

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

MINUTES

Date: Friday, February 3, 2012

Time: 8:30 a.m.

Place: King Kalakaua Conference Room
King Kalakaua Building
335 Merchant Street, 1st Floor
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
Rodney J. Tam, Deputy Attorney General
Laureen M. Kai, Executive Officer
Lori Nishimura, Secretary

Excused: Keith A. Regan, Member
Emerito C. Saniatan, Member

Guests: Kathy Castillo, Hawaii Society of Certified Public
Accountants ("HSCPA")
Rodney Harano, CPA, CW Associates, CPAs
Linda McKenzie, CPA, The Accountants Coalition
John W. Roberts, CPA, President, Hawaii Association of
Public Accountants ("HAPA")
Tammy Velasquez, Ernst & Young

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. Lau, seconded by Vice-Chairperson Tsukamoto, 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 9:32 a.m., it was moved by Mr. Lau, seconded by Mr. Oberg, and unanimously carried for the Board to move out of Executive Session.

The Board immediately recessed the meeting.

At 9:40 a.m., the Board reconvened its meeting.

Applications for
CPA Certification:

After discussion, it was moved by Mr. Oberg, seconded by Mr. Ching, and unanimously carried to approve the following applications for certification:

1. BEERS, Landon K.
2. FREITAS, Rockne Makoa K.
3. HO, Kit Man
4. KITASHIRO, Kyla S.
5. LAU, Tony W.K.
6. LOCK, Kacey M.L.
7. YOAKUM, Christina L.

After discussion, it was moved by Mr. Oberg, seconded by Mr. Ching, and unanimously carried (Mr. Lau recused himself from the vote) to approve the following applications for certification:

1. ROUSSLANG, Lee K.
2. WASSINK, Christopher L.

After discussion, it was moved by Mr. Oberg, seconded by Mr. Ching, and unanimously carried (Vice-Chairperson Tsukamoto recused himself from the vote) to approve the following application for certification:

1. SAKAMOTO, Joshua K.K.

Ratification of
Individual CPA
Permits to Practice:

After discussion, it was moved by Vice-Chairperson Tsukamoto, seconded by Mr. Oberg, and unanimously carried to ratify approval of the following individual CPA Permits to Practice:

1. SCHULZ, Mark F.
2. YUDA, Michael J.

After discussion, it was moved by Vice-Chairperson Tsukamoto, seconded by Mr. Oberg, and unanimously carried (Mr. Lau recused himself from the vote) to ratify approval of the following individual CPA Permit to Practice:

1. BELL, James F.

After discussion, it was moved by Vice-Chairperson Tsukamoto, seconded by Mr. Oberg, and unanimously carried (Mr. Ching recused himself from the vote) to ratify approval of the following individual CPA Permit to Practice:

1. SOUCHERAY, Andrew J.

Ratification of
Issued Firm Permits
to Practice:

After discussion, it was moved by Ms. Glaus, seconded by Mr. Oberg, and unanimously carried to ratify approval of the following Firm Permits to Practice ("FPTP"):

1. BOUCHER MORGAN & YOUNG A PC
2. ANN Y KENNEDY
3. ACCOUNTANCY+ LLC
4. AGAPE ACCOUNTING SERVICES LLC

5. STANLEY K FUKUHARA
6. MARTI SNYDER LLC
7. DANIEL J SULLIVAN
8. KNUTTE & ASSOCIATES PC
9. MERINA AND COMPANY LLP
10. CAROLYN J LACY
11. DUGAN & LOPATKA CPA'S PC
12. MICHAEL K Y LAM
13. HEMAN CHENG CPA AAC
14. ALISON A NELSON
15. ALAN G W CHANG
16. PETER K MATSUMOTO
17. MARCUS S CHUN
18. LACAMBRA & ASSOCIATES CPA LLC
19. ARTHUR W DURYEY
20. DARLENE J FERRANTINO
21. CS ACCOUNTING AND TAX SERVICES INC
22. MKD CPA'S PLLC
23. HARB LEVY & WEILAND LLP

