

STATE OF SOUTH DAKOTA  
BOARD OF ACCOUNTANCY

IN THE MATTER OF THE )  
COMPLAINT BY THE SOUTH DAKOTA )  
BOARD OF ACCOUNTANCY )  
AGAINST TERESA SETHNEY JOHNSON )

NEGOTIATED  
CONSENT AGREEMENT

The above-named parties, and their attorneys of record, in the interest of resolving the action between them, enter into this Consent Agreement upon the terms and conditions set forth below.

1. The Board has jurisdiction of this matter pursuant to SDCL ch. 36-20B.
2. Teresa Sethney Johnson (Johnson) is a certified public accountant and holder of South Dakota certificate number 2356.
3. Johnson is also the holder of South Dakota firm permit number 1040, doing business as "Teresa Sethney Johnson, CPA."
4. Johnson is subject to the provisions of SDCL ch. 36-20B and ARSD ch. 20:75, as well as the Rules of Professional Ethics and Conduct promulgated by the Board.
5. In September 2003, Johnson signed an engagement contract to perform an audit for the town of Hermosa for the period ending December 2001 and 2002. In October 2003, Johnson received approval from Legislative Audit to perform the audit of the town of Hermosa for two years ending December 31, 2002. Johnson failed to terminate the engagement after receiving information that revealed a conflict of interest which precluded Johnson from issuing a qualified opinion. Johnson also failed to complete the audit and submit the audit report on a timely basis.

6. In January 2003, Johnson entered into a contract with Black Hills Community Theatre, Inc., a South Dakota nonprofit corporation, to perform an audit for its books for the fiscal years 2002 and 2003. Johnson was unable to obtain the requisite documents to complete the audit on a timely basis, despite her written requests to Black Hills Community Theatre for those documents. While not included as an item in the engagement letter, Johnson failed to file the 2003 Form 990 on a timely basis.

7. In February 2004, Johnson entered into a contract to perform accounting services for the Historic Lead Opera House. In a letter dated October 28, 2004, Lead Opera House attorney Michelle K. Percy terminated the engagement and requested the return of \$750 and various documents. Johnson's formal withdrawal from the audit was not executed in a timely manner.

8. Marvin Potter (Potter) filed a complaint with the Board against Johnson on July 23, 2004. After a thorough investigation of this complaint by Board staff, the matter was subsequently resolved between Johnson and Potter. Therefore, this matter has been resolved between the parties and will not be further addressed by the Board.

9. A complaint was filed with the Board against Johnson by Dawn Rice on February 22, 2005. After a thorough investigation of this complaint by Board staff, the matter has been resolved between Johnson and Rice. Therefore, this matter has been resolved between the parties and will not be further addressed by the Board.

10. Johnson acknowledges that this agreement constitutes an admission as to the factual allegations contained in paragraphs 5 through 9 and that her actions, as set forth above, constitute violations of ARSD 20:75:05:04, which requires a licensed accountant only undertake those professional services which the licensee and the licensee's firm can reasonably expect to complete with professional competence, due professional care, and with appropriate planning and supervision, and ARSD 20:75:05:07, which requires a licensee comply with professional ethical standards and conduct.

11. In exchange for the satisfactory fulfillment by Johnson of the promises contained in paragraph 12 of this agreement, the Board agrees not to take any additional disciplinary action against Johnson as a result of the findings contained in paragraphs 5 through 9.

12. In exchange for the promises of the Board contained in paragraph 11 of this agreement, Johnson agrees to the following:

- a. Johnson agrees to enter into an agreement with the licensed certified public accounting firm, approved by the Board, for the sole purpose of conducting pre-issuance reviews of all audit working papers and reports, including any pending audits, for a minimum period of at least two years.
- b. Johnson agrees to complete a minimum of eight (8) hours in Practice Management Continuing Professional Education by December 31, 2005.
- c. Johnson agrees to complete a minimum of eight (8) hours in Governmental Audit Continuing Professional Education by December 31, 2005.
- d. Johnson agrees to return all complainant's documents within thirty (30) days of the signing of this agreement.

- e. After two years, Johnson may petition the Board and the Board may reevaluate Johnson's practice and audit work completed during the two year time period. Johnson agrees that this agreement will remain in force for a minimum of two years and until such time as Johnson petitions the Board for modification.

13. It is further understood and agreed that this settlement shall resolve all allegations contained within paragraphs 5 through 9 in favor of the Board and that any problems of compliance with this agreement by Johnson will only require the Board to establish noncompliance with the terms of the Consent Agreement.

14. Johnson understands that noncompliance with this Consent Agreement could result in an adversarial hearing in which the Board could revoke any permit, suspend any permit, reprimand, censure or limit the scope of her practice or place her on probation, all with or without terms, conditions and limitations, impose an administrative fee not exceeding \$1000, require the satisfactory completion of the CPA and ethics examination, and the payment of any costs associated with this or any other proceeding involving Johnson.

15. Johnson understands that by signing this agreement she waives her right to a contested case proceeding pursuant to SDCL 1-26, wherein she has the right to be present, be represented by a lawyer, call witnesses on her behalf, and that these and other due process rights will be forfeited if they are not exercised at the hearing. Johnson further understands that she has the right to use the Office of Hearing Examiners by giving notice to the Board of Accountancy and that any decision from such a hearing

may be appealed to the circuit court and the South Dakota Supreme Court as provided by law. By signing this agreement, Johnson has waived her right to an adversary hearing in this matter and the Board may proceed as set forth in this agreement.

Dated this 19<sup>th</sup> day of October, 2005.

Teresa S. Johnson  
Teresa Sethney Johnson

Dated this 19<sup>th</sup> day of October, 2005.

James Margadant  
James Margadant  
Attorney at Law

Dated this 21<sup>st</sup> day of October, 2005.

David G. Olson  
David G. Olson, CPA  
Secretary/Treasurer

Dated this 20<sup>th</sup> day of October, 2005.

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