

BEFORE THE ACCOUNTANCY EXAMINING BOARD  
OF THE STATE OF IOWA

<p><b>IN THE MATTER OF:</b></p> <p><b>Nancy Ann Patterson</b> Certificate #R05438</p> <p>and</p> <p><b>Moorhead Patterson &amp; Company, PC</b> Permit # 2016-190</p> <p>Respondents.</p>	<p>Case No. 16-17</p> <p><b>AMENDED SETTLEMENT AGREEMENT</b></p>
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The Iowa Accountancy Examining Board (“Board”) and Respondents Nancy Ann Patterson (Iowa CPA certificate number R05438) and Moorhead Patterson & Company, PC (firm permit number 2016-190) (collectively referred to herein as “Respondents”) agree to Amend the Settlement Agreement previously entered into between the Board and Respondents effective as of June 21, 2017, attached hereto as Exhibit A (“Original Settlement Agreement.”). This Amendment to the Original Settlement Agreement shall be referred to herein as the “Amended Settlement Agreement.”

Section E (Submission of Peer Review Report) of the Original Settlement Agreement provided:

**E. Submission of Peer Review Report.**

1. Respondents shall submit to the board their most recent peer review report issued pursuant to Iowa Administrative Code chapter 11. *See also id.* 193A—11.6 (“The subject of a peer review may voluntarily submit the final peer review report directly to the board.”).
2. With notice to and an opportunity for Respondents to object, the Board may modify the scope or terms of this Agreement if Respondents’ most recent peer review report reveals issues with Respondents audit practice generally, as opposed to only Covered Audits. If Respondents’ most recent peer review report reveals issues with Respondents audit practice generally, in assessing whether and how to modify the scope or terms of this Agreement, the Board may require Respondents to supply the Board with work-papers, reports, and related documents for up to two (2) additional audits as may be randomly selected by the Board from Respondents audit logs, which the Board, or its designated peer reviewer, may review to assure compliance with professional

standards. Respondents shall provide the Board with such access to records as is necessary to verify compliance with this Section.

Respondents submitted their most recent peer review report issued pursuant to Iowa Administrative Code chapter 11 in compliance with Section E.1 of the Original Settlement Agreement. This peer review report identified deficiencies with Respondents' performance of governmental audits, in addition to the deficiencies previously identified with Respondent's audits of employee benefit plans covered under the Employee Retirement Income Security Act of 1974.

As a result of these deficiencies, in accordance with Section E.2 of the Original Settlement Agreement, the Board has decided to "modify the scope or terms of th[e Original Settlement Agreement]." Respondent was given the opportunity to object to this modification, but has freely and voluntarily consented to the same by executing this Amended Settlement Agreement.

**IT IS THEREFORE ORDERED THAT THE ORIGINAL SETTLEMENT AGREEMENT SHALL BE AMENDED AS FOLLOWS:**

Section C (Practice Restriction) of Section B (Settlement Agreement and Final Order) of the Original Settlement Agreement is deleted in its entirety and replaced with the following:

**C. Practice Restriction.**

1. Respondents are restricted from performing both: a) governmental audits, including but not limited to any engagements requiring compliance with Generally Accepted Governmental Auditing Standards; and b) audits of employee benefit plans covered under the Employee Retirement Income Security Act of 1974 (subparagraphs (a) and (b) shall be referred to collectively herein as "Covered Audits"). If Respondents wish to perform Covered Audits, any such audits shall be pre-release reviewed following the procedures outlined in Section D (Desk Review and Release of Practice Restriction) from and after the date this Agreement is signed by all parties, until the restriction is lifted by the Board. Unless and until the restriction is removed, any Covered Audits shall be subject to pre-release desk review by an Iowa CPA pre-approved by the Board ("Approved Desk Reviewer"). At least four (4) Covered Audits of each category of audits described in subparagraphs (a) and (b) herein must be subject to pre-release review before Respondents may apply to release the restriction as it relates to either category. Respondents' may seek to remove this restriction as to each category separately, or both categories together, subject to the requirement of this Agreement. The process for pre-release review and removal of the restriction shall be as outlined in Section D (Desk Review and Release of Practice Restriction), below.
2. Nothing in this Agreement shall be construed or interpreted to *require*

Respondents to perform Covered Audits. If Respondents elect to not perform Covered Audits, the requirements of Section D (Desk Review and Release of Practice Restriction) shall not apply, unless and until Respondents elect to resume providing Covered Audits.

