CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO ACT, 2017

TO: Joseph W. Fletcher

AND TO: The Discipline Committee of CPA Ontario

The Professional Conduct Committee of CPA Ontario hereby makes the following Allegations of professional misconduct against Joseph W. Fletcher, a suspended member of CPA Ontario:

1. THAT the said Joseph W. Fletcher, in or about the period May 1, 2012 through February 28, 2019, while engaged to perform assurance services, obtained loans from assurance clients in the amount of up to approximately \$14.2 million contrary to Rule 209.1 of the Rules of Professional Conduct and the CPA Code of Professional Conduct, in that:
 - a. Between February 28, 2014 and February 26, 2018, he obtained loans totaling approximately \$2,985,000 from Client "A";
 - b. Between August 8, 2017 and December 31, 2018, he obtained loans totaling approximately \$1,835,000 from Client "B";
 - c. Between January 1, 2018 and July 30, 2018, he obtained loans totaling approximately \$1,663,700 from Client "C";
 - d. Between April 20, 2018 and December 20, 2018, he obtained loans totaling approximately \$1,000,000 from Client "D";
 - e. On or about April 18, 2017 he obtained a loan totaling approximately \$400,000 from Client "E";
 - f. Between March 28, 2018 and January 28, 2019, he obtained loans totaling approximately \$850,000 from Client "F";
 - g. Between October 24, 2016 and March 29, 2017, he obtained loans totaling approximately \$500,000 from Client "G";
 - h. Between August 30, 2016 and January 31, 2019, he obtained loans totaling approximately \$1,000,000 from Client "H";
 - i. On or about September 25, 2015, he obtained a loan totaling approximately \$200,000 from Client "I";



- j. Between May 18, 2012 and August 29, 2016, he obtained loans totaling approximately \$400,000 from client "J";
 - k. On or about July 26, 2018, he obtained a loan totaling approximately \$200,000 from client "K";
 - l. Between April 12, 2017 and January 22, 2019, he obtained loans totaling approximately \$3,200,000 from client "L";
2. THAT the said Joseph W. Fletcher, in or about the period January 14, 2013 through January 14, 2019, while a partner at WMKL, signed or associated himself with annual declarations which he knew or should have known were false or misleading, contrary to Rule 205 of the Rules of Professional Conduct and the CPA Code of Professional Conduct, in that he filed signed annual declarations with the partnership stating that he had not obtained any loans from assurance clients.
3. THAT the said Joseph W. Fletcher, in or about August 31, 2017 through February 28, 2019, while engaged to perform assurance services, failed to conduct himself in a manner which would maintain the good reputation of the profession and its ability to serve the public interest, contrary to Rule 201.1 of the Rules of Professional Conduct and the CPA Code of Professional Conduct, in that he manipulated client source data which he subsequently included in the audit working papers as follows:
 - a. For Client "A" he signed an unqualified audit report dated February 15, 2018, which was supported by inventory records he had falsified in order to conceal outstanding loans to himself in the approximate amount of \$1,903,182 and a related party loan in the approximate amount of \$653,457;
 - b. For Client "A" he signed an unqualified audit report dated February 5, 2019, which was supported by inventory records he had falsified in order to conceal outstanding loans to himself in the approximate amount of \$1,923,584 and shareholders loans in the approximate amount of \$1,165,062;
 - c. For Client "G", he signed an unqualified audit report dated October 24, 2017, which was supported by inventory records he had falsified in order to conceal outstanding loans to himself in the approximate amount of \$250,000, and shareholder loans in the approximate amount of \$108,000.
 - d. For Client "G", he signed an unqualified audit report dated November 6, 2018, which was supported by inventory records he had falsified in order to conceal outstanding



loans to himself in the approximate amount of \$250,000, and shareholder loans in the approximate amount of \$528,000.

- e. For Client "K", he signed an unqualified audit report dated October 10, 2018, which was supported by inventory records he had falsified in order to conceal outstanding loans to himself in the approximate amount of \$200,000 and a shareholder loan in the approximate amount of \$400,000.

