

BEFORE THE ACCOUNTANCY EXAMINING BOARD  
OF THE STATE OF IOWA

Department of Commerce  
Professional Licensing Bureau

FILED 10/12/2010 (Date)  
Accountancy

IN THE MATTER OF: )

Case No. 06-14

Alan Kincheloe )  
Certificate # O06146 )  
Des Moines, IA )

and )

Faller & Kincheloe, PC )  
Permit # 2010-0374 )  
Des Moines, IA )

Respondents )

COMBINED STATEMENT OF  
CHARGES AND CONSENT ORDER  
IN DISCIPLINARY CASE

Signature, Executive Officer

**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 (2009).
2. Respondent Alan Kincheloe was issued Iowa CPA certificate O06146 on August 3, 1987. Respondent's CPA certificate is currently active and will next expire on the 30<sup>th</sup> day of June, 2012. Respondent Faller & Kincheloe, PC was issued Firm permit number 2010-0374 on June 25, 2010. The firm permit will expire June 30, 2011. Alan Kincheloe and Faller & Kincheloe, PC shall jointly be referred to as "Respondents."
3. In June 4, 2007, the Board was notified by the Auditor of State of concerns with Respondents' performance of the June 30, 2003, 2004, and 2005 audits of the Central Iowa Employment and Training Consortium (CIETC). Three Auditor findings were particularly significant involving Circular A-133 Single Audit documentation, compliance documentation and overall audit documentation. These and additional concerns were raised in the peer review report independently secured by the Board.
4. In light of the Auditor's referral and the opinions of a Board retained peer reviewer, the Board has probable cause to charge Respondents with failure to comply with applicable Government Auditing Standards. Respondents have only completed three governmental audits, the three at issue in this case. While Respondents do have an audit practice, it is confined to non-governmental audits at this time. Respondents have taken steps following the Auditor's referral to enhance their internal controls, education, and compliance with auditing standards.

5. The Board charges Respondents with failing to comply with applicable auditing standards when developing, issuing, and documenting governmental audits, in violation of Iowa Code sections 272C.10(2), 542.10(1)(b), (d), and (j) (2003, 2005) and 193A Iowa Administrative Code 13.4(1)-(5), and 14.2(1) and (5) (2003-2005). The corresponding rules on grounds for discipline, as amended and currently in effect, include 193A Iowa Administrative Code 13.4(5), 13.6(3), (8), 14.3(2)(e), 14.3(6)(a), and 14.3(7)(a).

6. Respondents do not admit the above referenced allegations as set forth in the Statement of Charges, but do agree to the entry of this Consent Order as the resolution of a disputed matter. Respondents have a right to a hearing on the charges, but waive their right to hearing and all attendant rights by freely and voluntarily entering into this Order. This Consent Order is the final agency order in a disciplinary contested case.

7. 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.

8. This Order is a public record available for inspection and copying in accordance with the requirements of Iowa Code chapter 22 (2009).

9. Failure to comply with the provisions of this Order shall be grounds for disciplinary action pursuant to Iowa Code section 272C.3(2)(a)(2009). However, no action may be taken against Respondents for violations of these provisions without a hearing, or waiver of hearing.

10. This Order is subject to approval of the Board. If the Board fails to approve this Order, it shall be of no force or effect on any party, and it shall not be admissible for any purpose in further proceeding in this matter. If the Board approves this Order, it shall fully dispose of all issues in this case.

**IT IS THEREFORE ORDERED:**

- A. **Reprimand** Respondents are reprimanded for failing to adhere to applicable standards in their audit practice.
- B. **Civil Penalty** Respondent Alan Kincheloe shall pay a civil penalty of \$1,000 by October 31, 2010. Respondent Faller & Kincheloe, PC shall pay a civil penalty of \$1,000 by October 31, 2010.
- C. **Practice Restriction** Respondents are restricted from performing governmental audits except in compliance with this Order. Respondents agree that if Faller, Kincheloe & Co., PLC performs audits, it shall also be subject to this restriction. Respondents may apply to remove this restriction after they have fully complied with all terms of this Consent Order. Until the restriction is removed, all governmental audits are subject to pre-release review by a Board-approved Iowa CPA firm from the date this Order is signed by all parties. At least five

governmental audits must be subject to pre-release review before Respondents may apply to release the restriction. The process for pre-release review and removal of the restriction shall be the same as outlined in section D for non-governmental audits. Because at least two non-governmental audits must also be reviewed, a minimum of seven (7) audits shall be pre-release reviewed under this Order. If at any time Respondents decide to cease governmental audits, they may notify the Board in writing. The remaining provisions in this Order shall remain in effect.

