

**BEFORE THE MARYLAND STATE BOARD OF PUBLIC ACCOUNTANCY**

LLOYD MALLORY, JR.

Petitioner

v.

MARYLAND STATE BOARD OF  
PUBLIC ACCOUNTANCY

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Case no. CPAS 2023-9

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**FINAL ORDER**

The above-captioned matter was heard before the Maryland State Board of Public Accountancy ("the Board") on September 12, 2023 ("September 12<sup>th</sup> hearing"). At the hearing, petitioner Lloyd Mallory, Jr. sought reinstatement of his license to practice certified public accountancy. On or about September 27, 2022, he submitted an application to the Board for reinstatement of his CPA license. On or about December 15, 2022, the Board issued a letter to Mr. Mallory indicating that his reinstatement application was denied. Mr. Mallory requested a hearing; and on or about August 21, 2023, the Board notified Mr. Mallory that a hearing was scheduled for September 12, 2023.

At the September 12<sup>th</sup> hearing, Mr. Mallory was present in person and proceeded *pro se*. Ms. Catherine Villareale, Assistant Attorney General, presented evidence to the Board.

**FINDINGS OF FACT**

1.) Lloyd Mallory, Jr. was licensed by the Board to practice certified public accountancy in 1991.

2.) In June 2010, Mr. Mallory was convicted in the U.S. District Court for the Eastern District of Virginia of two offenses: a) conspiracy to commit wire fraud and mail fraud, in violation of 18 U.S.C. § 1349, and b) mail fraud, in violation of 18 U.S.C. § 1341-2.

3.) In August 2012, while incarcerated for the previous offense, Mr. Mallory was convicted in the U.S. District Court for the Eastern District of Virginia of the offense of conspiracy to commit wire fraud, in violation of 18 U.S.C. § 371.

4.) For the 2010 convictions, Mr. Mallory was sentenced to 60 months in prison and ordered to pay restitution in the amount of \$2,797,855.00.

5.) For the 2012 conviction, Mr. Mallory was sentenced to a prison term.<sup>1</sup>

6.) Mr. Mallory served several years in federal correctional institutions.

7.) Mr. Mallory period of supervised release terminated early on January 11, 2017.

8.) Money from Mr. Mallory's retirement account and bank account were seized to be applied to the court-ordered restitution, and Mr. Mallory continues to pay restitution in the amount of \$50.00 per month as directed.

9.) In September 2016, Mr. Mallory applied for registration with the Maryland Board of Individual Tax Preparers ("MBITP").

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<sup>1</sup> For the 2012 conviction, the Presenter of Evidence indicated the sentence was reduced from 24 to 14 months, and that he was also ordered to pay restitution of \$784,215.83 for this offense. The record, however, is not clear on this point.

10.) After initially denying his application, the MBITP, after holding a hearing on September 29, 2016, approved his application.

11.) Since being released from prison, Mr. Mallory has been engaged in work providing tax and bookkeeping services and financial/business advice for various clients.

12.) Mr. Mallory submitted statements from various individuals, including individuals for whom Mr. Mallory has done work since being released from prison, supporting his application for reinstatement and attesting to their confidence in his character and abilities.

13.) Mr. Mallory has provided documentation establishing that he has completed an extensive amount of continuing professional education ("CPE").

14.) Multiple witnesses testified at the September 12<sup>th</sup> hearing on Mr. Mallory's behalf and attested to his character, expertise, and trustworthiness.

### **DISCUSSION**

The Maryland Public Accountancy Act requires that applicants be of good character and reputation. Section 2-315 of the Act states that the Board may deny a license to an applicant convicted of a felony and sets forth criteria to be considered when an applicant or licensee is convicted of a crime. These include: (1) the nature of the crime; (2) the relationship of the crime to the activities authorized by the license; (3) with respect to a felony, the relevance of the conviction to the fitness and qualifications of the applicant or licensee to practice certified public accountancy; (4) the length of time since the conviction; and (5)

the behavior and activities of the applicant or licensee before and after the conviction.

The nature and circumstances of Mr. Mallory's three federal felony convictions are directly connected to the activities authorized by a CPA license and relevant to the fitness and qualifications of an individual to practice certified public accountancy. All three convictions involve fraud committed in the course of his work. The two earlier convictions involved preparation of estimated tax returns, which Mr. Mallory did not sign but which were not marked "draft," that were used to support loans that were later defaulted on. The later conviction related to what he characterized at the September 12<sup>th</sup> hearing as "CPA-type work," in which he wrote a "review report" of loan files that the people whom he was doing the work for changed to an "audit report."

The Board recognizes that a considerable amount of time has passed since the convictions and the conduct that gave rise to them. Since that time, Mr. Mallory has evidently attempted to maintain his technical skills; and he has completed an impressive array of CPE courses obviously with an eye towards being reinstated as a licensed CPA.

