

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: Wednesday, December 3, 2014

Time: 1:32 p.m.

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

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

Guests: Darryl T. Komo, CPA, Member, Board of Public
Accountancy ("BOPA"); Member, Investigative
Committee on Peer Review ("ICPR")
Carleton Williams, CPA, Member, BOPA; Member, 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 1:32 p.m. by Chairperson Takeno.

Additions/Revisions
to Agenda: None.

Approval of
Minutes of the
September 12, 2014
PROC Meeting: After discussion, it was moved by Mr. Choy, seconded
by Mr. Ciano, and unanimously carried to approve the
minutes of the September 12, 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 September 12, 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 October 3, 2014 meeting, with the PROC's recommendation for approval. However, there were concerns raised by Peer Review Committee Chairperson Taketa, resulting in the BOPA's deferral of decision making on the approval of the Plan. The BOPA directed the Executive Officer to forward the suggested concerns/changes to the PROC and the HSCPA for consideration and to also schedule a meeting of the PROC.

The Executive Officer reported on the concerns/changes, "some inconsistencies", noted by Peer Review Committee Chairperson Taketa, as follows:

PROGRAM ENROLLMENT (Both AICPA Member and Non AICPA Member Plans)

Point 2 states: "A firm's due date for its initial peer review is ordinarily 18 months from the date it enrolled in the Program or should have enrolled, whichever date is earlier." However, HRS section 466-34(c)(4) states that the initial peer review must be performed within eighteen months of the date the

Hawaii attest work was first performed. Both Plans must be revised to reflect the language in the statute.

TIMING OF REVIEWS – INITIAL REVIEWS (Both AICPA Member and Non AICPA Member Plans)

Point 1 in both plans must also be amended to reflect the language in HRS section 466-34(c)(4).

FIRM REQUEST FOR EXTENSION OF DUE DATE (Both AICPA Member and Non AICPA Member Plans)

This section in both plans should provide a timeline of when HSCPA will notify the Board of its decision to grant or deny the firm's request for an extension. HRS section 466-34(f) states "The board shall accept extensions granted by the sponsoring organization to complete a peer review; provided that the board is notified by the firm within twenty days of the date that an extension is *granted*."

The following changes in both Plans as follows, with deletions bracketed and stricken, and additions underscored:

Point 6.c. [~~The Board has agreed that, in~~] In general, an extension may be granted if:.

FIRM MONITORING PROCEDURES FOR TERMINATING FIRMS (AICPA Member Plan only)

It was suggested that this section include language similar to the language in the section FIRM MONITORING PROCEDURES FOR NON-COMPLIANT FIRM-FAILING TO COOPERATE ONCE THE REVIEW HAS COMMENCED of the Plan for Non AICPA members, relating to the third warning letter from the HSCPA that it will ask the PROC to recommend whether the firm should be sanctioned by the Board for failure to cooperate.

HAWAII SUPPLEMENT TO THE PEER REVIEW REPORT
(Both AICPA Member and Non AICPA Member Plans)

Point 2, which states "Select at least one engagement (highest level of scope) from the list above;", the consensus of the Board was to use the language in HRS section 466-36(2), "Select engagements from the list of engagements obtained from the reviewed firm;".

TIMING OF REVIEWS – SUBSEQUENT REVIEWS (Both AICPA Member and Non AICPA Member Plans)

Point 1 would be amended to read as follows, with deletions bracketed and stricken and additions underscored:

1. A firm's subsequent peer review ordinarily has a due date of three years and six months from the year-end of the previous peer review. For example, if a firm's initial peer review due date was determined to be June 30, 2014, with a review *year end* of December 31, 2013; then the firm's next peer review due date would be June 30, 2017, which is based on three years and six months from the *year end* of the previous review."

FIRM REQUEST FOR EXTENSION OF DUE DATE (Both AICPA Member and Non AICPA Member Plans)

6 c. The Board has agreed that, in general, an extension may be granted if: should be amended to "In general, an extension may be granted if:".

After much discussion, it was moved by Mr. Ciano, seconded by Mr. Choy, 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):

1. TABLE OF CONTENTS – Firm Monitoring Procedures for Non-Compliant Firm – Failing to Cooperate Once the Review has Commenced
2. Page 8 – FIRM MONITORING PROCEDURES FOR NON-COMPLIANT FIRM; The RAB has issued a resolution regarding dropping a firm's enrollment from the Program if a firm has failed to:
 1. *Timely file requested information with the HSCPA the firm's peer review concerning the arrangement or scheduling of that peer review, prior to the commencement of the peer review.*

The PROC commented that the sentence (in italics) is "awkward" and needs to be revised to clarify its meaning.

3. Page numbering of the entire documents needs to be revised to be consistent with the Table of Contents.

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

1. Page 8 – FIRM MONITORING PROCEDURES FOR DROPPING FIRMS; The AICPA Peer Review Board and HSCPA RAB have issued resolutions regarding dropping a firm's enrollment from the Program if a firm has failed to:
 1. *Timely file requested information with the HSCPA the firm's peer review concerning the arrangement or scheduling of that peer*

review, prior to the commencement of the peer review.

The PROC commented that the sentence (in italics) is "awkward" and needs to be revised to clarify its meaning.

2. Page 13 – HSCPA REPORTING TO HAWAII BOARD OF PUBLIC ACCOUNTANCY; The HSCPA shall provide an annual report on the results of the Hawaii Peer Review Program by December 31 of each year. The HSCPA and the AICPA shall provide the following information on each enrolled firm to the Board:
* * *
 - c. The date of acceptance and the period covered by the firm's most recently accepted peer review; [~~and~~]
 - d. If applicable, whether the firm's enrollment in the program has been dropped or terminated; and
 - e. Any other information reasonably requested by the Board.
3. Page numbering of the entire documents needs to be revised to be consistent with the Table of Contents.

Discussion ensued on an operating agreement that may be necessary in order to clarify the responsibilities of each party (the PROC, the HSCPA, and the Board). Mr. Ciano provided a sample of the Mississippi Board of Public Accountancy's operating agreement. Mr. Choy commented that the statute may be detailed enough therefore, an operating agreement may not be necessary. After discussion, the PROC recommended that an operational agreement should be made with the HSCPA and the Board.

Board of Public Accountancy
Peer Review Oversight Committee ("PROC")
Minutes of the December 3, 2014 Meeting
Page 7

Open Forum: None.

Next PROC Meeting: To Be Announced.

Announcements: None.

Adjournment: There being no further discussion, the meeting adjourned at 2:18 p.m.

Taken and recorded by:

/s/ Lori Nishimura

Lori Nishimura, Secretary

Reviewed and accepted by:

/s/ Lauren M. Kai

Lauren M. Kai, Executive Officer

LMK:ln

12/31/14

Minutes approved as is.

Minutes approved with changes. See Minutes of _____.