Approval of Firm
Name/Ratification of
Firm Name Approval:

After discussion, it was moved by Vice-Chairperson Tsukamoto, seconded by Mr. Lau, and unanimously carried to ratify the approval of firm name:

1. Alex S Tokunaga CPA

After discussion, it was moved by Vice-Chairperson Tsukamoto, seconded by Mr. Lau, and unanimously carried to approve the firm name:

1. Price and Associates CPAs, LLC

Approval of
Minutes of the
January 6, 2012
Board Meeting:

After discussion, it was moved by Vice-Chairperson Tsukamoto, seconded by Mr. Lau, and unanimously carried to approve the minutes of the January 6, 2012 Board meeting, as circulated.

Chairperson Ueno requested that the Board accommodate Mr. Shimamoto at this time for his presentation, *CPA Horizons 2025*, rather than have him wait to the ending of the meeting, as scheduled on the agenda. There were no objections.

CPA Horizons 2025: Presentation by Donny C. Shimamoto, CPA, Managing Director, IntrapriseTechKnowlogies LLC

Chairperson Ueno welcomed Mr. Shimamoto, who introduced himself to the Board as the managing director of IntrapriseTechKnowlogies LLC, a local CPA firm focused on organizational development and advisory services. As a member of the advisory panel for the AICPA *CPA Horizons 2025* project, a group representing all member segments of the profession and the state CPA societies, he participated in the review and analysis of input received from 5,600 CPAs from all walks of life who offered more than 75,000 comments over the research project's eighteen months to two-year period. Mr. Shimamoto presented the project's final report through a PowerPoint presentation for the Board and guests, which highlighted the redefined definitions of the profession's Core Purpose, Values, Competencies, and Services.

Chairperson Ueno and Board members thanked Mr. Shimamoto for his informative presentation.

Chairperson's Report: A. Investigative Committee on Two-Tier Licensing

Chairperson Ueno stated that the investigative committee had laid out its objectives and is working on finalizing the participants from the public and the representatives from the professional associations.

B. Other

No report.

Executive Officer's Report:

A. Update on Biennial License Renewals

Executive Officer Kai provided an update on biennial license renewals as follows:

Certified Public Accountants

- Licenses eligible for renewal: 2879
- Total Number renewed: 2372 (82.4%)
- Number renewed (on-line): 2105 (88.7%)

Public Accountants

- Licenses eligible for renewal: 6
- Total Number renewed: 1 (16.7%)
- Number renewed (on-line): 0.

B. DCCA Policy on Social Media

Executive Officer Kai stated that at the previous Board meeting, Communications Committee Chairperson Regan had inquired whether the Board could conduct electronic surveys on pertinent issues concerning the Board. He had expressed interest in utilizing electronic telecommunication tools and social media, such as Facebook, as a highly effective way to communicate with licensees and others. In answer to his inquiry about the social media policy of the Department of Commerce and Consumer Affairs ("Department"), Ms. Kai reported that a request for information was submitted; however, no response has been received from the Department. She stated that she would continue to follow up on this matter.

Standing Committee Reports:

The Uniform CPA Examination was taken at this time due to time constraints of Committee Chairperson Hirai.

B. Uniform CPA Examination

1. Ratification of Examination Scores from the 4th Quarter 2011 Testing Window

Committee Chairperson Hirai reported the following:

EXAMINATION RESULTS (BY SCORES)

	Number of Scores	Percentage
Initial Credit	21	8.57
Added Credit	55	22.44
Failed	79	32.24
Passed Exam	25	10.2
No New Credit	65	26.53
TOTAL	245	100.00%

TOTALS BY EXAM PARTS (BY CANDIDATES)

	AUD	BEC	FAR	REG	TOTAL
# Attended	52	60	67	66	245
# Passed	25	21	25	30	101
% Passed	48.07	35.00	37.31	45.45	41.22

SUCCESSFUL CANDIDATES SUMMARY

# of Passing First-time Candidates	1
# of Passing Re-Exam Candidates	24
# of Passing Candidates	25

After discussion, it was moved by Committee Chairperson Hirai, seconded by Mr. Tsukamoto, and unanimously carried to ratify the examination scores from the 4th quarter 2011 testing window.

