

**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, February 18, 2015

Time: 9:35 a.m.

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

Present: Dwayne Takeno, CPA, Chairperson  
Gordon Ciano, CPA, Member  
Rodney J. Tam, Deputy Attorney General ("DAG")  
Laureen M. Kai, Executive Officer  
Lori Nishimura, Secretary

Excused: Wilcox Choy, CPA, Member

Guests: Kathy Castillo, Hawaii Society of Certified Public  
Accountants ("HSCPA")  
Rodney Harano, CPA, CW Associates  
Darryl T. Komo, CPA, Member, Investigative Committee  
on Peer Review ("ICPR")  
Nelson K.M. Lau, CPA, Member, ICPR  
Gregg Taketa, CPA, 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 9:35 a.m. by Chairperson Takeno.

Additions/Revisions  
to Agenda: None.

Approval of  
Minutes of the  
December 3, 2014  
PROC Meeting:

After discussion, it was moved by Mr. Ciano, seconded by Chairperson Takeno, and unanimously carried to approve the minutes of the December 3, 2014 PROC meeting as circulated.

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

Prior to this meeting the PROC was provided with revisions to the HSCPA Plan of Administration ("Plan") proposed by the American Institute of Certified Public Accountants ("AICPA"). The proposed revisions to the Plan apply to the peer review program for: (1) CPA firms with a Hawaii Firm Permit to Practice that are members of the AICPA; and (2) CPA firms with a Hawaii Firm Permit to Practice that are non-members of the AICPA.

Chairperson Takeno reiterated that at its last meeting on December 3, 2014, the PROC had voted to conditionally approve the Plan, contingent upon specific revisions to be made by the HSCPA, and to recommend approval of the Plan to the Board of Public Accountancy ("BOPA") at its next meeting scheduled for December 19, 2014.

At that meeting, the BOPA reviewed the Plan and considered the PROC's recommendation, as well as the information provided by the HSCPA that the AICPA was still in the process of reviewing the Plan and had requested that the BOPA defer approval pending further revisions. At that meeting, the BOPA unanimously approved HSCPA's Plan, as submitted, and to approve the HSCPA as a sponsoring organization of the Board's Peer Review Program, with the full understanding that there may be changes to the Plan in the future.

In early February 2015, the AICPA concluded its review of the Plan and sent its proposed revisions to the HSCPA. The BOPA discussed these proposed revisions at its February 6, 2015 meeting and voted to refer the changes to the PROC for its consideration.

Chairperson Takeno stated that this meeting would focus on these revisions proposed by the AICPA. He then informed the meeting attendees that he received comments and questions from PROC member Mr. Choy; as he was unable to attend this meeting. One of Mr. Choy's questions related to the apparent lack of an appeals process on decisions made by the HSCPA and the Report Acceptance Board. Ms. Castillo commented that this proposed revision referred to the final stage of addressing the non-compliance of the reviewed firm. ICPR Chairperson Taketa commented that this contradicts HRS section 466-39, which allows the filing of appeals by the peer-reviewed firm.

Discussion ensued on the AICPA's proposed revisions to the Plan. Ms. Castillo suggested that a letter detailing the PROC's/BOPA's concerns with rationale be sent to AICPA.

After discussion, it was moved by Mr. Ciano, seconded by Chairperson Takeno, and unanimously carried to recommend to the BOPA that the AICPA be requested to provide clarification on its proposed revisions.

Executive  
Session:

At 10:26 a.m., it was moved by Mr. Ciano, seconded by Chairperson Takeno, and unanimously carried for the PROC to enter into Executive Session to consult with the Board's attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities in accordance with HRS section 92-5(a)(4).

EXECUTIVE SESSION

At 11:14 a.m., it was moved by Mr. Ciano, seconded by Chairperson Takeno, and unanimously carried for the PROC to move out of Executive Session and to immediately recess the meeting.

At 11:16 a.m., the PROC reconvened its scheduled meeting.

After much discussion, it was moved by Chairperson Takeno, seconded by Mr. Ciano, and unanimously carried to recommend the following to the BOPA and to request that the BOPA respond to the HSCPA:

1. **DELETE** the last sentence in the following sections of the Plan, as it is inconsistent with the provisions of Hawaii Revised Statutes ("HRS") section 466-39(b), and should be stricken. The sentence to be deleted reads: "Decisions made by HSCPA, a RAB or PRB may not be appealed to the board."

Plan for AICPA Members:

- Page 8: FIRM MONITORING PROCEDURES FOR DROPPING FIRMS
- Page 8-9: FIRM MONITORING PROCEDURES FOR TERMINATING FIRMS

Plan for Non-Members of the AICPA:

- Page 8: FIRM MONITORING PROCEDURES FOR NON-COMPLIANT FIRM
- Pages 8-9: FIRM MONITORING PROCEDURES FOR NON-COMPLIANT FIRM – FAILING TO COOPERATE ONCE THE REVIEW HAS COMMENCED

2. **CLARIFY** sub-part (b) of the paragraph in the section, entitled HAWAII SUPPLEMENT TO THE PEER REVIEW REPORT (Pages 11-12 of both the Plan for AICPA Members and the Plan for Non-AICPA Members), that reads:

"The supplement to the peer review report is **not** required and a peer review is considered to include the selection of a Hawaii engagement under either of the two following circumstances:

\* \* \* \*

b) The peer review team captain **or** his/her firm hold a Hawaii permit to practice, and the firm includes a Hawaii attest engagement(s) in its internal monitoring procedures during the year of peer review **and** the peer reviewing firm performs sufficient procedures testing and evaluating the firm's overall internal monitoring procedures and is able to rely on such monitoring procedures for the peer review based on *AICPA Standards for Performing and Reporting on Peer Reviews*, and related guidance, which discusses when a peer reviewer may be able to rely on the reviewed firm's internal monitoring procedures affecting the peer review procedures."

The PROC requests clarification of this provision as this language appears to contradict the requirements of HRS section 466-35(b)(1), which reads:

"A firm shall include, with the peer review compliance reporting form, the contemporaneous Hawaii supplement to the peer review report pursuant to section 466-36, if:

- (1) A peer review report from an approved sponsoring organization does not include the selection of a Hawaii office or Hawaii attest engagement;".

The PROC understands that AICPA has repeatedly suggested using an "internal monitoring procedures" option for the Hawaii Supplement since the time HRS chapter 466 was amended in 2012; however, the Board has repeatedly rejected this option because the Board believes that this does not satisfy the peer review requirements of HRS chapter 466.

3. **DELETE** the entire section that has been added to the Plan (Page 14 of both the Plan for AICPA Members and the Plan for Non-AICPA Members), entitled "PROCEDURES FOR SPONSORING ORGANIZATION", as this conflicts with the provisions of HRS sections 466-33 and 466-40.

Open Forum: None.

Next PROC Meeting: To Be Announced.

Announcements: None.

Adjournment: There being no further discussion, the meeting adjourned at 11:20 a.m.

Taken and recorded by:

/s/ Lori Nishimura

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Lori Nishimura, Secretary

Reviewed and accepted by:

/s/ Laureen M. Kai

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Laureen M. Kai, Executive Officer

LMK:ln

03/06/15

[ X ] Minutes approved as is.

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