Dated at Collingwood, Ontario, this ~~15th~~ day of November 2019.

A handwritten signature in cursive script that reads "Janet Currie".

J.E. CURRIE, FCPA, FCA, FCMA DEPUTY CHAIR
PROFESSIONAL CONDUCT COMMITTEE

CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO
CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO ACT, 2017

DISCIPLINE COMMITTEE

IN THE MATTER OF: Allegations against **JOSEPH FLETCHER**, a suspended member of CPA Ontario, under **Rule 209.1, Rule 205, and Rule 201.1** of the Rules of Professional Conduct and the CPA Code of Professional Conduct.

TO: Joseph W. Fletcher

AND TO: The Professional Conduct Committee

DECISION AND ORDER MADE MARCH 12, 2020

DECISION

The Allegations that Joseph Fletcher has breached Rules 209.1, 205 and 201.1 of the Professional Code of Conduct are established, and he has committed professional misconduct.

ORDER


IT IS ORDERED THAT:

1. Joseph W. Fletcher be reprimanded in writing by the Chair of the hearing;
2. Joseph W. Fletcher shall pay a fine of \$100,000 to the Chartered Professional Accountants of Ontario ("CPA Ontario") by March 12, 2022;
3. Joseph W. Fletcher's membership with CPA Ontario is revoked;
4. Notice of this Decision and Order, disclosing Joseph W. Fletcher's name, is to be given in the form and manner determined by the Discipline Committee:
 - (a) to all members of CPA Ontario;
 - (b) to all provincial bodies;
 - (c) to the Public Accountants Council for the Province of Ontario;and shall be made available to the public;
5. Notice of this Decision and Order disclosing Joseph W. Fletcher's name is to be given by publication on the CPA Ontario website and in St. Catherine's Standard. Joseph W. Fletcher shall pay all costs associated with the publication, which shall be in addition to any other costs ordered by the Panel.

AND THAT:

6. Joseph W. Fletcher shall pay costs of \$44,000 to CPA Ontario by March 12, 2022.

DATED at Toronto this 18th day of March 2020.



R.J. ADAMKOWSKI, CPA, CA
Discipline Committee

CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO
THE CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO ACT, 2017

DISCIPLINE COMMITTEE

IN THE MATTER OF: Allegations against **JOSEPH WILTSHIRE FLETCHER**, a suspended member, under **Rule 201.1, Rule 205 and Rule 209.1** of the Chartered Professional Accountants of Ontario Rules of Professional Conduct and the CPA Code of Conduct.

BETWEEN:

**Chartered Professional Accountants of Ontario
Professional Conduct Committee**

-and-

Joseph Wiltshire Fletcher

APPEARANCES:

For the Professional Conduct Committee: Julia McNabb, Counsel

For Mr. Fletcher: Samuel Nash, Counsel

Heard: March 12, 2020

Decision and Order effective: March 12, 2020

Release of written reasons: March 27, 2020

REASONS FOR DECISION AND ORDER MADE MARCH 12, 2020

I. OVERVIEW

[1] The Professional Conduct Committee of the Chartered Professional Accountants of Ontario (“PCC” and “CPA Ontario”) made Allegations that Mr. Fletcher had obtained loans totaling approximately \$14.2 million from assurance clients over a seven year period, signed annual declarations with his partnership that he knew were false, and failed to act in a manner that maintained the good reputation of the profession by manipulating client source data that he then included in audit working papers supporting unqualified audit reports that he signed (“the Allegations”). This hearing was held to determine whether the Allegations were established and whether the conduct breached Rules 201.1, 205 and 209.1 of

the CPA Ontario Rules of Professional Conduct and the CPA Code of Professional Conduct and amounted to professional misconduct.

