

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

MINUTES

Date: Friday, May 11, 2012

Time: 8:30 a.m.

Place: PVL Examination Room  
King Kalakaua Building, 3<sup>rd</sup> Floor  
335 Merchant Street # 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  
Keith A. Regan, Member  
Rodney J. Tam, Deputy Attorney General  
Laureen M. Kai, Executive Officer  
Lori Nishimura, Secretary

Excused: Emerito C. Saniatan, Member

Guests: Kathy Castillo, Hawaii Society of Certified Public  
Accountants ("HSCPA")  
Rodney Harano, CPA, CW Associates  
John W. Roberts, CPA, President, Hawaii Association of  
Public Accountants ("HAPA")  
Carl Williams, HSCPA

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:

It was moved by Mr. Oberg, seconded by Vice-Chairperson Tsukamoto, and unanimously carried to add the following to the agenda and renumber the subsequent agenda items accordingly:

3. CHAPTER 91, HRS, ADJUDICATORY MATTERS

- A. In the Matter of the Certified Public Accountant's License of NATHAN H. SUZUKI; ACC 2005-7-L

Executive  
Session:

At 8:31 a.m., it was moved by Mr. Regan, 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 9:11 a.m., it was moved by Mr. Ching, seconded by Vice-Chairperson Tsukamoto, and unanimously carried for the Board to move out of Executive Session and immediately recess the meeting to discuss and deliberate on the following adjudicatory matters pursuant to HRS chapter 91.

Chapter 91, HRS,  
Adjudicatory  
Matters:

- A. In the Matter of the Certified Public Accountant's License of NATHAN H. SUZUKI; ACC 2005-7-L

Deputy Attorney General ("DAG") Tam briefed the Board on the Circuit Court Order, dated July 12, 2012, remanding the Board's June 15, 2010 Final Order, for the following reasons:

- Board is allowed to select and impose only one disciplinary action;
- Board is not allowed to suspend license for a period exceeding two (2) years;

- Board is not allowed to simultaneously suspend a license, impose a fine, and impose continuing education requirements;
- Respondent's arguments based on Boulware v. United States, 128 S.Ct.1168 (2008) are without merit;
- There was no unreasonable delay in this matter; and
- The case is "remanded to the Board with instructions for it to be remanded to the hearings officer for further hearing regarding sanctions".

After discussion, it was moved by Mr. Lau, seconded by Mr. Regan, and unanimously carried (Vice-Chairperson Tsukamoto and Mr. Hirai recused themselves from the vote) to comply with the order of remand and to delegate the drafting of that order to DAG Tam, and further to delegate to the Executive Officer the authority to continue the processing of this order.

At 9:26 a.m., the Board reconvened its meeting and immediately recessed the meeting.

At 9:31 a.m., the Board reconvened its meeting.

Applications for  
CPA Certification:

After discussion, it was moved by Vice-Chairperson Tsukamoto, seconded by Mr. Regan, and unanimously carried to approve the following applications for certification:

1. ANDERSEN, Kevin R.
2. CAMPBELL, Eric T.
3. CASTRO, Ramon A.
4. CORUM, Harold J.
5. DAUGHERTY, Jodi
6. DESIMONE, Julie L.
7. FIELDER, Sherrin L.

8. LIANG, Shaoru
9. MAEHARA, Dane H.
10. OKIMURA, Jordan B.M.

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

1. KIEL, Christopher M.
2. MCCOMB, Mark E.
3. MCDANIEL, Fain L.

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

1. MAURER, Mark E.

Ratification of  
Individual CPA  
Permits to Practice:

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

1. CARY, Adam T.
2. FREIN, Daniel M.
3. GARCIA, Ana Maria
4. HAMMON, Scott A.
5. MCDONNELL, Joseph T.
6. NAGANUMA, Chad K.
7. OPELT, Sara L.
8. ROTH, John R.A.
9. SONNENBERG, Alfred
10. TEN EYCK, Theresa M.

