

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

**IN THE MATTER OF:**

**HONKAMP KRUEGER CO PC**  
CPA Firm Permit #2017-0444  
Dubuque, IA

Respondent.

**Case No. 18-05**

**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 (2017).

2. Respondent, HONKAMP KRUEGER CO PC, was issued Iowa CPA firm permit to practice #2017-0444 on the 7th day of September, 2017. Respondent’s permit is currently active and will next expire the 30th day of June, 2019.

3. In April of 2018 the Board was notified, by Respondent’s insurance provider, of one (1) civil judgement and four (4) settlements originally initiated by court action resulting from an audit performed by Respondent in or around 2012. Upon further investigation, the Board determined Respondent had been involved in, at least, a total of five (5) cases involving allegations of malpractice or involving the firm’s practice of public accounting in this State resulting in one (1) civil judgement and four (4) settlements originally initiated by court actions against Respondent and of which Respondent had not previously informed the Board in a timely manner.

4. Two (2) of the five (5) cases had been fully disposed of either by a judgement entered following a civil jury trial or settlement in 2017, respectively. The jury in the case disposed of by a judgement was entered following a civil jury trial found Respondent was negligent in its performance of the audit forming the basis of the case and seventy percent (70%) at fault for the plaintiff’s damages, totaling \$4,000,000.

5. The other three (3) of the five (5) cases were settled in the month of April of 2018, the same month that Respondent’s insurance provider notified the Board of all five (5) cases, bringing this matter to the Board’s attention for the first time. However, Respondent, itself, did not notify the Board of any of these cases until May 14, 2018, and, even then, only after the Board contacted Respondent to inquire as to the various cases, including those resolved in 2017.

6. Based on the foregoing, the Board charges Respondent with failing to timely report, on five (5) separate occasions, a judgment, settlement, or arbitration award involving allegations of malpractice or involving Respondent’s practice of public accounting in this State in violation of Iowa Code section 272C.9(3) and Iowa Administrative Code rules 193A—13.2(2)(c) and 18.2(1), (2) and (3).

7. 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**

1. Respondent admits the above-referenced allegations as set forth in the Statement of Charges.

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. This 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 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 report judgments, settlements, or arbitration awards involving allegations of malpractice or involving Respondent's practice of public accounting in this State in violation of Iowa Code section.

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- B. **Civil Penalty.** Respondent shall pay a civil penalty of ~~\$10,000~~ within thirty days from the date this Agreement is signed by all parties. See Iowa Admin. Code r. 193A—16.3(1)(g) (“The board has authority to impose . . . civil penalties, the amount of which shall be at the discretion of the board, but which shall not exceed . . . \$10,000 per violation for a firm.”).
- C. **Additional Reporting.** Respondent shall, within thirty (30) days of the entry of this Order, report any and all other judgments, settlements, or arbitration awards involving allegations of malpractice or involving Respondent’s practice of public accounting in this State which Respondent has not previously reported to the Board in accordance with Iowa Code section 272C.9(3) and Iowa Administrative Code rules 193A—13.2(2)(c) and 18.2(1), (2) and (3).
- D. **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. If Respondent’s most recent peer review report reveals issues with Respondent’s audit practice, 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 ensure compliance with professional standards.
- E. **Additional Terms.** Respondent shall provide the Board with access to its records as is necessary for the Board to verify compliance with this Settlement Agreement.

**AGREED AND ACCEPTED:**

**Respondent**

Brian Powers  
 By: BRIAN Powers, Quality Control Partner  
10/18/18  
 Date

**Iowa Accountancy Examining Board**

Dirk Dixon  
 By: Dirk Dixon, LPA, Chair  
12/13/18  
 Date