- [2] Mr. Fletcher obtained his CA designation in February 2001. Starting as a co-op student while in university, Mr. Fletcher worked at all times with the same accounting firm, WMKL. He became a partner in WMKL in 2014. He was expelled from the partnership on February 28, 2019 after the conduct that was the subject of the Allegations was discovered. Since being removed from the partnership at WMKL, Mr. Fletcher has worked as a soccer referee instructor.
- [3] Mr. Fletcher's membership in CPA Ontario had been administratively suspended since July 2019 for non-payment of his annual membership dues. He also had held a public accounting licence, which was suspended at the same time.
- [4] Mr. Fletcher had approximately 30 clients for whom he provided assurance services. Most of this client base was comprised of dealers of a large Canadian retail company.
- [5] In December 2018, Mr. Fletcher was approached by the Ontario Provincial Police ("OPP"), who inquired where he had obtained significant sums of money that he had used for certain financial transactions. He advised the OPP that he had borrowed these sums from clients, and he provided the OPP with the names of eight clients who could confirm the loans. One of these clients contacted WMKL in February 2019 after the OPP had contacted the client.
- [6] The partners at WMKL met with Mr. Fletcher on February 19, 2019. During that meeting, Mr. Fletcher informed his partners for the first time that he had obtained loans from several assurance clients for his own purposes and he still had outstanding loan balances with some of the clients.
- [7] Once it was aware of Mr. Fletcher's actions, WMKL conducted an investigation. The firm contacted each of Mr. Fletcher's clients to determine the extent of the loans and the outstanding balances. The firm also reviewed the most recently completed year end engagement files for irregularities. In the course of this review, WMKL identified audited financial statements where inventory had been adjusted to conceal the loans to Mr. Fletcher. Mr. Fletcher cooperated with the investigation by WMKL.
- [8] On February 28, 2019, the same day on which Mr. Fletcher was expelled from the partnership, two partners of WMKL made a complaint to CPA Ontario. The following day, Mr. Fletcher reported to CPA Ontario that he had committed an unspecified breach of the CPA Code of Conduct.
- [9] The PCC assigned an Investigator to the complaint. Mr. Fletcher cooperated with the Investigator, but he was unable to recall certain information related to the matters that were the basis of the complaint. He had not maintained detailed records of the loans and purported to keep track of the amounts due and the

repayment dates in his head. The Investigator was eventually able to reconstruct most of the amounts that had been borrowed, from which clients and when.

- [10] From 2012 to 2019, inclusive, Mr. Fletcher obtained loans totaling approximately \$14.2 million from 12 assurance clients. At the time of the hearing, approximately \$5.5 million had not been repaid and was owed to nine former clients.
- [11] The onus was on the PCC to show on a balance of probabilities that Mr. Fletcher's conduct breached Rules 201.1, 205 and 209.1 of the CPA Ontario Rules of Professional Conduct and constituted professional misconduct. Mr. Fletcher admitted the Allegations at the outset of the hearing.

II. PRELIMINARY ISSUES

- [12] There were no preliminary issues raised by the parties for the Panel's determination.

III. ISSUES

- [13] The Panel identified the following issues arising from the Allegations:
- A. Did the evidence establish, on a balance of probabilities, the facts on which the Allegations by the PCC were based?
 - B. If the facts alleged by the PCC were established on the evidence on a balance of probabilities, did the Allegations constitute professional misconduct?

IV. DECISION

- [14] The Panel found that the evidence established, on a balance of probabilities, the facts set out in the Allegations of professional misconduct.
- [15] The Panel was satisfied that the Allegations constituted breaches of Rules 201.1, 205 and 209.1, and, having breached each of these Rules, Mr. Fletcher had committed professional misconduct.

V. REASONS FOR THE DECISION

Findings regarding Conduct of Mr. Fletcher

- [16] The evidence was placed before the Panel by way of an Agreed Statement of Facts and a corresponding document book. The Panel accepted the facts set out in the Agreed Statement of Facts as having been established in this

proceeding.

