

BEFORE THE ACCOUNTANCY EXAMINING BOARD  
OF THE STATE OF IOWA

**IN THE MATTER OF:**

**Thomas Engelmann**  
Certificate #O03699  
Davenport, IA

Respondent.

Case No. 16-12

**COMBINED STATEMENT OF  
CHARGES, SETTLEMENT  
AGREEMENT, AND FINAL ORDER**

**A. Statement of Charges**

1. The Iowa Accountancy Examining Board (“Board”) has jurisdiction of this disciplinary matter pursuant to Iowa Code chapters 17A, 272C, and 542 (2015).

2. Respondent, Thomas Engelmann, was issued Iowa CPA certificate number O03699 on the 2nd day of August, 1981. Respondent’s CPA certificate is currently active and will next expire the 30th day of June, 2017.

3. In May of 2016 the Board was notified by the American Institute of Certified Public Accountants (AICPA) of a settlement agreement (AICPA Settlement Agreement)<sup>1</sup> entered between AICPA and Respondent as a result of concerns surrounding Respondent’s audit of financial statements of an employee benefit plan. The AICPA’s review found prima facie evidence of violations of applicable auditing standards, accounting principles, and requirements of governmental bodies, including: statements on auditing standards; accounting principles promulgated by the Financial Accounting Standards Board; and applicable rules promulgated by the United States Department of Labor, specifically 29 C.F.R § 2520.103-10.

4. Based on the foregoing, the Board charges Respondent with failing to comply with applicable auditing standards, accounting principles, and requirements of governmental bodies when developing, issuing, and documenting an audit of the financial statements of an employee benefit plan in violation of Iowa Code section 542.10(1)(d) and 193A Iowa Administrative Code rules 13.1(4); 13.4(2)(b) and (d), (3), (5), and (16); 13.6(8); and 14.3(6) and (7)(a).

5. The Board and Respondent have agreed to fully resolve these charges through the following Settlement Agreement and Final Order, rather than proceed to contested case hearing.

**B. Settlement Agreement and Final Order**

<sup>1</sup><http://www.aicpa.org/forthepublic/disciplinaryactions/2016/pages/engelmannthomasc.aspx>

1. Respondent does not admit the above referenced allegations as set forth in the Statement of Charges, but does agree to the entry of this Settlement Agreement and Final Order (Agreement) as the resolution of a disputed matter.

2. Respondent has a right to a hearing on the charges, but waives Respondent's right to hearing and all attendant rights, including the right to seek judicial review, by freely and voluntarily entering into this Agreement. This Agreement constitutes discipline against Respondent, and is the final agency order in the contested case, pursuant to Iowa Code section 17A.10 and 193 Iowa Administrative Code 7.4. Respondent acknowledges that Respondent had an opportunity to review this Agreement with legal counsel before signing it.

3. This Agreement shall be part of the permanent record of Respondent and shall be considered by the Board in determining the nature and severity of any future disciplinary action to be imposed in the event of any future violations.

4. Failure to comply with the provisions of this Agreement shall be grounds for further disciplinary action pursuant to Iowa Code section 272C.3(2)(a). However, no action may be taken against Respondent for violations of these provisions without a hearing, or waiver of hearing.

5. The Agreement shall also not preclude the Board from taking appropriate action in the event the Board receives any further complaints or information against Respondent.

6. This Agreement is a public record available for inspection and copying in accordance with the requirements of Iowa Code chapter 22.

7. Respondent agrees the State's counsel may present this Agreement to the Board and may have ex parte communications with the Board while presenting it.

8. This Agreement is subject to approval of the Board: (a) If the Board fails to approve this Agreement, it shall be of no force or effect on either party, and it shall not be admissible for any purpose in further proceedings in this matter; (b) If the Board approves this Agreement, it shall fully dispose of all issues in this case.

**IT IS THEREFORE ORDERED:**

- A. **Reprimand.** Respondent is reprimanded for failing to adhere to applicable auditing standards, accounting principles, and requirements of governmental bodies in his audit practice.
- B. **Civil Penalty.** Respondent shall pay a civil penalty of \$1,000 within thirty days from the date this Agreement is signed by all parties.
- C. **Practice Restriction.** Respondent is restricted from performing audits except in compliance with this Agreement. Respondent may apply to remove this restriction after he has fully complied with all terms of this Agreement. Until the restriction is removed, all audits shall be subject to pre-release desk review by an "Approved Desk Reviewer," which for purposes of this Agreement shall mean:

1. A Board-approved Iowa CPA firm, which must be approved in advance of Respondent performing any audit engagements; or
2. The firm reviewing Respondent's audits in connection with the AICPA Settlement Agreement.

In either case, Respondent must submit the name(s) of his chosen CPA-firm reviewer to the Board so the Board may obtain status updates as necessary. Any and all costs or expenses associated with the Approved Desk Reviewer shall be borne by Respondent. At least six (6) audits must be subject to pre-release review before Respondent may apply to release the restriction. The process for pre-release review and removal of the restriction shall be as outlined in section D, below.

