

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

MINUTES

Date: Friday, August 3, 2012

Time: 8:30 a.m.

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

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

Excused: Keith A. Regan, Member

Guests: Kathy Castillo, Hawaii Society of Certified Public
Accountants ("HSCPA")
Keali`i S. Lopez, Director, Department of Commerce
Affairs
John Roberts, Hawaii Association of Public
Accountants ("HAPA")
Tammy Velasquez, The Accountants Coalition,
Ernst & Young LLP

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 Tsukamoto.

Introduction of Keali`i S. Lopez, Director, DCCA: Chairperson Tsukamoto welcomed and introduced Keali`i S. Lopez, Director of the Department of Commerce and Consumer Affairs ("DCCA"). Director Lopez thanked the Board for volunteering their service as members of the Board. She mentioned that, during the past legislative session, the Governor has come to value the work of boards and commissions. As she and the Governor discussed the various bills related to DCCA including the peer review bill (House Bill No. 2169), the Governor expressed that he believed the work of regulatory boards and commissions to be very important.

Director Lopez informed the Board that DCCA is planning to hold an orientation for all members of the boards and commissions of DCCA. Ms. Lopez commented that a lot of positive feedback was received from attendees of last year's orientation that included board and commission chairpersons or their designees. This upcoming orientation is scheduled for two sessions in September/October 2012, and DCCA has decided to invite all board members to participate. The sessions will include presentations by DCCA divisions such as the Regulated Industries Complaints Office and the Office of Administrative Hearings, to discuss the relationship between boards and these offices. Speakers will also include representatives of the Attorney General's office, the Hawaii Ethics Commission, and the Office of Information Practices. The Director hopes that this orientation provides board members with a sense of its independent role in consumer protection and its relationship with each of these different entities. The sessions will also describe the roles of the Executive Officer and the Deputy Attorney General ("DAG") in Board matters and activities.

Ms. Lopez further commented that there may be times when the Board and DCCA have different positions on matters before the Board. In the past, DCCA may have tried to influence the Board's position; however, as Director, Ms. Lopez disagrees with this practice. She noted that the Board's continued efforts in its role as the protector of the public interest and DCCA's complementary goals will ensure that there should not be too many of such situations.

Director Lopez expressed appreciation for the specific skill set that both professional and public members bring to the Board, and emphasized that the Board represents the State of Hawaii in all aspects of the public interest in professional and vocational regulation. She complimented the Board on the prominent stature and reputation for integrity the accountancy profession holds in the public's eye, and stated that she wants to respect and retain this.

Director Lopez again expressed her thanks to the members of the Board for their service and recognized the value and importance of their ongoing efforts. Chairperson Tsukamoto also acknowledged the support of the Executive Officer and DAG Tam.

Discussion ensued on the efforts of the Board during the past legislative session in communicating its position to the Governor in recommending the veto of House Bill No. 2169. Director Lopez summarized that DCCA did meet with the Governor concerning all bills related to this department and went to considerable lengths to convey the Board's and DCCA's position in the veto recommendation; however, the Governor and his team considered the broader issue regarding administrative rules procedures and timeliness of rule amendments. One of the challenges to address is that statute changes are accomplished much more expediently than the process to amend administrative rules.

The Director further commented that it is a perception of the legislature that the rules process takes too long, and some legislators believed that it would take another year to promulgate the rules to implement peer review. She agrees with the Board that the perception is not the reality; however, it appears to have influenced the Governor's decision.

Ms. Lopez stated that the rules amendment process needs to be modified and improved to implement amendments within a prompt time. The process for rule revisions allows for more transparency and is intended to be much more responsive in involving dialogue between the Board and the public. Legislative processes would appear to be more one-way and are not required to answer the same questions as proposed rule amendments require. Director Lopez assured the Board that she will continue her efforts to educate the Governor and the Legislature on the importance of promulgating administrative rules to implement statutes, rather than legislating such changes.

Discussion ensued on the strategy the Board may need to take on future legislation in cultivating dialogue and forming relationships and partnerships with legislators in communicating the Board's position, and to not only focus on a couple of committees, since all bills are ultimately voted on by the entire House or Senate. Also briefly discussed was a change in strategy relating to the Board's relationship with the Small Business Regulatory Review Board ("SBRRB") during the rule amendment process.

Chairperson Tsukamoto thanked Director Lopez for her presentation. Board members also expressed their appreciation to her.

Director Lopez left the meeting at 9:08 a.m.

Executive
Session:

At 9:09 a.m., it was moved by Mr. Ching, seconded by Vice-Chairperson 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 9:20 a.m., it was moved by Vice-Chairperson Lau, seconded by Ms. Glaus, and unanimously carried for the Board to move out of Executive Session.

The Board immediately recessed the meeting.