- [17] As noted above, the undisputed evidence demonstrated that Mr. Fletcher borrowed \$14.2 million from 12 clients over a seven year period. He repaid \$8.7 million before WMKL learned of the loans. He provided the clients with various fabricated explanations when he sought loans from them. He did not tell them the actual purpose for which he was using the funds. Mr. Fletcher repaid some of the loans within a week or a month. Some of the clients received interest or a premium when the funds were repaid. On at least one occasion, he borrowed funds from one client to repay another.
- [18] Mr. Fletcher borrowed a further amount of approximately \$1.1 million from six other assurance clients. These loans were repaid. Due to a lack of documentation, the details of these loans could not be reconstructed.
- [19] Each year, WMKL required its partners to sign an annual declaration confirming that they were in compliance with firm policies and independence rules. Mr. Fletcher signed these declarations each year he was a partner in the firm, from 2013 through to 2019. The declarations included statements that the partner (Mr. Fletcher) did not have a loan or loan guarantee from any of the firm's assurance clients and that he was unaware of any circumstance that could compromise the independence or reputation of the firm. Given the loans that he held from assurance clients throughout this period, these statements were false at the time they were made.
- [20] While completing the audits of three of the assurance clients that had loaned him money, Mr. Fletcher manipulated the financial statements of those clients in order to conceal loans to himself and also additional loans to shareholders. Each client was aware of these alterations and instructed Mr. Fletcher to proceed to make the alterations.
- [21] Mr. Fletcher signed unqualified audit reports which were attached to the financial statements of Client "A" for the fiscal years ended December 31, 2017 and 2018. Mr. Fletcher altered the client source data for this client's inventory records in both years. The resulting alterations to the 2018 audited working papers concealed \$1,923,584 in loans to Mr. Fletcher and \$1,165,062 in shareholder loans that were outstanding at year-end. The inventory for the 2017 year end was overstated to conceal an outstanding loan due from Mr. Fletcher for \$1,903,182 and further a shareholder loan of \$653,457 was set off against accounts payable and accrued liabilities.
- [22] Mr. Fletcher signed unqualified audit reports which were attached to the financial statements of Client "G" for the fiscal years ended August 31, 2017 and 2018. Mr. Fletcher also falsified inventory reports for Client "G" for those years. . Inventory was overstated by \$778,000 and \$358,000, in 2017 and 2018, respectively. These overstatements concealed loans to Mr. Fletcher and also

shareholder loans.

- [23] Mr. Fletcher signed an unqualified audit report which was attached to the financial statements of Client "K" for the fiscal year ended July 31, 2018. Mr. Fletcher borrowed \$200,000 a few days before that client's year end on July 31, 2018, and repaid that amount the first day of the new year (August 1, 2018). Mr. Fletcher incorrectly showed the loan as inventory and its repayment as a shareholder advance. Mr. Fletcher falsified inventory reports that were included in the audit working papers, which supported an inflated inventory value so as to conceal the above noted loan and also an additional \$400,000 loan to the shareholder.
- [24] The Panel found the admitted facts to be clear, convincing and cogent proof that Mr. Fletcher had engaged in each of the actions summarized in the particulars of the Allegations.

Finding of Professional Misconduct

- [25] Mr. Fletcher admitted that his conduct as set out in the Allegations constituted professional misconduct. In the Panel's view, this admission was properly made.
- [26] The Panel found that Mr. Fletcher's conduct was not inadvertent. His actions continued over a prolonged period of time and affected a significant number of his clients and all of his partners and others. He drew clients into a plan aimed at serving his own needs and jeopardized their interests. In the Panel's view, Mr. Fletcher's actions were both dishonest and deliberate. As a result, they necessarily constituted professional misconduct.
- [27] Mr. Fletcher borrowed significant sums of money from a number of clients. None of those clients were otherwise in the business of lending money, and there was no evidence that these loans were consistent with normal commercial practice. These borrowings breached the prohibition on CPAs borrowing from their clients in Rule 209.1. While any borrowing that did not fit into the exceptions violated Rule 209.1, Mr. Fletcher borrowed in excess of \$14 million. The Panel concluded that even a far less egregious breach of the Rule would have amounted to professional misconduct.
- [28] Over a seven year period from 2013 to 2019, inclusive, Mr. Fletcher signed annual directions to his partnership stating that he had not obtained any loans from assurance clients. As the evidence demonstrated, this was not true throughout that period. Given the extent of Mr. Fletcher's borrowings, the Panel was satisfied that Mr. Fletcher knew that these statements were false when he made them. Rule 205 prohibits a CPA from signing any statement or report that he knows or should know is false. The evidence amply demonstrated that Mr. Fletcher breached this Rule. Given that the signing of false statements demonstrated a lack of integrity, the Panel readily concluded that the breach of

this Rule constituted professional misconduct.

