

**BEFORE THE ACCOUNTANCY EXAMINING BOARD
OF THE STATE OF IOWA**

<p>IN THE MATTER OF:</p> <p>BLAIR, WESTFALL & CO., P.C., CPA Firm Permit # 2017-0567</p> <p>Respondent.</p>	<p>Case No. 15-47</p> <p>COMBINED STATEMENT OF CHARGES AND SETTLEMENT AGREEMENT</p>
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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 (2017).

2. Respondent, BLAIR, WESTFALL & CO., P.C., holds previously issued firm permit number 2017-0567. The firm permit will expire on the 30th day of June, 2018.

3. In November of 2015, the Board was notified by the Employee Benefits Security Administration (“**EBSA**”) of the U.S. Department of Labor (“**DOL**”) of concerns with Respondent’s performance of a 2013 audit of the Lee Retiree Medical Plan (“**Plan**”) for the years ended December 31, 2013 and 2012. DOL identified several deficiencies with the 2103 audit, most significantly:

- a. A failure to perform sufficient audit work in certain relevant areas to support the opinion rendered on the plan’s financial statements in accordance with Generally Accepted Auditing Standards; and
- b. A failure of the financial statements to meet reporting and disclosure requirements in accordance with Generally Accepted Auditing Standards.

4. The Board subsequently engaged an independent, neutral, and detached peer review expert (“**Peer Reviewer**”) to review the audit and corresponding workpapers for compliance with Generally Accepted Auditing Standards. In addition to reviewing the 2013 audit, the Peer Reviewer also obtained and reviewed the 2015 audit of the Plan in an effort to ascertain whether the 2013 deficiencies were isolated, or part of a more pervasive pattern of non-compliance with Generally Accepted Auditing Standards.

5. With respect to the 2013 audit, the Peer Reviewer’s findings and conclusions were consistent with those of DOL. In addition, the Peer Reviewer identified several deficiencies not identified by DOL involving Respondent’s failure to adequately test Plan transactions and data. With respect to the 2015 audit, the Peer Reviewer concluded the financial statements again failed

to meet applicable reporting and disclosure requirements.

6. Based on the foregoing, the Board charges Respondent with failing to comply with applicable auditing standards when developing, issuing, and documenting audits in violation of Iowa Code section 542.10(1)(d) and 193A Iowa Administrative Code rules 13.1(4); 13.4(2)(b), (3), (5); 13.6(8); and 14.3(6) and (7)(a).

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

B. Settlement Agreement and Final Order

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 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 Settlement Agreement. This Settlement 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 Settlement Agreement with legal counsel before signing it.

3. This Settlement 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 Settlement 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. This Settlement Agreement shall not preclude the Board from taking appropriate action in the event the Board receives any further complaints or information against Respondent.

6. This Settlement 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 Settlement Agreement to the Board and may have ex parte communications with the Board while presenting it.

8. This Settlement Agreement is subject to approval of the Board:

- a. If the Board fails to approve this Settlement 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 Settlement 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 in Respondent's audit practice.
- B. **Civil Penalty.** Respondent shall pay a civil penalty of \$1,000 within thirty (30) days from the date this Settlement Agreement is signed by both parties.
- C. **Practice Restriction.**
 1. Respondent is restricted from performing audits of employee benefit plans covered under the Employee Retirement Income Security Act of 1974 ("**Covered Audits**"). If Respondent wishes 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 Settlement Agreement is signed by both 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 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 (Desk Review and Release of Practice Restriction), below.
 2. Nothing in this Settlement Agreement shall be construed or interpreted to *require* Respondent to perform Covered Audits. If Respondent elects to not perform Covered Audits, the requirements of Section D (Desk Review and Release of Practice Restriction) shall not apply, unless and until Respondent elects to resume providing Covered Audits.
- D. **Desk Review and Release of Practice Restriction.**
 1. Respondent's permit to practice shall be subject to an indefinite practice restriction effective the day this Settlement Agreement is executed by both Parties. Until this restriction is released, Respondent is restricted from performing Covered Audits as stated in section C. If Respondent wishes 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 Settlement Agreement is signed by both parties, unless and until the restriction

is lifted by Board order.

2. Respondent agrees to retain, at Respondent's own expense, an Approved Desk Reviewer for the purpose of reviewing Respondent's next four (4) Covered Audit engagements.
3. Respondent shall provide the Approved Desk Reviewer with a copy of this Settlement Agreement, and shall supply the Board with any resulting engagement letter between Respondent and the Approved Desk Reviewer in advance of implementing Respondent's agreement. Respondent may not perform any Covered Audits until such engagement letter 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 performed by Respondent after it has 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 do not demonstrate compliance with applicable audit standards.
 - b. Respondent shall submit to the Approved Desk Reviewer for pre-release review all work-papers, reports, and related documents for the four (4) Covered Audits referenced above. The Approved Desk Reviewer shall perform desk reviews of the work-papers, reports, and related documents for the four (4) Covered Audits 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 Respondent's 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 and work papers, and shall provide the Approved Desk Reviewer's comments, work-papers, and notes simultaneously to Respondent 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. 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, Respondent shall notify the Board in writing of the recommendation, Respondent's response, and the nature of the dispute.

- e. 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.
5. The Board shall release Respondent from the practice restriction established by this Settlement Agreement if the the Covered Audits reviewed in accordance with this Section demonstrate compliance with applicable auditing standards, and Respondent has successfully complied with all of the other terms of this Settlement Agreement. The Board may rely upon the report from ~~and/or written comments prepared by the~~ Approved Desk Reviewer or the Board, or the Board's 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 Respondent has successfully complied with all of the other terms of this Settlement Agreement, upon completion of the review of the four (4) Covered Audits, Respondent 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). Respondent shall provide the Board with such access to records as is necessary to verify compliance with this Settlement Agreement. Respondent's application for release from the practice restriction established by this Settlement 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 Respondent from the practice restriction established by this Settlement Agreement. With prior notice and an opportunity for Respondent to object, the Board may modify the terms of this practice restriction upon the occurrence of a demonstrated basis for such action.
8. This Settlement 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.

E. Submission of Peer Review Report.

1. Respondent shall submit to the Board Respondent's 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 Respondent to object, the Board may modify the scope or terms of this Settlement Agreement if Respondent’s most recent peer review report reveals issues with Respondent’s audit practice generally, as opposed to only Covered Audits. If Respondent’s most recent peer review report reveals issues with Respondent’s audit practice generally, in assessing whether and how to modify the scope or terms of this Settlement Agreement, the Board may require Respondent 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 Respondent’s audit logs, which the Board, or the Board’s designated peer reviewer, may review to assure compliance with professional standards. Respondent shall provide the Board with such access to records as is necessary to verify compliance with this Section.

F. Education. All professional staff of BLAIR, WESTFALL & CO., P.C., who perform audits shall complete thirty (30) hours of professional education related to performing audits. These CPE credits may not be used for any individual CPA license renewal.

AGREED AND ACCEPTED:

**BLAIR, WESTFALL & CO., P.C.,
Respondent, CPA firm:**

Iowa Accountancy Examining Board

Amy M. Westfall
By: _____

Dirk Dixon
By: Dirk Dixon, LPA, Chair

6.25.18
Date

8/9/18
Date