After discussion, it was moved by Ms. Glaus, seconded by Mr. Oberg, and unanimously carried (Mr. Lau recused himself from the vote) to ratify the approval of the following individual CPA Permits to Practice:

1. HANSELMAN, Brett E.
2. MCNEIL, Mathew D.

Ratification of  
Issued Firm Permits  
to Practice:

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

1. ALAN R YUKITOMO
2. NEAL S TAKASE
3. JOHNSON HARRIS & GOFF PLLC
4. SCOVILLE GROUP LLC
5. EIDE BAILLY LLP
6. HEMMING MORSE LLP
7. LEGACY TAX GROUP A CERTIFIED PUBLIC ACCOUNTANT CORPORATION

Ratification of  
Firm Name  
Approval:

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

1. GORDON YC LAM CPA LLC
2. JOHNNY C. PASCUA CERTIFIED PUBLIC ACCOUNTANT

Approval of  
Minutes of the  
April 13, 2012  
Board Meetings:

After discussion, it was moved by Mr. Ching, seconded by Mr. Oberg, and unanimously carried to approve the minutes of the April 13, 2012, with the following amendment to the second paragraph on page 10 (with new material underscored and repealed material bracketed and stricken through):

"Mr. Roberts then stated that his response to Mr. Ching's original question is two-fold. First, the Board 'missed the forest [for] from the trees' in its draft rules, not that many of the points in these rules would not be compatible with House Bill No. 2169, but that the task was to write the rules for Act 66, and that situation puts the Board in an awkward position."

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

Co-committee Chairperson Regan provided a brief report on the progress of the Investigative Committee. He reported that the committee had met on April 13, 2012 and that representatives of both HSCPA and HAPA had attended. Committee members held a frank and productive discussion regarding a single-tier licensing model versus a two-tier system. Members were assigned responsibilities for additional research and study that would be considered at future meetings. Committee member Donny Shimamoto had provided information based on research that he had conducted on other states that had moved from a two-tier system to a single-tiered licensing model.

Mr. Regan went on to state that the representatives of both HSCPA and HAPA seemed to be somewhat in favor of making the changes necessary and there was good general support for the effort. He stated that the committee would probably report on its findings at the next Board meeting for the Board to seriously consider the initiative.

Co-committee Chairperson Ching added that all parties agreed to the change on a conceptual basis, with details that needed to be worked through; but, that there were no stated reasons to not move toward the single-tiered model. He went further to confirm that Hawaii is one of a small minority of states that has a two-tiered licensing model.

Board Chairperson Ueno requested that the committee complete its analysis and return to the Board with some kind of finding or recommendation. Messrs. Regan and Ching

acknowledged that the committee would make a formal report with recommendations at the next Board meeting.

B. NASBA CPE Committee Report regarding the Development of Revised Standards for CPE Providers

Chairperson Ueno, a member of the National Association of State Boards of Accountancy ("NASBA") CPE Committee, provided an update of the committee's activities. The committee had met the week before this meeting and had issued standards for providers of continuing professional education. In accepting these standards, NASBA encourages state boards to adopt or at the very least recognize the listing of CPE providers who complete the certification procedures for approval by NASBA. This listing is currently being developed and is comprised of more than one thousand providers.

C. Call for Recommendations for NASBA 2013 Board of Directors and Nominating Committee

Chairperson Ueno stated that NASBA has put out a call for recommendations for positions on the NASBA 2013 Board of Directors and Nominating Committee.

D. Voting Representative for NASBA Western Regional Meeting

The Board reached consensus that Mr. Hirai would be the Board's voting representative at the 2012 NASBA Western Regional Meeting.

E. Other

None.

Executive Officer's  
Report:

A. Update on Board's Participation in NASBA  
Accountancy Licensing Database and CPAVerify

Executive Officer Kai reported that the Board's participation in the Accountancy Licensing Database ("ALD") remains on hold because the Department's IS Manager, who had been the lead in the project, had left the Department, and no successor had yet been named. It was noted that to date, thirty-five (35) states are participating in the program.

Chairperson Ueno mentioned that there will be discussions and demonstrations on the ALD at the upcoming Western Regional Meeting in which the participants would be able to participate. Mr. Oberg commented that the demonstrations at the meetings and also available on the NASBA website were helpful in getting a high-level understanding of the ALD and what it offers to state boards of accountancy. Ms. Kai informed the Board that NASBA had launched a series of training videos entitled, *Taking the Next Step with the ALD*, which is geared toward administration, executive directors, and board members and provides a good overview of the database function and implementation.