- [29] Between 2017 and 2019, Mr. Fletcher signed unqualified audit reports that were supported by falsified inventory records. He himself had manipulated the underlying client source data to produce these inventory records. These were deliberately dishonest acts committed in the course of providing assurance services as a CPA. The Panel had no hesitation in concluding that, by these acts, Mr. Fletcher had acted in a manner that had failed to maintain the good reputation of the profession, contrary to Rule 201.1 of the Rules of Professional Conduct and Code of Professional Conduct, and had thereby committed professional misconduct.

VI. DECISION AS TO SANCTION

- [30] After considering the evidence, the law and the submissions of both parties, the Panel concluded that the appropriate sanction was a written reprimand, a fine of \$100,000 payable within twenty-four months, the revocation of Mr. Fletcher's membership, and the usual order as to publication of the decision to all members of CPA Ontario and the decision being available to members of the public, as well as the publication of the decision in the *St. Catharines Standard*.

VII. REASONS FOR DECISION AS TO SANCTION

- [31] After the Panel announced that it had made a finding of professional misconduct, his counsel confirmed that Mr. Fletcher did not oppose the sanctions sought by the PCC, and ultimately ordered by this Panel.
- [32] Over a number of years, Mr. Fletcher persisted in a pattern of conduct that implicated his clients in his professional misconduct, put his clients' interests at risk and, ultimately, caused them significant losses. His actions involved many clients, a large number of separate transactions and an exceptional amount of money. Each of these factors aggravated the seriousness of his misconduct. In the Panel's view, Mr. Fletcher's conduct was sustained and premeditated. Mr. Fletcher was wholly responsible for his actions.
- [33] Mr. Fletcher improperly borrowed over \$14 million from assurance clients. Insofar as he misrepresented the reason for the loans to his client, he acted dishonestly and took advantage of the trust that his clients put in him as a CPA. He also misused his knowledge of his clients' financial affairs to identify the clients who would be in a position to advance funds to him for his own benefit.
- [34] Mr. Fletcher signed five audit reports on financial statements wherein his borrowings from those clients were concealed by his falsification of inventory records. While this action on its own would amount to professional misconduct,

the fact that Mr. Fletcher created the fictitious information greatly aggravated the level of dishonesty and the seriousness of the misconduct. The fact that the motivation for this dishonesty was the concealment of Mr. Fletcher's earlier misconduct elevated this misconduct to the highest level of impropriety and moral turpitude.

- [35] The remaining Allegation was equally serious. It not only reflected an attempt by Mr. Fletcher to conceal his misconduct in borrowing large sums from clients, but represented a bald-faced lie to his partners. In the Panel's view, CPAs do not do that.
- [36] Each of the Allegations against Mr. Fletcher was serious on its own and warranted a substantial penalty due to the dishonesty that pervaded Mr. Fletcher's actions. His original dishonesty in initially obtaining the loans from clients was then concealed through the false declarations and fictitious information underlying the audit reports. Mr. Fletcher obtained substantial benefits for himself by his own dishonest conduct. Their combined effect could only lead to one conclusion, namely the revocation of his membership. There is no place in the accounting profession for a person who had demonstrated the overwhelming dishonesty and lack of integrity that Mr. Fletcher has been found to have committed. The public needs to be reassured of that by the sanction imposed, which has to include the revocation of his membership in the profession and a significant fine.
- [37] It was clear from the Agreed Statement of Facts that many people were severely affected by Mr. Fletcher's actions. Many of his clients were negatively financially impacted. Some of those clients became embroiled in Mr. Fletcher's schemes to cover up fraudulent behaviour. There were clearly many others who relied on the financial statements that Mr. Fletcher misstated and misreported, who also would have been negatively impacted. In addition to the partners of WMKL, all of the staff, and certainly the ones on Mr. Fletcher's staff, would be sorely impacted. It is also clear that WMKL was financially impacted, and one may assume that the professional lives of the partners were damaged. It is clear to the panel that the negative impact of Mr. Fletcher's acts on others was extensive, even in comparison to the most severe of comparable cases.
- [38] The Panel found that the fine had to be substantial so that it reflected the seriousness of the aggregate misconduct. Counsel for the PCC reviewed a series of decisions by the Discipline Committee in which substantial fines had been imposed as a result of serious misconduct. Each case involved a finding that the member had misappropriated funds or had been criminally convicted for misappropriating funds. The most recent, and arguably the most similar, of these cases was *CPA Ontario PCC v. Carr*, released August 15, 2019. In that case, Mr. Carr was found to have obtained a guarantee from a client, misappropriated

