

CHAPTER 18
LICENSEES' DUTY TO REPORT
[Prior to 5/1/02, see 193A—Chapter 15]

193A—18.1(79GA,ch55) Reporting acts or omissions committed by licensees.

18.1(1) Iowa Code subsection 272C.9(2) requires one who is licensed by the board to report acts or omissions of others licensed by the board that demonstrate a lack of qualifications which are necessary to assure the residents of this state of a high standard of professional and occupational care. For the purposes of this rule, the failure to perform an engagement for a client in accordance with professional standards is a demonstration by a CPA or LPA that the CPA or LPA may lack such qualifications. These professional standards are set forth in the following:

- a. 193A—subrule 13.3(1) as to the independence of a CPA when expressing opinions on financial statements.
- b. 193A—subrule 13.3(3) as to the integrity and objectivity of a CPA or LPA when performing services for clients.
- c. 193A—subrule 13.3(4) as to the independence and objectivity of a CPA or LPA who pays or accepts commissions.
- d. 193A—subrule 13.3(5) as to the independence and objectivity of a CPA or LPA who performs services for a contingent fee.
- e. 193A—subrule 13.4(1) as to the competence of a CPA or LPA.
- f. 193A—subrule 13.4(2) as to the compliance with generally accepted engagement standards.
- g. 193A—subrule 13.4(3) as to the compliance with generally accepted accounting principles.
- h. 193A—subrule 13.4(4) as to associating the CPA's name with forecasts.

18.1(2) When a licensee observes a violation of any of the subrules referenced in subrule 18.1(1), the licensee shall report the violation in writing to the board office setting forth the name of the CPA or LPA alleged to have committed the violation and the rule(s) violated, together with a copy of all material that evidences the violation.

193A—18.2(79GA,ch55) Reporting judgments and settlements alleging malpractice.

18.2(1) Iowa Code subsection 272C.9(3) requires a licensee to report to the board every adverse judgment in a professional malpractice action to which the person is a party and every settlement of a claim against the licensee. For the purposes of this rule, malpractice actions brought against a firm registered with the board will be deemed to have been brought against the individual(s) registered with the board provided they are partners, members or owners in the office that performed the services that led to the malpractice action.

18.2(2) When a CPA or LPA is a party to an adverse judgment resulting from a professional malpractice action or is a party to a settlement of a claim resulting from an allegation of malpractice, the CPA or LPA shall file a report in writing forwarded to the board office, setting forth the name and address of the client, the date the claim was originally made, a brief description of the circumstances precipitating the claim and a copy of the judgment or settlement agreement resulting from the claim. It is the intent of this rule to require the reporting of all judgments or settlements resulting from claims that were initiated by court action and not claims of malpractice that are made against a CPA or LPA that are not filed in a court of law.

193A—18.3(79GA,ch55) Timely reporting. The reports required by rules 193A—18.1 (79GA,ch55) and 193A—18.2(79GA,ch55) are to be forwarded to the board within a reasonable period of time from the initial obtaining of the information required to be reported. A period of less than 30 days will be considered to be a reasonable period of time.

193A—18.4(79GA,ch55) Failure to make reports. Upon obtaining information that a CPA or LPA failed to file a report required by rule 193A—18.1(79GA,ch55) or 193A—18.2(79GA,ch55) within a

reasonable period of time, the board shall initiate a disciplinary proceeding against the CPA or LPA who failed to make the required report.

These rules are intended to implement Iowa Code chapter 272C.

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