The Executive Officer mentioned that there is a new manager of the ALD at NASBA with whom she will be meeting at the Western Regional Meeting.

B. Inquiries Regarding CPE Credits for Work as a  
Teacher, Instructor, or Lecturer

Executive Officer Kai stated that two (2) inquiries had been received regarding applicability of certain types of work as a teacher, instructor, or lecturer for CPE credit.



The first inquiry relates to a CPA who teaches an online accounting class at a community college, where there are no "in class" meeting times or lectures. Through email discussions and messaging as well as telephone conversations and personal meetings with students, this CPA instructor works at least 2.5 hours a week on this class for the entire 16-week semester. The total number of hours worked is 40.

Discussion ensued on the applicability of Hawaii Administrative Rules ("HAR") section 16-71-34(7), which states: "Each hour of university or college classroom work as a teacher, instructor, or lecturer shall equal one continuing professional education hour". Mr. Oberg commented that he believes that the rule section is applicable to the situation of an online course because many other types of online programs are granted CPE credit and students are receiving academic credit that is equivalent to the credit earned by completing a classroom course. He further noted that this situation is that of a "virtual classroom".

It was then moved by Vice-Chairperson Tsukamoto, seconded by Mr. Hirai, and unanimously carried to approve this specific request to allow the CPA instructor to receive CPE credit for work as an instructor of an online accounting course, and further that this interpretation is limited to this particular situation and request.

Ms. Kai explained that the second inquiry related to the applicability of the American Institute of Certified Public Accountants ("AICPA") CPE standard S15-01 that allows CPE credit for actual preparation time that an instructor spends before a first-time learning activity at a rate of up to two times the number of hours to

which participants would be entitled, in addition to the actual time for presentation. Discussion ensued concerning CPE credit for preparation time, an activity that is not listed in HAR section 16-71-34. The Executive Officer noted that similar inquiries in the past had resulted in the Board denying CPE credit for preparation time. Mr. Oberg commented that the situation may fall under HAR section 16-71-34(8).

Vice-Chairperson Tsukamoto stepped out of the meeting at 10:00 a.m.

It was moved by Mr. Hirai to respond to this inquiry with a position that is consistent with the Board's prior practice and prior interpretation of the rules of not allowing preparation time to be granted CPE credit. There was no second to the motion; therefore, the motion did not carry.

Vice-Chairperson Tsukamoto stepped back into the meeting at 10:02 a.m.

Mr. Ching commented that the Board should take steps to amend HAR chapter 16-71 to be consistent with the AICPA CPE standards in this matter.

The Executive Officer clarified that the response to this inquiry would be that the Board's prior interpretation of the administrative rules pertinent to continuing professional education has been to not allow for the granting of CPE credit for the time used by an instructor in preparing for a learning activity for which both the instructor and participants are entitled to gain CPE credit for actual participation and presentation time.

C. Other

Executive Officer Kai stated that the Internal Revenue Service is requesting for assistance in identifying abusive preparers and others who promote abusive tax schemes and/or prepare abusive tax returns. State agencies should use the *Report Suspected Abusive Tax Promotions or Preparers* form to make such referrals to the IRS

Mr. Ching left the meeting at 10:04 a.m.

Standing Committee  
Reports:

A. Legislation and Rules

1. Peer Review Administrative Rules Update

Vice-Chairperson Tsukamoto updated the Board on the proposed administrative rules for the implementation of peer review, pursuant to Act 66, SLH 2010. He reported that the Board had received a letter from the Small Business Regulatory Review Board ("SBRRB"), to which the Board responded through letters dated April 18, 2012 and May 5, 2012. Mr. Tsukamoto further stated that the draft rules are currently being formatted and conformed by the Department for submittal to the SBRRB, along with the Small Business Impact Statement, for its consideration.

2. 26<sup>th</sup> Legislature, 2012

a) H.B. No. 2169 HD 2, SD 1, Relating to Public Accountancy

Vice-Chairperson Tsukamoto reported that since the Board's last meeting, the bill has been transmitted from the Legislature and is currently awaiting signature or action by the Governor.

b) S.B. No. 2421 SD 1, HD 1, Relating to  
Public Accountancy

As mentioned in the last meeting, the bill  
was not granted any further consideration.