\$1.8 million (USD) from a client, signed false or misleading financial statements for the client to conceal the misappropriation and failed to cooperate with the investigation. In addition to the revocation of his membership, Mr. Carr was fined \$75,000. This was equal to the highest fine in any of the cases. There was no doubt that Mr. Carr's misconduct was serious and warranted a substantial fine. With respect to the nature of the conduct, the Panel was satisfied that Mr. Fletcher's conduct was equal to misappropriation as a demonstration of a complete lack of integrity. However, the Panel concluded that Mr. Carr's misconduct was more limited in duration, scope and dollar value than the misconduct of which Mr. Fletcher has been found to have committed. Ultimately, the Panel found that the overall seriousness of Mr. Fletcher's misconduct justified a reconsideration of the applicable range of penalty on the facts of this case. As a result of this reconsideration, the Panel was satisfied that a fine of \$100,000 adequately conveyed the profession's disapproval of Mr. Fletcher's sustained and pervasive misconduct that implicated both his clients and his partners.

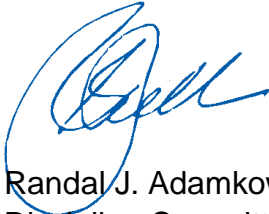
- [39] The Panel recognized that there were a number of mitigating factors demonstrated by the evidence. Mr. Fletcher had no discipline history. He had cooperated with the investigation by the PCC, and that cooperation culminated in him admitting professional misconduct, signing an agreed statement of facts and not contesting the sanction to be imposed. He had taken steps to address the personal challenges that contributed to the misconduct, but only after he was caught. Mr. Fletcher's counsel indicated that Mr. Fletcher was very remorseful for what he had done, and there was no reason to question that remorse given his admission of professional misconduct
- [40] However, these factors could not overcome the substantial and sustained moral turpitude of the misconduct in an assessment of the appropriate sanction. The mitigating factors could support Mr. Fletcher in his rehabilitation. However, that rehabilitation will need to occur outside membership in CPA Ontario.

VIII. COSTS

- [41] The PCC asked the Panel to award two thirds of the costs incurred by the PCC in the prosecution of this matter, as reflected in the Costs Outline (Exhibit 3). The total costs set out in the Costs Outline were slightly less than \$67,000. The PCC was not opposed to a reasonable amount of time to pay a costs award. Mr. Fletcher did not oppose the costs sought.
- [42] Given that the hearing lasted a half day, rather than the anticipated full day, the Panel reduced the Costs Outline by \$1,000. Although the costs were significant, the Panel accepted the explanation offered by PCC as to the work that had been required and concluded that the costs were within the realm of reasonableness.

[43] The Panel ordered that Mr. Fletcher pay costs in the amount of \$44,000 within twenty-four months of the order being made.

Dated at Toronto this 27th day of March, 2020



Randal J. Adamkowski, CPA, CA
Discipline Committee – Deputy Chair

Members of the Panel

Catherine Kenwell (Public Representative)

Joel Emuan, CPA, CMA

John Friday, FCPA, FCA, CMA

Salim Solmani, CPA, CA, LPA

Independent Legal Counsel

Glenn Stuart

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