At 9:28 a.m., the Board reconvened its meeting.

Additions/Revisions
to Agenda:

None.

Applications for
CPA Certification:

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

1. AGGER-NIELSEN, Claus
2. CHIANG, Eric M.
3. GOODIN, Charles T.
4. INGRAM, Douglas T., Jr.
5. KIM, Sun Hyun
6. TAKAMATSU, Glen M.
7. TAKAMATSU, Grant F.
8. WAKANA, Masayuki

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

1. TAIRA, Mitchell Y.

After discussion, it was moved by Mr. Oberg, seconded by Mr. Lee, and unanimously carried (Mr. Hirai recused himself from the vote) to approve the following application for certification, delegating to the Executive Officer the review of confirming experience documentation:

1. TIN, Tina S.L.

Ratification of
Individual CPA
Permits to Practice:

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

1. CHOW, Deborah W.Y.
2. ENRIQUES, Kevin T.L.
3. FIELDER, Sherrin L.
4. HO, Kit Man
5. ISHIBASHI, Joy T.
6. JIM, Kenny Y.K.
7. KWON, David K.
8. TABON, Leizl M.

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

1. AGOR, Curtis M.

Ratification of
Issued Firm Permits
to Practice:

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

1. RICKY TAKEMOTO CPA LLC
2. DAUBY O'CONNOR & ZALESKI LLC
3. Q & V INC
4. AUDITWERX INC

5. PAMELA K Y YOUNG

Ratification of Firm
Name Approval:

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

1. Dennis H. Ikawa, CPA, LLC
2. Michael J. Yuda, CPA, LLC
3. W.T. Matsuno CPA, Inc.

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

After discussion, it was moved by Ms. Glaus, seconded by Mr. Taketa, and unanimously carried to approve the minutes of the July 6, 2012 Board Meeting as circulated.

Chairperson's
Report:

A. Setting 2012-2013 Board Priorities

Chairperson Tsukamoto announced his view on the Board's priorities for the upcoming year to be: (1) Implement Act 324 (peer review); and (2) Further investigate mobility and the possibility of legislation for its implementation. Mr. Ching commented that the issue of two-tier licensing should also be a priority.

Chairperson Tsukamoto announced the newly-assigned standing committee chairpersons and members as follows:

- Legislation and Rules:
Co-Chaired by Mr. Ching and Mr. Hirai;
- Uniform CPA Examination:
Chaired by Mr. Hirai;
- Ethics:
Chaired by Mr. Lau,
with member Mr. Hirai;
- Peer Review:
Chaired by Mr. Oberg,
with members Mr. Lau and Mr. Taketa;
- Continuing Professional Education:
Chaired by Ms. Glaus;

- Communications:
Chaired by Mr. Lee.

Chairperson Tsukamoto then announced the newly-assigned investigative committee chairpersons and members as follows:

- Mobility:
Chaired by Ms. Glaus,
with Vice-Chair Mr. Regan,
and with members Mr. Taketa and Mr. Lee;
- Two-tier Licensing:
Co-Chaired by Mr. Taketa and Mr. Lee,
with members Ms. Glaus and Mr. Regan.

Chairperson Tsukamoto stated that the Investigative Committee on Peer Review will be discontinued, as the work involved with peer review implementation will be assigned to the Standing Committee on Peer Review. He also stated that the work by the Investigative Committee on Commission is deferred.

Chairperson Tsukamoto stated that he will be responsible for the review of applications for CPA certification and for the recommendations to the full Board for consideration at its meetings.

B. Current Matters Update

1. Mandatory Audit Firm Rotation

Chairperson Tsukamoto announced that the Public Company Accounting Oversight Board ("PCAOB") recently held hearings regarding the implementation of mandatory audit firm rotation. He stated that two-thirds of all feedback is opposed to this mandatory rotation due to increased costs and confusion. He anticipates that private

companies may follow suit, and that greater impact will be felt in states with fewer large and national CPA firms. Mr. Ching commented that this implementation by the PCAOB will have "downstream impact" on all firms.

2. FAF Private Company Council

Chairperson Tsukamoto reported that the Financial Accounting Foundation ("FAF") Private Company Council is developing standards to implement U.S. GAAP accounting standards ("small-GAAP") for privately-held companies.

Executive Officer's Report:

A. 2012 Legislative Session – of Interest to the Board

1. Act 177, Relating to Open Government (SB2859 SD1 HD2)

Effective July 1, 2012, this measure seeks to improve government efficiency by providing better ways for boards and the public to receive and access information. One of the act's provisions allows board members to hear public testimony on agenda items during a scheduled meeting even if that meeting must be canceled due to lack of quorum. Another provision allows less than a quorum of board members to attend informational meetings or presentations related to official board business.

