

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

MINUTES

Date: Friday, July 6, 2012

Time: 8:33 a.m.

Place: King Kalakaua Conference Room
King Kalakaua Building, 1st Floor
335 Merchant Street
Honolulu, Hawaii 96813

Present: Kent K. Tsukamoto, CPA, Vice-Chairperson
Michael Ching, CPA, Member
Craig K. Hirai, CPA, Member
Nelson K.M. Lau, CPA, Member
Gabriel Lee, Member
Steven R. Oberg, CPA, Member
Gregg Taketa, CPA, Member
Rodney J. Tam, Deputy Attorney General
Laureen M. Kai, Executive Officer
Lori Nishimura, Secretary

Excused: Wendy Miki Glaus, CPA, Member
Keith A. Regan, Member

Guests: Kathy Castillo, Hawaii Society of Certified Public
Accountants ("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 8:33 a.m. by Vice-Chairperson Tsukamoto,
who, by consensus of the Board, assumed the position
of Chairperson Pro Tempore ("Pro Tem").

Additions/Revisions
to Agenda: None.

Welcome and
Introduction of New
Members:
Gabriel Lee, Public
Member, and
Gregg Taketa, CPA:

Chairperson Pro Tem Tsukamoto welcomed and introduced two new members to the Board: Gabriel Lee and Gregg Taketa, CPA. Mr. Lee, Executive Vice President at American Savings Bank, has had extensive experience in the banking industry. Mr. Lee is also involved with the Chamber of Commerce of Hawaii, Boy Scouts of America – Aloha Council, Diamond Head Theatre, and is chairperson of the Board of Trustees of Saint Louis School. Mr. Lee commented that although he is not a CPA, his position at American Savings Bank entails working with CPAs and financial reviews. Mr. Taketa is a founding member of Taketa, Iwata, Hara & Associates, LLC, a CPA firm in Hilo, and has served as past president of the Hawaii Association of Public Accountants (“HAPA”).

Chairperson Pro Tem Tsukamoto explained to the new members that the usual practice of the Board is to enter into Executive Session at this time to consider applications for CPA certification, individual permits to practice, and firm permits to practice, as well as to consult with its Deputy Attorney General (“DAG”) Tam on legal matters.

Executive
Session:

At 8:35 a.m., it was moved by Mr. Oberg, seconded by Mr. Lau, 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 9:07 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 9:18 a.m., the Board reconvened its meeting.

Applications for
CPA Certification:

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

1. KADEY, Ronald G.
2. SUMIDA, Kurtis C.
3. YOUNG, Mark K.M.

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

1. AGOR, Curtis M.

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

1. KOO, Nino Wai-Tung

Ratification of
Individual CPA
Permits to Practice:

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

1. CANEVARI, Evelyn M.
2. CHANG, Hannah L.
3. DAUBY, Steven M.
4. MADDOX, Joseph E. III
5. SASAKI, Tomomi

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

1. MCDANIEL, Fain L.

Ratification of
Issued Firm Permits
to Practice:

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

1. THERESA TEN EYCK CPA LLC
2. TAYLOR DUFFY & ASSOCIATES II PC
3. JAN Z LEU CPA LLC
4. DGLF CPAS & BUSINESS ADVISORS PC

After discussion, it was moved by Mr. Lau, seconded by Mr. Oberg, and unanimously carried (Mr. Hirai recused himself from the vote) to ratify the approval of the following FPTP:

1. GORDON Y C LAM CPA LLC

Approval of
Minutes of the
June 15, 2012
Board Meeting:

After discussion, it was moved by Mr. Lau, seconded by Mr. Ching, and unanimously carried to approve the minutes of the June 15, 2012 Board Meeting as circulated.

Election of
Board
Chairperson and
Vice-Chairperson:

Chairperson Pro Tem Tsukamoto requested that Board members could either indicate their interest in or nominate member(s) for the position of Board Chairperson. It was moved by Mr. Oberg, seconded by Mr. Ching, and unanimously carried to nominate and elect current Vice-President Tsukamoto for the position of Board Chairperson. Mr. Tsukamoto expressed his interest in the position. No further members expressed an interest and no further nominations were made for the position of Board Chairperson; thus, Mr. Tsukamoto was elected as Board Chairperson.

Chairperson Tsukamoto requested that Board members could again either indicate their interest in or nominate member(s) for the position of Board Vice-Chairperson. It was moved by Mr. Oberg, seconded

by Mr. Lee, and unanimously carried to nominate and elect Mr. Lau for the position of Vice-Chairperson. Mr. Lau expressed his interest in the position. No further members expressed an interest and no further nominations were made for the position of Board Vice-Chairperson; thus, Mr. Lau was elected as Board Vice-Chairperson.

Chairperson Tsukamoto announced that he would not be making any committee assignments at this meeting, and asked that Board members express their interest in participating in any of the standing committees, investigative committees, or other areas of interest. Chairperson Tsukamoto stated that he would consider Board members' choices when making these assignments at a subsequent meeting of the Board.

Investigative
Committee Reports:

A. Investigative Committee on Two-Tier Licensing

Committee Chairperson Ching stated he had nothing new to report, but wanted to provide a background summary to the new Board members. Mr. Ching stated that an investigative committee was created earlier in the year to conduct research on the issue of two-tier licensing (by which Hawaii CPAs are regulated), as compared to a single tier of licensure where all licensees would be required to take continuing professional education courses and be allowed to practice public accounting and hold themselves out to the public as CPAs. He confirmed that the investigative committee's research found that the overwhelming majority of states employ the single licensing model, and that Hawaii is one of eight (8) states and jurisdictions with a multi-tiered licensing structure. Mr. Ching further noted that three (3) to four (4) of these minority states and jurisdictions are currently moving toward single level licensing.

