

BEFORE THE ACCOUNTANCY EXAMINING BOARD  
OF THE STATE OF IOWA

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IN THE MATTER OF:	)	CASE NO. 98-5
	)	
FLOOD, GEGNER & COMPANY,	)	
LLP, SCOTT FLOOD, and	)	
NORTON J. GEGNER	)	
IA PERMIT NOS. 98-600,	)	<b>SETTLEMENT AGREEMENT</b>
98-800, 98-817	)	<b>AND CONSENT ORDER</b>
	)	
RESPONDENTS	)	

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The Iowa Accountancy Examining Board and Respondents enter into this Settlement Agreement and Consent Order (Order), pursuant to Iowa Code section 17A.10 (1997) and 193A IAC 12.7:

1. The Board has jurisdiction of this matter pursuant to Iowa Code chapters 17A, 542C, and 272C (1997).
2. The Board filed a Statement of Charges on September 23, 1998. Hearing is currently set in February, 1999.
3. Respondents do not admit the allegations in the Statement of Charges, but they agree the Board may rely on the allegations as providing the factual basis for this Order.
4. Respondents have a right to a hearing on the charges, but waive their right to hearing and all attendant rights, including the right to appeal, by freely and voluntarily agreeing to this Order. Once entered, this Order shall have the force and effect of a disciplinary order entered following contested case hearing.

5. Respondents agree the State's counsel may present this Order to the Board and may have ex parte communications with the Board while presenting it.

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

7. This Order and the Statement of Charges are public records available for inspection and copying in accordance with the requirements of Iowa Code chapter 22 (1997).

8. Failure to comply with the provisions of this Order shall be considered prima facie evidence of a violation of Iowa Code section 542C.21(4) (1997), and shall be grounds for disciplinary action pursuant to Iowa Code section 272C.3(2)(a) (1997). However, no action may be taken against Respondents for violations of these provisions without a hearing, or waiver of hearing.

9. 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.

10. Respondents have not been the subject of any previous disciplinary actions. They voluntarily enhanced their continuing education in the areas of audit and accounting, and agree to resolve the charges on the following terms.

**IT IS THEREFORE ORDERED:**

Respondents shall develop, at their sole expense, a desk review consultation agreement with a firm of certified public accountants holding a permit to practice in the state of Iowa, pre-approved by the Board, for the purpose of reviewing audits and reviews completed by Respondents as follows:

(1) Respondents shall submit for pre-release review all workpapers, reports, and related documents for the following audits and reviews:

(a) The first audit after the date of this Order in which Respondent Flood is the partner in charge;

(b) The first audit after the date of this Order in which Respondent Gegner is the partner in charge;

(c) The first review after the date of this Order in which Respondent Flood is the partner in charge;

(d) The first review after the date of this Order in which Respondent Gegner is the partner in charge (other than the Robison Feeds review); and,

(e) The Robison Feeds review to be issued to the Department of Agriculture in early 1999.

(2) An executed copy of the agreement shall be submitted to the Board prior to implementation of the agreement. The agreement shall attach and incorporate a copy of this Order.

(3) The reviewing firm shall perform a desk review of the workpapers, reports

and related documents for each applicable audit or review. The review shall be for facial compliance with minimum accounting and auditing standards. The reviewer will not perform field work or warrant the accuracy of Respondents' work product, but will review workpapers, review programs, reports, and any other documents reasonably needed. The reviewer shall prepare written comments on each audit or review.

(4) The reviewer's recommended revisions or corrections, if any, shall be incorporated into each final audit or review report prior to releasing the report to the client or any third party. A copy of the reviewer's comments shall be submitted directly to the Board from the reviewer. The comments do not need to be received by the Board prior to the completion of the audit or review, but shall be submitted to the Board within ten days after the comments are provided to Respondents.

(5) Respondents shall, within ten days of written Board request, provide the Board with copies of all workpapers, review programs, reports or other documents related to the reviews and audits subject to desk review.

(6) Respondents shall file a written petition with the Board for release from the desk review requirement within twenty days after pre-release review has been completed for the audits and reviews listed in subparagraph (1). The Board shall rule on the Respondents' Petition for Release within sixty days of its filing. Should the Board determine a release will not be granted, the Respondents and the Board will then have the opportunity to engage in an informal settlement conference for the purposes of resolving the Board's decision not to grant the release requested. The Board retains full discretion

on whether to release Respondents from pre-release desk review, but such requirement will be released if the Board is satisfied applicable auditing and accounting standards have been substantially adhered to. If the Board determines Respondents have not substantially complied with applicable auditing and accounting standards, Respondents shall continue the desk review process for all audits and reviews for a minimum of six months from the date they are notified of the Board's determination prior to filing another Petition by the Respondents to release the Respondents from the desk review requirement.

This settlement and final Order shall not preclude the Board from filing additional charges if one or more of the reviews or audits subject to desk review demonstrate probable cause to take such an action. The Order shall also not preclude the Board from taking appropriate action in the event it receives any further complaints against either Respondents.

  
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Iowa Accountancy Examining Board

  
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Scott Flood

  
\_\_\_\_\_  
Norton J. Gegner

Both, individually and on behalf of Flood,  
Gegner & Company, LLP

1-26-99  
\_\_\_\_\_  
Date

January 25, 1999  
\_\_\_\_\_  
Date

1-25-99  
\_\_\_\_\_  
Date