3. Investigative Committee on Mobility

No Report.

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

Chairperson Ueno stated that additional  
research would be conducted concerning the  
proposed revision of HAR section 16-71-61.

B. Uniform CPA Examination

1. Report from NASBA Candidate Care  
Department – 1<sup>st</sup> Quarter 2012

Committee Chairperson Hirai commented that  
his review of the comments received from  
candidates turned up nothing out of line or  
inconsistent with past reports. He noted that  
any major problems with the exam  
administration experienced by candidates were  
resolved by allowing the affected candidate to  
take the section again free of charge. Mr. Hirai  
commented that one of the most frequently  
voiced concerns was the lag time experienced  
while using the computers. In addition, the  
relatively recent implementation of examination  
administration at international sites may be the  
reason for the increased number of concerns by  
these candidates.

C. Ethics

No Report.

D. Peer Review

Chairperson Ueno stated that this topic was discussed earlier in the meeting.

E. Continuing Professional Education

Committee Chairperson Lau stated that NASBA is conducting research on different methods to determine the number of hours assigned to a particular continuing professional education ("CPE") course taken through self-study. Two methods are under consideration: (1) A practical assessment where participants go through the course and monitor how long it takes to complete; and (2) A word count formula in which evaluators go through the course material deleting extraneous and duplicative material to determine the core content and assign a value to that core content. Chairperson Ueno commented that the word count formula method appeared to provide an accurate assessment of the number of CPE credits assigned to a specific course, which proved to be consistent with the results of the participatory method [(1) described above].

Mr. Lau asked the Board whether a self-study course that is assigned a specific CPE value using this word count formula method would be acceptable. Discussion ensued where the consensus of the Board was that they would have no problem with accepting the CPE credits earned at a self-study course that had been determined through this type of assessment method, so long as the provider of the course is certified, approved, or registered with the

National Registry of NASBA. It was noted that NASBA conducts a comprehensive evaluation of a CPE provider before approval and inclusion into its National Registry.

Mr. Hirai suggested that the Board review its administrative rules on CPE to determine if they should be updated to recognize internet or electronically offered CPE courses, in light of the fact that this method of CPE delivery is becoming increasingly available and popular. He also suggested that this rule review check on whether there should be greater consistency with the AICPA CPE standards. After further discussion, CPE Committee Chairperson Lau stated the he would look into the possibility of a rule revision.

Board Chairperson Ueno mentioned one of the major issues that the NASBA CPE Committee has been considering is whether CPE should be "outcome based", where CPE is earned based upon the participant's score on a test or similar assessment following the course. This precipitated discussion on whether live-study CPE should also be granted through this method.

A second issue brought up by Chairperson Ueno was whether CPE should continue to be delivered in fifty (50) minute increments (as one CPE credit is based on a minimum of fifty minutes), or split into shorter sessions that result in an aggregate CPE credit.

F. Communications

No report.

Chairperson Ueno commented that the Board should continue to look into social networking as

a means to communicate with licensees and the public. The Executive Officer mentioned that after she and Mr. Ueno had participated in a session at the NASBA Annual Meeting about social networking, she had approached the Department on the possibility of starting a Facebook page or similar. Unfortunately, the diversion of staff time to implement as well as monitor such an initiative was unwarranted at this time.

Mr. Regan noted that Maui County implemented and has maintained a Facebook page for a significant period of time, and that monitoring duties were assigned to specific staff who had other duties and responsibilities. He queried whether monitoring a Facebook page for the Board could be assigned to staff who would spend perhaps five percent (5%) of their time on this monitoring while also meeting other job responsibilities. Executive Officer Kai stated that she will continue to pursue the possibility of the Board utilizing social networking as a communications tool.

Next Board Meeting: Friday, June 15, 2012  
8:30 a.m.  
King Kalakaua Conference Room  
King Kalakaua Building  
335 Merchant Street, 3<sup>rd</sup> Floor  
Honolulu, Hawaii 96813

Announcements: Executive Officer Kai announced that Mr. Lau has been named the Managing Partner of the KPMG LLP Honolulu Office, effective May 1, 2012. Mr. Lau joined KPMG LLP in 1986 and was admitted to the partnership in 2005. He has more than twenty-five (25) years of audit experience.