Committee Chairperson Ching commented that the investigative committee's findings are not to suggest changes to the requirements for licensure, but to further this initiative by examining the language of the statute and rules and how both will need to be amended to accomplish the move to single level licensing. In answer to Mr. Oberg's question regarding the primary benefit of single level licensing, Mr. Ching commented that a single level licensing model will be more efficient, more consistent, and result in less confusion to the public as to a CPA's scope of practice.

Mr. Hirai queried on the effect this may have on licensees with a forfeited license or on licensees who are retired from the profession who have retained the CPA license. He remarked that in many other states, a CPA is considered to be licensed and able to practice public accounting. After discussion, it was noted that the Board may want to provide for an inactive license status within the single licensing model.

Chairperson Tsukamoto reiterated his request for input from Board members on their interest in serving on the various committees, including investigative committees such as this Investigative Committee on Two-Tier Licensing.

B. Investigative Committee on Mobility

Committee Chairperson Tsukamoto stated he had no report.

C. Investigative Committee on Commissions

Due to Committee Chairperson Glaus's absence, this agenda item was deferred to the next meeting.

Executive Officer's
Report:

A. Random Audit of Continuing Professional
Education Credits for 2012-2013 Permit to
Practice

Executive Officer Kai provided the latest results on the random audit of continuing professional education ("CPE") credits for the 2012-2013 permit to practice. Of the total 135 permits that were randomly selected and audited, 134 audits were successful. She provided a recap of a request from Burt Yoneshige (CPA-1210) for an exemption from the audit, on which the Board had deferred decision making at its last meeting, due to the unknown circumstances of Mr. Yoneshige's medical status. Ms. Kai announced that Mr. Yoneshige has since passed away, and that the audit of his permit to practice will be closed.

B. Random Audit of Continuing Professional
Education Credits in Ethics and/or Professional
Conduct for 2012-2013 CPA License

Executive Officer Kai provided the latest results on the random audit of CPE credits in ethics and/or professional conduct for the 2012-2013 CPA license. Ms. Kai stated that 347 audits were successful; two (2) audits were deficient; and three (3) audited licensees have not responded, for a total of 352 audits conducted.

Ms. Kai stated the three (3) audited licensees who did not respond to the audit, were sent letters via certified mail, providing an additional two week response/compliance time; and to date, no responses have been received by the Board; therefore, these licensees will be referred to the Regulated industries Complaints Office ("RICO").

Ms. Kai stated that a CPA with a deficient audit has requested a six-month extension to comply with the audit. Discussion ensued, with Board members commenting that a six-month extension is too long, and that the audited licensee has been given sufficient time to comply, including the two week extension time. Further discussion ensued on the course of action that may be taken by RICO. It was then moved by Mr. Lee, seconded by Mr. Ching, and unanimously carried to deny the request for a six-month extension.

Ms. Kai stated that the second deficient audited licensee had been granted a short extension being that his original records may have been lost to a fire in his office. Ms. Kai noted that this licensee was recently sent a letter, via certified mail, that the matter will be referred to RICO if he does not comply within two weeks.

Mr. Ching stepped out of the meeting at 9:59 a.m.

Mr. Ching stepped back in the meeting at 10:01 a.m.

Standing Committee
Reports:

A. Legislation and Rules

1. Peer Review Administrative Rules Update

Mr. Oberg stated there are no new updates to the draft rules on peer review, as they are currently being formatted and conformed by the Department for submittal to the Small Business Regulatory Review Board, along with the Small Business Impact Statement, for its consideration.

2. 26th Legislature, 2012

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

Chairperson Tsukamoto asked Mr. Oberg to provide the Board with an update on this legislation. Mr. Oberg stated the deadline for action by the Governor, whether to veto or sign the bill, is July 10, 2012. He further stated that if no action is taken by the Governor, the bill will automatically be enacted. Once enacted, the bill would repeal the provisions of Act 66 from the 2010 legislative session. He encouraged all Board members to review the bill and to reacquaint themselves with its provisions.

Executive Officer Kai commented that should the bill be enacted, the Board will be required to draft implementing administrative rules to comply with the statute. Additionally, DAG Tam commented that the Board would need to establish the Peer Review Oversight Committee ("PROC"), and that the current draft of rule amendments would be withdrawn and new revisions to the rules will need to "start from scratch".

Mr. Oberg suggested gathering names of prospective members to be appointed to the PROC. DAG Tam suggested that former Board members be asked to participate, so long as they meet the requirements set forth in the bill.

Mr. Hirai requested that DAG Tam provide the Board with a timetable of what it needs to accomplish and by when. He also asked DAG Tam for confirmation that the Board does not need to complete promulgation of these implementing administrative rules by 2013.

B. Uniform CPA Examination

No Report.

C. Ethics

No Report.

D. Peer Review

Chairperson Tsukamoto stated this topic was discussed under legislation and rules.

E. Continuing Professional Education

Committee Chairperson Lau reported that a question had been posed by the HSCPA regarding the Board's adoption of the recently revised CPA Standards, relating to program measurement. The standards allow a CPA to earn 0.5 CPE credit for a course after the first hour, which has also been the practice of the Board. It was the consensus of the Board to continue to allow for the crediting of partial CPE credit after the CPA has completed the first hour of educational instruction.

F. Communications

No Report.

Next Board Meeting: Friday, August 3, 2012
8:30 a.m.
King Kalakaua Conference Room
King Kalakaua Building
335 Merchant Street, 1st Floor
Honolulu, Hawaii 96813

Announcements: None.

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Adjournment: There being no further discussion, the meeting
adjourned at 10:14 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

07/26/12

Minutes approved as is.

Minutes approved with changes. See Minutes of _____