Section D (Desk Review and Release of Practice Restriction) of Section B (Settlement Agreement and Final Order) of the Original Settlement Agreement is deleted in its entirety and replaced with the following:

**D. Desk Review and Release of Practice Restriction.**

1. Respondents' CPA certificate and permit to practice, respectively, shall be subject to an indefinite practice restriction effective the day this Agreement is executed by all parties. Until this restriction is released, Respondents are restricted from performing Covered Audits as stated in section C. If Respondents wish to perform Covered Audits, all such audits shall be pre-release reviewed using the procedures further 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.
2. Respondents agree to retain, at their own expense, an Approved Desk Reviewer for the purpose of reviewing Respondents' next four (4) Covered Audit engagements as it relates to each category of audits described in subparagraphs (a) and (b) of Section C (Practice Restriction). At least four (4) Covered Audits of each category of audits described in subparagraphs (a) and (b) of Section C (Practice Restriction) must be subject to pre-release review before Respondents may apply to release the restriction as it relates to either category. Respondents' may seek to remove this restriction as to each category separately, or both categories together.
3. Respondents shall provide the Approved Desk Reviewer with a copy of this Agreement, and shall supply the Board with any resulting engagement letter between Respondents and the Approved Desk Reviewer in advance of implementing their agreement(s). Respondents may not perform any Covered Audits until such engagement letter(s) has been submitted to the Board and approved.
4. The following terms shall apply to the desk review:
  - a. The first four (4) Covered Audits of each category of audits described in subparagraphs (a) and (b) of Section C (Practice Restriction) performed by Respondents after they have obtained an Approved Desk Reviewer shall be subject to desk review. As described below, the Board may order additional desk reviews if the reviews from the first four (4) audits of each category of audits described in subparagraphs (a) and (b) of Section

C (Practice Restriction) do not demonstrate compliance with applicable audit standards.

- b. Respondents shall submit to the Approved Desk Reviewer for pre-release review all work-papers, reports, and related documents for the four (4) Covered Audits of the applicable category of audits described in subparagraphs (a) and (b) of Section C (Practice Restriction) referenced above. The Approved Desk Reviewer shall perform desk reviews of the work-papers, reports, and related documents for the four (4) Covered Audits of the applicable category of audits described in subparagraphs (a) and (b) of Section C (Practice Restriction) referenced above. These reviews shall be for facial compliance with minimum auditing standards. The Approved Desk Reviewer shall not perform field work or warrant the accuracy of Respondents' work product, but will review work-papers, reports, internal control systems, and such additional documents as are reasonably needed.
  - c. The Approved Desk Reviewer shall prepare written comments on each of the four (4) Covered Audit reports of the applicable category of audits described in subparagraphs (a) and (b) of Section C (Practice Restriction) and work papers, and shall provide the Approved Desk Reviewer's comments, work-papers, and notes simultaneously to Respondents and the Board.
  - d. 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. Respondents shall, as needed, submit a revised version of each report to the Approved Desk Reviewer for final approval prior to such release. If Respondents disagree with a recommended revision by the Approved Desk Reviewer, they shall notify the Board in writing of the recommendation, their response, and the nature of the dispute.
  - e. Within ten days of the issuance of each audit report, Respondents 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.
5. The Board shall release Respondents from the practice restriction established by this Agreement if the Covered Audits of the applicable category of audits described in subparagraphs (a) and (b) of Section C (Practice Restriction) reviewed in accordance with this Section demonstrate compliance with

applicable auditing standards, and Respondents have successfully complied with all of the other terms of this Agreement. Respondents' may seek to remove this restriction as to each category separately, or both categories together, subject to the requirement of this Agreement. The Board may rely upon the report from and/or written comments prepared by the Approved Desk Reviewer or the Board, or its designated peer reviewer, may conduct its own review of the Covered Audits as may be reasonably required to assure future practices will be compliant with professional standards.

6. Provided Respondents have successfully complied with all of the other terms of this Agreement, upon completion of the review of the four (4) Covered Audits as it relates to the applicable category of audits described in subparagraphs (a) and (b) of Section C (Practice Restriction), Respondents may file an application for release from the practice restriction established by Section C (Practice Restriction) and this Section D (Desk Review and Release of Practice Restriction). Respondents shall provide the Board with such access to records as is necessary to verify compliance with this Agreement. Respondents' application for release from the practice restriction established by this Agreement 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.
7. The Board retains full discretion on whether and when to release Respondents from the practice restriction established by this Agreement. With notice to and an opportunity for Respondents to object, the Board may modify the terms of this practice restriction upon a demonstrated basis for such action.
8. This Agreement shall not preclude the Board from filing additional charges if one or more of the Covered Audits subject to desk review or otherwise demonstrate probable cause to take such action.

**AGREED AND ACCEPTED:**

**Respondents**

Nancy Ann Patterson, CPA, individual:

**Iowa Accountancy Examining Board**

Nancy Ann Patterson  
By:

Robert E. Lampe on behalf of Chair  
By: Ying Sa, CPA, Chair

8-30-17  
Date

9/27/17  
Date

Moorhead Patterson & Company, PC, firm:

Nancy Ann Patterson  
By:

8.30.17  
Date