

**BOARD OF PUBLIC ACCOUNTANCY**  
**PEER REVIEW OVERSIGHT COMMITTEE ("PROC") MEETING**  
Professional and Vocational Licensing Division  
Department of Commerce and Consumer Affairs  
State of Hawaii

MINUTES

Date: Friday, September 12, 2014

Time: 9:32 a.m.

Place: Princess Likelike Conference Room  
King Kalakaua Building  
335 Merchant Street, 3<sup>rd</sup> Floor  
Honolulu, Hawaii 96813

Present: Dwayne Takeno, CPA, Chairperson  
Wilcox Choy, CPA, Member  
Laureen M. Kai, Executive Officer  
Lori Nishimura, Secretary

Excused: Gordon Ciano, CPA, Member

Guests: Kathy Castillo, Hawaii Society of Certified Public Accountants ("HSCPA")  
Rodney Harano, CPA, CW Associates, CPAs  
Darryl T. Komo, CPA, Member, Board of Public Accountancy ("BOPA"); Member, Standing Committee on Peer Review ("SCPR"); Member, Investigative Committee on Peer Review ("ICPR")  
Nelson K.M. Lau, CPA, Chairperson, BOPA; Member, SCPR; Member, ICPR  
Gregg M. Taketa, CPA, Vice-Chairperson, BOPA; Committee Chairperson, SCPR; Committee Chairperson, ICPR

Agenda: The agenda for this meeting was filed with the Office of the Lieutenant Governor, as required by Hawaii Revised Statutes ("HRS") section 92-7(b).

Call to Order: There being a quorum present, the meeting was called to order at 9:32 a.m. by Chairperson Takeno.

Additions/Revisions  
to Agenda:

None.

Approval of  
Minutes of the  
August 7, 2014  
PROC Meeting:

After discussion, it was moved by Mr. Choy, seconded by Chairperson Takeno, and unanimously carried to approve the minutes of the August 7, 2014 PROC meeting as circulated.

Review of Hawaii  
Society of Certified  
Public Accountants  
("HSCPA") Plan of  
Administration:

The PROC had earlier been provided with the HSCPA's revised Plan of Administration ("Plan"), comprised of two separate documents that address the Plan as applicable to: (1) CPA firms with a Hawaii Firm Permit to Practice that are members of the American Institute of Certified Public Accountants ("AICPA"); and (2) CPA firms with a Hawaii Firm Permit to Practice that are non-members of the AICPA.

Subsequent to the PROC's last meeting of August 7, 2014, the HSCPA made a number of revisions to the Plan, as agreed upon by the HSCPA and the PROC. The Plan was conditionally approved by the PROC at that meeting, contingent upon the incorporation of these agreed-upon revisions into the Plan. This revised Plan had been presented to the BOPA at its August 20, 2014 meeting, with the PROC's recommendation for approval. However, there were questions and concerns raised by members, resulting in the BOPA's deferral of decision making on the approval of the Plan. The BOPA directed the Executive Officer to schedule a meeting of the PROC for its consideration of all comments, and instructed Board Members to review the Plan and to email comments to the Executive Officer for consideration by the PROC.

The Executive Officer reported that comments were received from Board member Edward Punua. Discussion ensued on each of Mr. Punua's comments and concerns, as follows:

1. No clarification is necessary on the Plan relating to other approved sponsoring organizations as this is the HSCPA's plan of administration;
2. All references to "practice-monitoring program" will be changed to "peer review program", as the terms are synonymous and should be consistent throughout the Plan;
3. All references to an "administering entity" will be changed to "HSCPA", as this Plan is that of the HSCPA and references should be consistent throughout the Plan;
4. Under TYPES OF REVIEWS, the draft language will be revised for subject-verb agreement and consistency ;
5. The provisions for annual confirmation for firms with no accounting, auditing, or attestation engagements will be clarified; and
6. The scheduling of reviews provisions for AICPA and Non-AICPA members will be clarified.

After considerable discussion, it was moved by Mr. Choy, seconded by Chairperson Takeno, and unanimously carried to conditionally approve the Plan contingent upon the previously-cited and the following revisions being completed by the HSCPA, and to present this revised Plan to the Board with PROC's recommendation for approval. The changes are as follows, with deletions bracketed and stricken, and additions underscored:

2014 Plan of Administration (for Firms with a Hawaii Permit to Practice that are Non-Members of the AICPA) and (for Firms with a Hawaii Permit to Practice that are Members of the AICPA):

1. Global revision – "practice monitoring" to be revised to "peer review".
2. A glossary of terms and acronyms used throughout the Plan will be added, to include:

- AICPA, Board, HSCPA, PROC, RAB, and Standards.
3. FIRM REQUEST FOR EXTENSION OF DUE DATE - \*\*\* 6.c.i. The firm is a new firm as a result of a merger or dissolution or dissolution is imminent. [~~See Merger/Dissolution Guidance~~](Contact the HSCPA for guidance.)
  4. ANNUAL CONFIRMATION FOR FIRMS WITH NO ACCOUNTING, AUDITING, OR ATTESTATION ENGAGEMENTS - \*\*\* However, an enrolled firm that no longer performs engagements will not be required to have a peer review if the firm annually confirms that it does not perform any of these services [~~unless the Hawaii Board of Public Accountancy requires peer review of a firm's No A&A practice~~].
  5. SCHEDULING OF REVIEWS - \*\*\* 2. If the firm fails to respond within 30 days to the third request for scheduling information, the [~~administering entity~~] HSCPA will notify the [~~AICPA~~] firm that non-compliance with the mandatory peer review requirements will adversely affect the firm's biennium permit to practice renewal. Non-compliance could result in termination from the HSCPA Peer Review Program. [~~3. Within 10 days of receiving the above information or within two months of the firm's due date, the Hawaii Board will send a warning letter to the firm by certified mail, return receipt requested, advising the firm that it will be dropped from the program 30 calendar days from the date of the letter if the required information is not submitted. The firm will also be advised that it may request a review of this decision by the Board. A firm that has been notified of delinquency for failure to cooperate should contact the Board.~~] Provision #3 will be retained in the Plan for Firms that are Members of the AICPA.

6. REVIEWER AND REVIEWED FIRM NON-COOPERATION – \* \* \* The firm will be advised by certified mail that the [Committee] RAB will refer the matter to the [Hawaii] PROC for the purpose of making recommendation to the [Hawaii] Board [~~of Public Accountancy~~]...After a hearing is held, a firm whose enrollment in the HSCPA Peer Review Program has been referred to the [Hawaii] PROC has the right to appeal the [Committee] RAB's decision to the [Hawaii] Board [~~of Public Accountancy~~] within 30 calendar days of the hearing. This provision will be added in its entirety to the Plan for Firms that are Members of the AICPA.

SCPR and ICPR Committee Chairperson Taketa commented that an operating agreement between HSCPA and the PROC may be necessary in order to clarify the responsibilities of each party. Mr. Choy noted that the PROC is looking at agreements that are in place between administering entities and PROCs in various other states.

Open Forum: None.

Next PROC Meeting: To Be Announced.

Announcements: None.

Adjournment: There being no further discussion, the meeting adjourned at 10:57 a.m.

Taken and recorded by:

/s/ Lori Nishimura

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Lori Nishimura, Secretary

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Reviewed and accepted by:

/s/ Lauren M. Kai

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Lauren M. Kai, Executive Officer

LMK:ln

09/22/14

Minutes approved as is.

Minutes approved with changes. See Minutes of \_\_\_\_\_.