A. Legislation and Rules

1. 26th Legislature, 2012

- a. H.B. No. 2169, Relating to Public Accountancy

b. S.B. No. 2421, Relating to Public
Accountancy

Investigative Committee on Peer Review Chairperson Oberg commented on the two proposals as they both relate to peer review, expressing that he found it interesting that, while the Investigative Committee on Peer Review was working on the administrative rules to implement a peer review program in compliance with Act 66 (SLH 2010), these bills propose to legislate the peer review process. He then identified his concerns with the provisions of the proposed bills.

- (1) Creating a law instead of rules will make changes in the future difficult;
- (2) Defining "rating" does not allow for changes in terminology. The definition needs more flexibility;
- (3) There is no definition of "attest work";
- (4) Section 466-D(c): The additional monitoring task of firms reporting directly to the Board should be the responsibility of the sponsoring organization, with only exceptions or noncompliance to be reported to the Board;
- (5) Section 466-E(a)6: Concern about whether peer reviewers would be willing to certify that the Hawaii offices and engagements were done according to this law;
- (6) Section 466-F: Additional concerns about whether peer reviewers would be willing to issue the supplemental Hawaii peer review report that is described by this bill. There are concerns that the AICPA would not allow use of its copyrighted material

- for a supplemental peer review engagement;
- (7) 466-F(a)(3): The sponsoring organization should be the report acceptance body, not the Board. It would be difficult for the Board's staff to handle this additional work;
 - (8) Section 466-F(c): Should the rating terms change under the AICPA standards, it would be problematic to have to amend the law to comply with these changes;
 - (9) Section 466-H(a)(3) and (b)(3): Reporting should be to the sponsoring organization, not the Board. There are concerns about whether the Board would be allowed access to the PCAOB inspection reports in order to comply with the bill's requirement for this documentation;
 - (10) Section 466-I: Does a rating of "pass with deficiency" or "fail" disqualify a firm from getting a practice permit?;
 - (11) Section 466-J: Will the HSCPA or some other sponsoring organization be willing or able to comply with this section of the bill?;
 - (12) Section 466-J(b): Concerns about how the Board will be overseeing the sponsoring organization – through the peer review oversight committee ("PROC") or some committee of the Board, or with additional paid staff?;
 - (13) Section 466-K(a): The monitoring of the sponsoring organizations would be difficult for the Board, as would being the direct receiver of all information and documents. Alternative recipients, such as the PROC or some other committee would be preferred. Should the

Board be required to do this, there would be issues with time and resources;

(14) Section 466-K(c): The Board may not have any access to the PCAOB reports in order to comply with the Board's proposed oversight of these inspections;

(15) Section 466-L(a): The Board is listed as having direct oversight responsibility of all peer reviewers. As this is normally done by the sponsoring organization, it would be problematic for the Board to manage these additional tasks and may require additional paid staff;

(16) SECTION 3: This amends section 466-7; however, subpart (5) indicates individuals and not firms.

Vice-Chairperson Tsukamoto agreed with Mr. Oberg that the two companion bills on peer review were unnecessary as the implementation of a peer review program should be part of the rules and not a statute, and the Board is well on its way to promulgating peer review rules. He commented that implementing Act 66 has been challenging; however, implementing these legislative measures would be even more challenging. Vice-Chairperson Tsukamoto confirmed that his position would be in opposition to these bills.

Mr. Ching stated that he also opposes these bills, questioning whether the many references to the AICPA standards could even be accomplished. He queried what the reaction of the AICPA would be to these bills.

Mr. Hirai left the meeting at 10:39 a.m.