**D. Probation and Desk Review**

1. Respondent Alan Kincheloe's CPA certificate and Respondent Faller and Kincheloe, PC's firm permit to practice shall be placed on indefinite probationary status effective the day this Order is executed by all parties. They shall not be restricted from performing non-governmental audits as long as performed consistent with this Order. Respondents are restricted from performing governmental audits as provided in section C. If Respondents wish to perform governmental audits, all such audits shall be pre-release reviewed using the procedures outlined in this section from and after the date this Order is signed by all parties, until the restriction is lifted by Board order.
  - a. Respondents agree to retain, at their own expense, a Board approved desk reviewer for the purpose of reviewing Respondents' next two (2) individual, non-governmental audit engagements. If audit engagements are now performed by Faller, Kincheloe & Co., PLC, Respondents agree the desk review provisions shall apply to that firm.
  - b. Respondents shall supply the Board with the engagement letter with the desk reviewer in advance of implementing their agreement. If not submitted to the Board by October 31, 2010, Respondents shall file a written verification with the Board that they are not performing audit services of any type.
2. The following terms shall apply to the desk review:
  - a. The first two (2) non-governmental audits performed by Respondents after they have engaged 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 two audits do not demonstrate compliance with applicable audit standards.
  - b. In addition to pre-release desk review of the two audits referenced above, the peer reviewer shall prepare a more general report for the Board and shall submit it to the Board no later than December 31, 2010. The report shall follow an on-site review (in the nature of a peer review) of Respondents' audit procedures, and shall include a review of the firm'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 the firm's audit practice, including governmental audit practice, if any.

- c. Respondents shall submit to desk review for pre-release review all work-papers, reports, and related documents for the two non-governmental audits referenced in subparagraph B(2)(a). Desk reviewer shall perform desk review of the work-papers, reports and related documents for the two audits referenced in subparagraph B(2)(a) above. The same procedure shall apply to any reviewed governmental audits. The review shall be for facial compliance with minimum accounting and auditing standards. To aid the desk reviewer Respondents shall supply the reviewer all correspondence Respondents have received from the Iowa State Auditor's office in the past five years that in any way comment upon or critique Respondents' audit practices. Peer 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.
  - d. Desk reviewer shall prepare written comments on each of the reviewed audit reports and work papers, and shall provide the reviewer's comments, work-papers, and notes simultaneously to Respondents and to the Board.
  - e. The desk reviewer's recommended revisions or corrections, 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 desk reviewer for final approval prior to such release. If Respondents disagree with a recommended revision by the desk reviewer, they shall notify the Board in writing of the recommendation, their response, and the nature of the dispute.
  - f. 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 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 Respondents' desk reviewer.
3. Upon completion of the review of the two non-governmental audits and at least five governmental audits by the desk reviewer, the completion of the on-site review of Respondents' audit practice, completion of the education described in section E, and the Board's receipt of all corresponding documentation, Respondents may file an application for release from probation. Respondents shall provide the Board with such access to firm records as is reasonably necessary to verify compliance with this Order.

4. Respondents' application for release from probation shall comply with 193A Iowa Administrative Code 16.5 and 193 Iowa Administrative Code 7.38. The Board recognizes that 193 Iowa Administrative Code 7.30(3) is not applicable.
  5. The Board shall release Respondents from probation if they demonstrate full compliance with this Order; 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, the correspondence sent to the Respondents by the Iowa State Auditor's office, and the Board's peer review report; and the audits released by Respondents demonstrate compliance with applicable accounting and auditing standards. The Board may rely upon the report from and/or written comments prepared by the 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 Respondents from probation. With notice to and an opportunity for Respondents to object, the Board may modify the terms of probation upon a demonstrated basis for such action.
  7. This settlement and final Order 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. The Order shall also not preclude the Board from taking appropriate action in the event the Board receives any further complaints against either Respondent.
- E. Education** Respondent Alan Kincheloe and all professional staff of Faller & Kincheloe, PC (as well as the professional staff of Faller, Kincheloe & Co., PLC who perform audit services) shall complete 8 hours of continuing professional education specifically in each of the following areas: audit risk assessment, audit planning, fraud risk assessment (SAS99), for a total of 24 hours in these topics, and 4 hours of ethics, for a grand total of 28 hours, by June 30, 2011. These CPE credits are not to be used for any individual CPA license renewal.


**AGREED AND ACCEPTED:**

**The Respondents**

  
 By Alan Kincheloe, CPA, individually  
 & as managing officer for Faller,  
 Kincheloe & Co., PLC

October 16, 2010  
 Date

**The Iowa Accountancy Examining Board**

  
 By: Telford A. Lodden, CPA, Chair

10/12/2010  
 Date



By Joel Faller, CPA, as managing officer  
of Faller & Kincheloe, PC

10-06-10

Date

FILED 10/31/13 (Date)

Iowa Accountancy Exam Board

BEFORE THE ACCOUNTANCY EXAMINING BOARD  
OF THE STATE OF IOWA

Board / Commission

Signature, Executive Officer

|                        |   |                            |
|------------------------|---|----------------------------|
| IN THE MATTER OF:      | ) | Case No. 06-14             |
|                        | ) |                            |
| Alan Kincheloe, CPA    | ) |                            |
| Certificate #O06146    | ) | RELEASE FROM CONSENT ORDER |
|                        | ) |                            |
| and                    | ) |                            |
|                        | ) |                            |
| Faller & Kincheloe, PC | ) |                            |
|                        | ) |                            |
| Respondents            | ) |                            |

The Iowa Accountancy Examining Board, having reviewed the records in the above captioned files, finds that Respondents have complied with terms of the consent order and should be released. The Board voted unanimously to release Respondent on October 30, 2013.

It is therefore ordered that the Respondents are **RELEASED** from the Consent Order.



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