2. Act 202, Relating to Public Meetings (SB2737 SD1 HD2 CD1)

Effective July 1, 2012, this act authorizes the use of technology to allow interactive board meetings, and clarifies the requirements for handouts or visual aids at audio-only

locations. The act also authorizes a board member with a disability that impairs his/her ability to physically attend a meeting, to participate from a non-publicly-accessible location.

3. Act 247, Relating to Professional and Vocational Licensing (HB2257 HD1 SD1)

Effective July 1, 2012, this measure allows a non-resident military spouse who holds a current license in another state with equivalent requirements to apply for a Hawaii license by endorsement or reciprocity and have the licensure approval process completed expeditiously. In addition, the act provides that the non-resident military spouse may be issued a temporary license to perform specified services under the supervision of a Hawaii licensee in those professions where credentials, experience, or passing a national examination is at least substantially equivalent to Hawaii's requirements.

4. Act 248, Relating to Professional and Vocational Licensing (HB2258 HD2 SD1)

Effective July 1, 2012, this act allows service members leaving the military to use their documented training and experience gained while in military service in full or partial fulfillment of the requirements for a license. This measure supports veterans by recognizing that military education, training, or service is substantially equal to the education, training, or service required for a license. This act is slated to be repealed on June 30, 2022.

The Executive Officer asked that Board members review Act 247 and Act 248 for discussion at the next meeting. A report with the Board's feedback and input on how to best implement these acts is required for the 2013 Legislature.

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

Executive Officer Kai recapped the Board's determination at its last meeting to deny a licensee's request for a six-month extension period in which to comply with the terms and conditions of the audit. The licensee was notified of the Board's decision, and the matter has been referred to RICO for investigation.

Standing Committee Reports:

A. Legislation and Rules

1. Peer Review Administrative Rules Update

Committee Chairperson Ching stated that the proposed administrative rules to implement peer review have become moot, as Act 66 (SLH 2010) has been repealed.

2. Act 324, Relating to Public Accountancy (HB2169 HD2 SD1)

Mr. Ching noted that this measure is much more detailed and prescriptive than Act 66 (SLH 2010) and this fact may negate the requirement for implementing administrative rules. This matter is for the Peer Review Standing Committee to consider and determine if rules are required.

3. Act 241, Relating to Small Business Regulatory Review Board (SB2739 SD2 HD1 CD1)

Committee Chairperson Ching explained that this measure is not specific to the Board, but applies to all boards and commissions. The act allows the SBRRB to return proposed rule amendments to the board or commission to request detailed information into why public comments and recommendations received during the public hearing were not implemented in the rule revisions. It appears that this act extends the purview of the SBRRB in the administrative rule process. He recommended that the Board keep this in mind as it moves through any future rule-making or amendments.

Mr. Hirai inquired whether further action would be needed on the current proposed rule amendments, such as formal withdrawal or termination. DAG Tam replied that the statute that authorized these rule amendments has been repealed; therefore, it is not necessary to formally withdraw or terminate the process, and no further action by the Board is needed.

B. Uniform CPA Examination

No Report.

C. Ethics

No Report.

D. Peer Review

Committee Chairperson Oberg commented that his committee will review Act 324 to advise the Board whether clarification on peer review may be needed through amendments to the administrative rules. Mr. Oberg also noted that the Peer Review Oversight Committee ("PROC") will need to be established by year's end, with three (3) members selected and appointed by

the Board. Chairperson Tsukamoto suggested that HAPA and HSCPA be tapped to provide a pool of potential PROC members who meet the qualifications mandated in Act 324.

E. Continuing Professional Education

No Report.

F. Communications

No Report.

Investigative
Committee Reports:

A. Investigative Committee on Two-Tier Licensing

Outgoing Investigative Committee Chairperson Ching stated he had nothing new to report, but wanted to reiterate that the language of the Board's statutes and rules would both need to be comprehensively amended to accomplish the move to single level licensing, as the current two-tier licensing model is so embedded in both the statutes and rules. He further added that the Investigative Committee's research uncovered no substantive reason for the Board to retain two-tier licensing system.

B. Investigative Committee on Mobility

No report.

Open Forum:

Chairperson Tsukamoto provided the Board with a printout of the DCCA geographical report, relating to this Board. The statistics reflect the number of licensed CPAs and public accountants on each island and out-of-State (and each as a percentage of the total), as of July 16, 2012. He stated that this report provides important license data that reflect the constituents of this Board.

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Next Board Meeting: Friday, September 7, 2012
8:30 a.m.
King Kalakaua Conference Room
King Kalakaua Building
335 Merchant Street, 1st Floor
Honolulu, Hawaii 96813

Announcements: None.

Adjournment: There being no further discussion, the meeting
adjourned at 10:22 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

08/31/12

[X] Minutes approved as is.

[] Minutes approved with changes. See Minutes of _____