

**BOARD OF PUBLIC ACCOUNTANCY
PEER REVIEW OVERSIGHT COMMITTEE ("PROC")**

Professional and Vocational Licensing Division
Department of Commerce and Consumer Affairs
State of Hawaii

MINUTES

Date: Tuesday, February 7, 2017

Time: 1:00 p.m.

Place: Prince Leleiohoku 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

Excused: Rodney J. Tam, Deputy Attorney General

Guests: Rodney Harano, CPA, CW Associates, CPAs
Nelson K.M. Lau, CPA, Member, Investigative
Committee on Peer Review ("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 1:00 p.m. by Chairperson Takeno.

Approval of Minutes of the September 27, 2016 Meeting: After discussion, it was moved by Mr. Ciano, seconded by Mr. Choy, and unanimously carried to approve the minutes of the September 27, 2016 PROC meeting as circulated.

Discussion on Draft
Annual Report from
the Peer Review
Oversight Committee
to the Board of
Public Accountancy:

Discussion ensued on the draft *Annual Report* that Chairperson Takeno had provided to Committee members via Executive Officer Kai's dissemination prior to the meeting. It was noted that the PROC is responsible for annual recommendation to the Board of Public Accountancy ("Board") as to the qualifications of an approved sponsoring organization to continue as an approved sponsoring organization based on results of procedures mandated in HRS section 466-42.

Discussion ensued on the procedures that are required to evaluate the following sponsoring organizations: (1) the American Institute of Certified Public Accountants ("AICPA"); (2) a state certified public accountant society, including the Hawaii Society of Certified Public Accountants ("HSCPA"), fully involved in administering the AICPA peer review program; or (3) the Public Company Accounting Oversight Board ("PCAOB"), by reviewing the published reports of the entity to determine whether there is an acceptable level of oversight. It was noted that in addition to the HSCPA, Board-approved sponsoring organizations included the AICPA National Peer Review Committee ("National PRC") and a consortium of thirty-nine (39) state society sponsoring organizations that agreed to administer the AICPA Peer Review Program in compliance with the *Standards for Performing and Reporting on Peer Reviews* and related guidance and materials issued by the AICPA Peer Review Board.

Mr. Choy suggested omitting references to the National PRC in the draft *Annual Report* because the PROC had not reviewed its published reports. The Executive Officer noted that, rather than omit these references, the PROC should evaluate the National PRC as well as the consortium of state societies, as both are sponsoring organizations that were

approved by the Board, based on their plans of administration.

After further discussion, the consensus reached by the PROC members was to review random samples of Peer review Compliance Reporting Forms (and supporting documentation) submitted by CPA firms that had been peer reviewed or inspected by the AICPA, the National PRC, and the PCAOB. The Executive Officer was instructed to identify and distribute them to the PROC members. Mr. Ciano stated that he would work on a second draft of the *Annual Report* and forward it to the Executive Officer for dissemination to members and DAG Tam for review and comment.

Discussion on Request
From the Board of
Public Accountancy for
Input on the AICPA
Discussion Paper
On The Proposed
Evolution of Peer
Review
Administration -
Revised January 2017:

Discussion ensued on the request from the Board for input on the AICPA *Discussion Paper on the Proposed Evolution of Peer Review Administration - Revised January 2017*. Mr. Harano commented that the initial concern is the expected increase in peer review costs, as these costs may double, should CPA firms be required to have peer reviews administered by a sponsoring organization outside of the State of Hawaii. He also mentioned issues with the familiarity with Hawaii CPA firms that "local" peer reviewers and a local sponsoring organization have. It was agreed by Mr. Harano and the PROC members that there was improvement needed throughout the peer review program, from peer reviewers, to the Review Acceptance Board, and the sponsoring organization.

After further discussion, there was consensus on the following points of concern: (1) Increases in the cost of administering the peer review program; (2) The requirement for a CPA to administer the peer review program as a paid staff employee of a sponsoring organization; (3) Increases in the cost of peer reviews; (4) How can the quality of peer reviews be

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improved?; and (5) Because the public accountancy profession is self-regulated through the peer review process, will the evolution of the administration of the program result in increased government intervention in the regulation of the profession?

Open Forum: None.

Next PROC Meeting: To Be Announced
King Kalakaua Building
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Honolulu, Hawaii 96813

Announcements: None.

Adjournment: There being no further discussion, the meeting adjourned at 2:37 p.m.

Taken and recorded by:

/s/ Lori Nishimura

Lori Nishimura, Secretary

Reviewed and Approved by:

/s/ Laureen M. Kai

Laureen M. Kai, Executive Officer

LMK:ln

03/06/17

☒ Minutes approved as is.

☐ Minutes approved with changes. See Minutes of _____.