

**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: Wednesday, October 18, 2017

Time: 1:06 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
Krishna F. Jayaram, Deputy Attorney General ("DAG")
Laureen M. Kai, Executive Officer
Lori Nishimura, Secretary

Guests: Kathy Castillo, Hawaii Society of Certified Public
Accountants, ("HSCPA")
Rodney Harano, CPA, CW Associates, CPAs
Nelson K.M. Lau, CPA, Chairperson, Investigative
Committee on Peer Review ("ICPR")
Carleton L. Williams, CPA, 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 1:06 p.m. by Chairperson Takeno.

Approval of
Minutes of the
May 18, 2017
Meeting: After discussion, it was moved by Mr. Ciano,
seconded by Mr. Choy, and unanimously carried to
approve the minutes of the May 18, 2017 PROC
meeting as circulated.

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

Subsequent to the PROC's last meeting, Mr. Ciano made revisions to the draft Annual Report and disseminated the revised Annual Report to the PROC through Executive Officer Kai. There was no further discussion, as the PROC members conveyed that they had previously reviewed the draft Annual Report and discussed the revisions at their last meeting. It was moved by Chairperson Takeno, seconded by Mr. Ciano, and unanimously carried to approve the draft Annual Report. Executive Officer Kai was instructed to finalize the draft and ICPR Chairperson Lau stated that he will present it, on the PROC's behalf, to the Board of Public Accountancy at its next scheduled meeting.

Discussion on Request
from the Board of
Public Accountancy
for Update on Hawaii
Society of Certified
Public Accountants
("HSCPA") Peer
Review Program:

A. Frequency of Report Acceptance Meetings

Mr. Harano commented that the scheduling of the Report Acceptance Body ("RAB") meetings are usually dependent on the number of reviews "in the hopper"; therefore, it is difficult to anticipate how often the RAB would need to meet. He stated that the majority of peer reviews are engagement reviews which the RAB does not need to review unless the review has a rating of "pass with deficiency" or "fail". Generally, the RAB reviews system reviews, after the technical review is completed. He noted that last year, a member of PROC did attend three (3) out of their four (4) RAB meetings. Mr. Harano stated a RAB meeting is scheduled for next month but thus far, "no review in the hopper".

ICPR Chairperson Lau commented that the Board had expressed its concern that with the upcoming firm permit to practice renewal, the RAB may see an influx of firms that need their peer reviews to be reviewed and accepted by the RAB. He noted that of the approximately

200 firms enrolled in a peer review program, approximately 150 have undergone peer review in the 2015-2016 period, with the remaining approximately 50 firms that still need to undergo peer review, have the peer review report reviewed by the technical reviewer, and accepted by the RAB, all prior to the December 31, 2017 renewal deadline.

ICPR members mentioned that although firms had been notified and reminded of the peer review requirement over the last nine (9) months, and it is the firm's responsibility to ensure that the firm will meet the deadline, there will most likely be some firms who will be rushing to complete the process.

Mr. Harano stated that, historically, the RAB usually meets in January and sometimes in February, but do not meet in March and April (as it is the busiest time of the year for CPAs). He also mentioned that the bottleneck in timeliness is usually between the peer reviewer and the technical reviewer.

ICPR member Williams suggested that the RAB schedule a meeting as late as possible in December to accommodate late filers, and noted that the meeting can be canceled should there be none.

Mr. Harano provided the following tentative schedule of RAB meetings:

- November 8, 2017 – an already scheduled RAB meeting;
- December 2017 – RAB will schedule a meeting for as late as possible in the month, and cancel if there is no need for a meeting;

- January 2018 – usually a busy RAB meeting with many reports to review and accept;
- February 2018 – a meeting to be held to accommodate the January meeting overflow; and
- March to April 15, 2018 – no RAB meetings to be scheduled during the busy tax season.

B. Peer Review Integrated Management Application ("PRIMA")

Mr. Harano commented "PRIMA is like an electronic ping-pong game", as communication is transmitted back and forth with the firm and its peer reviewer; however, its purpose is to be used as a tool that participants need to learn to use effectively. He also commented that the management application has had major enhancements since PRIMA went live in April 2017. Ms. Castillo commented there continue to be program changes and enhancements, such as her experience with being required to switch web browsers to access PRIMA.

Open Forum: None.

Next PROC Meeting: The PROC was made aware that, pursuant to HRS sections 466-42(d) and (e), it was required to make an annual recommendation to the Board as to the qualifications of approved sponsoring organizations to continue as such. In order to accomplish this requirement, the PROC scheduled its next meeting for:

Tuesday, November 7, 2017
1:30 p.m.
King Kalakaua Building
335 Merchant Street
Honolulu, Hawaii 96813

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Announcements: None.

Adjournment: There being no further discussion, the meeting
adjourned at 2:26 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

11/01/17

[X] Minutes approved as is.

[] Minutes approved with changes. See Minutes of _____.