Vice-Chairperson Tsukamoto acknowledged that these proposals were over-reaching in scope and were unfunded mandates. Both Mr. Tsukamoto and Mr. Oberg stated that they were in opposition to both bills, as the Investigative Committee is so close to completing the administrative rules implementing Act 66.

It was then moved by Mr. Oberg and seconded by Mr. Ching to adopt a position in opposition to H.B. No. 2169 and S.B. No. 2421, that the Board fully supports peer review to ensure quality of work, that the administrative rules implementing peer review are nearly completed, and that all the efforts made by the Investigative committee will be fruitful and resolve many of the issues in complying with Act 66. The motion carried unanimously.

- c. H.B. No. 1199, Relating to Public Accountancy
- d. H.B. No. 1619, Relating to Certified Public Accountancy
- e. S.B. No. 89, Relating to Public Accountancy
- f. S.B. No. 743, Relating to Certified Public Accountancy

The Executive Officer stated that the Board's position on these bills, which were carried over from the 2011 session, was that the Board has consistently supported the concept of practice mobility. Also, the Board supports the "spirit" of these bills, as all propose to implement practice mobility. After discussion, the Board agreed that this would again be its position in support of each of these proposed measures.

2. Investigative Committee on Mobility

No Report.

3. Proposed Revision of Hawaii Administrative Rules section 16-71-61

Ms. Glaus stated that she is continuing to investigate the matter and will report her findings to the Board when her investigation is completed.

B. Uniform CPA Examination

2. Recognition of the International Qualification Examination (IQEX)

With Mr. Hirai's absence, Chairperson Ueno stated this agenda item will be tabled to the Board's next meeting.

C. Ethics

No Report.

D. Peer Review

1. Investigative Committee on Peer Review

Committee Chairperson Oberg and committee member Tsukamoto stated that the committee is very close to finishing the draft rules. Some concepts are still being worked on with the Attorney General's office, and comments are anticipated. The committee hopes to have the draft rules ready for public dissemination very soon.

E. Continuing Professional Education

Committee Chairperson Lau reported that NASBA and the AICPA have reviewed the guidelines to update the Statement on Standards for Continuing

Professional Education Program since he last reported on this initiative that sought to address the proliferation of CPE courses delivered through virtual training and on-line media. He stated that the final form of these guidelines has been released.

F. Communications

No report due to Committee Chairperson Regan's excused absence.

Next Board Meeting: Chairperson Ueno announced that the Board will hold a special meeting to receive the report on the findings and recommendations from the Investigative Committee on Peer Review on:

Monday, February 13, 2012
8:30 a.m.
PVL Examination Room
King Kalakaua Building, 3rd Floor
335 Merchant Street, Room 330
Honolulu, Hawaii 96813

He also announced that the subsequent Board meeting would be held:

Friday, March 2, 2012
8:30 a.m.
King Kalakaua Conference Room
King Kalakaua Building, 1st Floor
335 Merchant Street
Honolulu, Hawaii 96813

Announcements: Mr. Roberts asked to address the Board, and stated that HAPA has been critical of the length of time it has taken the Board to accomplish its tasks. He offered the following history lesson: (Note: these points were taken verbatim from Mr. Roberts' notes that he provided upon request by the Executive Officer.):

- o "February 21, 1787: Constitutional Convention was called for to prepare a plan of government;

- o May 4, 1787: delegates started showing up;
- o May 25, 1787: quorum was present and deliberations began;
- o September 17, 1787: Constitution Convention adopted the Constitution;
- o December 7, 1787: Delaware became the first state to ratify the Constitution;
- o March 4, 1789: First day U.S. Congress met;
- o May 1789: George Washington was inaugurated as President."

Mr. Roberts entitled the foregoing as "Expectations of Work Speed".

Adjournment: There being no further discussion, it was moved by Vice-Chairperson Tsukamoto, seconded by Mr. Oberg, and unanimously carried to adjourn the meeting at 10:48 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
02/28/12

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