

BOARD OF PUBLIC ACCOUNTANCY
Professional and Vocational Licensing Division
Department of Commerce and Consumer Affairs
State of Hawaii

MINUTES

Date: Monday, February 13, 2012

Time: 8:30 a.m.

Place: PVL Examination Room
King Kalakaua Building
335 Merchant Street, Room 330
Honolulu, Hawaii 96813

Present: Thomas T. Ueno, CPA, Chairperson
Kent K. Tsukamoto, CPA, Vice-Chairperson
Michael Ching, CPA, Member
Wendy Miki Glaus, CPA, Member
Craig K. Hirai, CPA, Member
Nelson K.M. Lau, CPA, Member
Steven R. Oberg, CPA, Member
Emerito C. Saniatan, Member
Rodney J. Tam, Deputy Attorney General
Laureen M. Kai, Executive Officer
Lori Nishimura, Secretary

Excused: Keith A. Regan, Member

Guests: Kathy Castillo, Hawaii Society of Certified Public
Accountants ("HSCPA")
Gregg Taketa, CPA, Hawaii Association of Public
Accountants ("HAPA")

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 8:30 a.m. by Chairperson Ueno.

Additions/Revisions
to Agenda: None.

Executive
Session:

At 8:31 a.m., it was moved by Mr. Saniatan, seconded by Mr. Oberg, and unanimously carried for the Board to enter into Executive Session to consider and evaluate personal information relating to individuals applying for licensure in accordance with HRS section 92-5(a)(1), and 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 9:22 a.m., it was moved by Vice-Chairperson Tsukamoto, seconded by Mr. Lau, and unanimously carried for the Board to move out of Executive Session.

The Board immediately recessed the meeting.

At 9:25 a.m., the Board reconvened its meeting.

Presentation by the
Investigative
Committee on Peer
Review of its
Findings and
Recommendations:

Investigative Committee on Peer Review Chairperson Oberg presented to the Board the committee's findings and recommendations, including proposed administrative rules which were drafted by the committee to implement Act 66, SLH 2010, ("the Act") relating to the establishment of a peer review program in Hawaii. Copies of the draft administrative rules were distributed to all interested parties.

Mr. Oberg summarized the committee's findings as follows:

- Hawaii is one of the last states to implement mandatory peer review of CPA firms;
- Act 66, SLH 2010, is unique among the states because it requires a state-specific component to all peer reviews, i.e., all firms performing attest work in Hawaii must have their Hawaii offices and engagements included in their firm peer review;

- This unique provision of the law has made drafting administrative rules tremendously challenging. The committee engaged in numerous and lengthy consultations with the American Institute of Certified Public Accountants (“AICPA”) and the National Association of State Boards of Accountancy (“NASBA”) to gain insight on the peer review programs utilized by boards of accountancy in states across the U.S.
- The AICPA offers the only successful nationally-accepted CPA firm peer review program, one that is accepted by the vast majority of states with mandatory peer review;
- NASBA receives feedback from state boards of accountancy related to the implementation of peer review, and monitors peer review programs nationwide;
- Both of these highly respected organizations and their experts in the area of peer review objected to and provided adverse opinions about the Hawaii-specific requirement in the Act; and
- Input gathered from the stakeholders, including the Hawaii Association of Public Accountants, the Hawaii Society of Certified Public Accountants (“HSCPA”), and the Accountants Coalition, has been carefully considered by the committee.

Committee Chairperson Oberg then presented a summary of the committee’s recommendations, as follows:

- The administrative rules, as presented to the Board at this meeting, have been carefully worded to provide simple and workable regulations to implement Hawaii’s unique requirement, as mandated in HRS section 466-13(d) (1) through (5);
- In order to renew its firm permit to practice, a CPA firm that engages in Hawaii attest work will be required to provide proof of completion of a

- peer review that included at least one Hawaii attest engagement;
- The CPA firm will be required to contact an administering entity to obtain a list of qualified peer reviews, select a reviewer, and contract with this reviewer to perform the firm's peer review;
 - At renewal, the CPA firm will certify that a qualified peer reviewer reviewed at least one Hawaii attest engagement in its peer review;
 - Submittal of peer review documents to the Board will not be required; instead, each firm will be required to retain copies of its peer review report and supporting documentation; and
 - The Board will conduct a random post-renewal audit of all firms' renewal applications to verify the accuracy of the information submitted by the CPA firm; and
 - The committee therefore recommends that the administrative rules drafted by the committee and described above, be accepted by the full Board.

Committee Chairperson Oberg concluded by expressing the committee's appreciation for the assistance received from the AICPA, NASBA, the HSCPA, and the Board's counsel and staff.

Chairperson Ueno thanked the committee for its work in completing the assigned investigation and for the presentation of its findings and recommended draft administrative rules. He stated that, pursuant to HRS section 92-2.5, the Board's deliberation and decision-making on the draft administrative rules would occur at the next Board meeting, scheduled for March 2, 2012.

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Next Board Meeting: Friday, March 2, 2012
King Kalakaua Conference Room
King Kalakaua Building, 1st Floor
335 Merchant Street
Honolulu, Hawaii 96813

Announcements: None.

Adjournment: There being no further discussion, the meeting was adjourned at 9:31 a.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
03/13/12

Minutes approved as is.
 Minutes approved with changes. See Minutes of _____