The Board was also impressed by the large number of witnesses who appeared on Mr. Mallory's behalf. The Board recognized that some witnesses made a special effort to appear at the September 12<sup>th</sup> hearing in person. Further, the Board recognized the conviction and eloquence with which these witnesses

spoke about Mr. Mallory's character, abilities, work, and qualifications. All the witnesses expressed their trust and confidence in Mr. Mallory.

The Board also notes that since his release from prison Mr. Mallory has been providing various services – including tax preparation, bookkeeping, business guidance, and financial advice – to individuals who have been satisfied with his services. The record indicates that those for whom he has been providing such services value the knowledge and skill Mr. Mallory has brought to their particular situations.

The Board is aware that Mr. Mallory is a registered tax preparer, and that his registration was granted by the MBITP following a hearing on his application. At the same time, however, registration to prepare individual taxes, without minimizing its importance, is not the same as a license to practice certified public accountancy. Put simply, the complexity of the work and the responsibilities associated with the latter are of a much higher order of magnitude.

While a considerable period of time has passed since Mr. Mallory's convictions, the nature of these convictions weighs heavily against reinstatement. The felony convictions are not only serious in and of themselves, but the nature of these particular convictions bears directly on the practice of public accountancy. The Board cannot ignore the fact that all three convictions involve fraud, a crime that strikes at the very heart of the work of a CPA. Indeed, it is one of the roles of a CPA and the profession to prevent instances of fraud. It

is fundamental to the work of a CPA. Mr. Mallory's actions were egregious and resulted in significant harm, as evidenced by the amount of restitution ordered.

Further, it is not clear to the Board that Mr. Mallory has fully accepted responsibility for the actions that led to his convictions. Mr. Mallory testified that he accepts responsibility, expressed remorse and shame, and explained that he has learned from his experiences. He indicated he is a different person today than he was when he committed his crimes. Yet, at various points at the September 12<sup>th</sup> hearing, he sought to minimize his role in these crimes.

For example, he explained how his crimes were committed "during a time of uncertainty" with the housing market and new rules that were put in place. He also spoke of all how his experience in prison have given him a "better perspective" with respect to "others' motives" and that he has learned he needs to be more diligent in verifying information. Such statements downplay his own role and seek to focus on the responsibility of other parties. Similarly, he spoke of "not paying attention to the letter of the law," as if his misconduct was some mere technical violation. The Board could not help but take note of Mr. Mallory's reference to "inadvertently" creating fraudulent documents. His three federal convictions belie the notion that his actions were somehow inadvertent.

Moreover, the Board is troubled by the fact that, while he is now making more money than when he was released from prison, he is only paying \$50.00 per month in restitution and has not taken steps to increase that amount, and that he is unaware of the amount of money that is still owed.

Mr. Mallory's conduct, both the conduct that led to his convictions and that subsequent to his convictions, can be objectively determined. The Board, of course, must make a much more subjective judgment about his present character and the completeness of his rehabilitation. The Board must do so in order to protect the public against any likelihood of future ethical lapses on Mr. Mallory's part should he be reinstated. Mr. Mallory testified that in the future he would limit the scope of his work and would not engage in audit or review work. But a CPA license authorizes an individual to engage in such work, and the Board cannot rely on his assurances that he will not engage in certain types of work.

When it first licensed Mr. Mallory, the Board, in doing so, made a representation to the public that he was worthy of the trust that they might place in him. But Mr. Mallory's serious misconduct demonstrated that the Board's assessment of his trustworthiness was in error. Mr. Mallory now asks the Board, by reinstating his license, to once again invest him with the indicia of honesty, character, and competence. On balance, upon consideration of the evidence and testimony presented, the Board concludes that Mr. Mallory should not be reinstated at this time.

#### **CONCLUSION OF LAW**

Based on the Findings of Fact, and using the specialized knowledge, training, and experience of its several members, the Maryland State Board of Public Accountancy reaches the following conclusion as a matter of law: Reinstatement of the petitioner, Lloyd Mallory, is unwarranted.

**ORDER**

In consideration of the Findings of Fact and Conclusion of Law, it is this 11th day of December, 2023, **ORDERED:**

1) That the Petition for Reinstatement of Lloyd Mallory, Jr. be, and the same hereby is **DENIED**; and

2) The records, files, and documents of the Maryland State Board of Public Accountancy reflect this decision.

MARYLAND STATE BOARD OF  
PUBLIC ACCOUNTANCY

By: **SIGNATURE ON  
ORIGINAL DOCUMENT**  
Jan L Williams, Ph.D., CPA  
Chair

**NOTE:** A judicial review of this Final Order may be sought in the Circuit Court of Maryland in which the Appellant resides or has his principal place of business, or in the Circuit Court for Baltimore City. A petition for judicial review must be filed with the court within 30 days after the mailing of this Order.