**D. Probation and Desk Review.**

1. Respondent's CPA certificate shall be placed on indefinite probationary status effective the day this Agreement is executed by all parties. Until released from probation, Respondent is restricted from performing audits as stated in section C. If Respondent wishes to perform audits, all such audits shall be pre-release reviewed using the procedures outlined in this section D from and after the date this Agreement is signed by all parties, until the restriction is lifted by Board order.
  - a. Respondent agrees to retain, at his own expense, an Approved Desk Reviewer for the purpose of reviewing Respondent's next six (6) audit engagements.
  - b. Respondent shall provide the Approved Desk Reviewer with a copy of this Agreement, and shall supply the Board with any resulting engagement letter between Respondent and the Approved Desk Reviewer in advance of implementing their agreement. Respondent may not perform any audit engagement until such engagement letter has been submitted to the Board and approved.
2. The following terms shall apply to the desk review:
  - a. The first six (6) audits performed by Respondent after he has obtained an Approved Desk Reviewer shall be subjected to desk review. As described below, the Board may order additional desk review if the reviews from the first six (6) audits do not demonstrate compliance with applicable audit standards, accounting principles, and requirements of governmental bodies.
  - b. In addition to pre-release desk review of the six (6) audits referenced above, after completion of the six (6) audits referenced above, the Approved Desk Reviewer shall prepare a more general report for the Board and shall submit it to the Board. The report shall follow an on-

site review (in the nature of a peer review) of Respondent's audit procedures, and shall include a review of Respondent's policies and procedures, library and other resources, checklist procedures, work paper documentation and verification practices, and internal quality control systems, as such resources, procedures and systems relate to Respondent's audit practice, with particular emphasis on governmental audits, including audits of employee benefit plans.

- c. Respondent shall submit to the Approved Desk Reviewer for pre-release review all work-papers, reports, and related documents for the six (6) audits referenced in subparagraph D(2)(a). The Approved Desk Reviewer shall perform desk reviews of the work-papers, reports and related documents for the six (6) audits referenced in subparagraph D(2)(a) above. The reviews shall be for facial compliance with minimum auditing standards, accounting principles, and other applicable requirements of governmental bodies. The Approved Desk Reviewer shall not perform field work or warrant the accuracy of Respondent's work product, but will review work-papers, reports, internal control systems, and such additional documents as are reasonably needed.
  - d. The Approved Desk Reviewer shall prepare written comments on each of the six (6) audit reports and work papers, and shall provide the Approved Desk Reviewer's comments, work-papers, and notes simultaneously to both Respondent and the Board.
  - e. The Approved Desk Reviewer's recommended revisions or collections, if any, shall be incorporated into each final audit prior to release of the report to the client or any third party. Respondent shall, as needed, submit a revised version of each report to the Approved Desk Reviewer for final approval prior to such release. If Respondent disagrees with a recommended revision by the Approved Desk Reviewer, he shall notify the Board in writing of the recommendation, his response, and the nature of the dispute.
  - f. Within ten days of the issuance of each audit report, Respondent shall provide the Board a copy of the initial audit report as sent to the Approved Desk Reviewer, the final audit report as issued to the client, all work-papers, and any final desk review comments related to review of the final audit report. These documents do not need to be received by the Board prior to issuance of an audit report approved for release by the Approved Desk Reviewer.
3. Upon completion of the review of the six (6) audits by the Approved Desk Reviewer, the completion of the on-site review of Respondent's audit practice, completion of the education described in section E, and the Board's receipt of all corresponding documentation in support of compliance with the terms of

this Agreement, Respondent may file an application for release from probation. Respondent shall provide the Board with such access to records as is necessary to verify compliance with this Agreement.

4. Respondent's application for release from probation shall comply with 193A Iowa Administrative Code rule 16.5 and 193 Iowa Administrative Code rule 7.38. The Board recognizes that 193 Iowa Administrative Code 7.30(3) is not applicable to this situation.
5. The Board shall release Respondent from probation if he demonstrates full compliance with this Agreement; the general on-site review report verifies that appropriate policies and procedures are in place to address the allegations contained within the Statement of Charges and the AICPA Settlement Agreement; and the audits released by Respondent demonstrates compliance with applicable auditing standards, accounting principles, and requirements of governmental bodies. The Board may rely upon the report from and/or written comments prepared by the Approved Desk Reviewer or the Board may conduct its own inspection of records as may be reasonably required to assure future practices compliant with professional standards.
6. The Board retains full discretion on whether and when to release Respondent from probation. With notice to and an opportunity for Respondent to object, the Board may modify the terms of probation upon a demonstrated basis for such action.
7. This Agreement shall not preclude the Board from filing additional charges if one or more of the audits subject to desk review or otherwise demonstrate probable cause to take such action.

**E. Education.** Respondent shall complete the 44.5 hours of professional education required by the AICPA Settlement Agreement and provide the Board with evidence of such completion. These CPE credits are not to be used for any individual CPA license renewal.

**AGREED AND ACCEPTED:**

**The Respondent**

  
By: \_\_\_\_\_

1/14/17  
Date

**Iowa Accountancy Examining Board**

  
By: ~~Shelley Laracuente~~, CPA, Chair  
Ying So

5/2/17  
Date