

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

MINUTES

Date: Friday, October 5, 2012

Time: 8:34 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
Wendy M. Glaus, CPA, Member
Craig K. Hirai, CPA, Member
Gabriel Lee, Member
Steven R. Oberg, CPA, Member
Keith A. Regan, Member
Gregg M. Taketa, CPA, Member
Rodney J. Tam, Deputy Attorney General
Laureen M. Kai, Executive Officer
Lori Nishimura, Secretary

Excused: Michael H.F. Ching, CPA, Member

Guests: Kathy Castillo, Hawaii Society of Certified Public
Accountants ("HSCPA")
Rodney Harano, CPA, CW Associates
Brian Oka
Jonathan Tang

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 8:34 a.m. by Chairperson Tsukamoto.

Additions/Revisions to Agenda:

The Executive Officer requested the following additions to the agenda:

Add:

- 6. CHAIRPERSON'S REPORT

 B. NASBA Regional Director's Focus Questions

- 9. INVESTIGATIVE COMMITTEE REPORTS:

 C. Investigative Committee on Peer Review

After discussion, it was moved by Mr. Oberg, seconded by Mr. Regan, and unanimously carried to approve the above additions to the agenda.

Ratification of Uniform CPA Examination Scores:

- A. October/November (4th Quarter) 2011 Testing Window – Revised Report

Committee Chairperson Hirai reported that at the February 3, 2012 meeting, the Board ratified the 4th Quarter 2011 testing window examination scores. That report did not include the passing score of one (1) candidate who passed the last section of the exam. The following statistics reflect the inclusion of this candidate's scores:

SUCCESSFUL CANDIDATES SUMMARY

# of Passing First-time Candidates	1
# of Passing Re-Exam Candidates	24 25
# of Passing Candidates	25 26

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

B. April/May (2nd Quarter) 2012 Testing Window

Committee Chairperson Hirai reported the following:

EXAMINATION RESULTS (BY SCORES)

	Number of Scores	Percentage
Initial Credit	18	8.10
Added Credit	65	29.27
Failed	86	38.73
Passed Exam	12	5.40
No New Credit	41	18.46
TOTAL	222	100.00%

TOTALS BY EXAM PARTS (BY CANDIDATES)

	AUD	BEC	FAR	REG	TOTAL
# Attended	58	58	48	58	222
# Passed	20	29	22	24	95
% Passed	34.48	50.00	45.83	41.37	42.79

SUCCESSFUL CANDIDATES SUMMARY

# of Passing First-time Candidates	1
# of Passing Re-Exam Candidates	11
# of Passing Candidates	12

After discussion, it was moved by Committee Chairperson Hirai, seconded by Mr. Taketa, and unanimously carried to ratify the examination scores from the 2nd quarter 2012 testing window.

C. July/August (3rd Quarter) 2012 Testing Window

Executive Officer Kai stated that the Board received the 3rd Quarter 2012 Testing Window scores but it was noted that the report summary included scores from the 4th quarter 2011 testing window. She further stated that CPA Examination Services ("CPAES") was not able to provide a corrected report in time for this meeting. Ms. Kai suggested the Board ratify the scores today with the revised statistical report to be presented at a subsequent Board meeting.

After discussion, it was moved by Committee Chairperson Hirai, seconded by Mr. Oberg, and unanimously carried to ratify the examination scores from the 3rd quarter 2012 testing window, with the revised statistical data to be reported at a subsequent meeting.

Executive Session:

At 8:45 a.m., it was moved by Mr. Regan, 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 9:30 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 9:37 a.m., the Board reconvened its meeting.

Applications for
CPA Certification:

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

1. GOLDEN, Jessica A.
2. HANSEN, Brian P.
3. HAYS, Kyle M.
4. HONG, Adrian K.B.U.
5. LEYDE, Yoshimi F.
6. MARTZ, Bernadette S.
7. RUAN, Michael S.F.
8. STEEN, Richard A.
9. TANG, Jonathan K.F.
10. UYEHARA, Marci C.
11. WILLSIE, Virginia F.

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

1. MOUNTHONGDY, Christine S.

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

1. TAKASHIMA, Akiko

Ratification of
Individual CPA
Permits to Practice:

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

1. INGRAM, Douglas T., Jr.
2. MALIG, Leinani R.
3. NOWLING, Gregory L.
4. SUMIDA, Kurtis C.
5. TARUI, Yuka

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

1. TIN, Tina S.L.

Ratification of
Issued Firm Permits
to Practice:

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

1. EVA S Y HANG
2. W T MATSUNO CPA INC
3. TERRANCE M BURNS
4. FRED K IZUMI
5. MICHAEL J YUDA CPA LLC
6. KAULEO CONSULTING INC
7. GLEN M TAKAMATSU
8. KENNY JIM CPA LLC

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

1. KAREN S K YOSHIMOTO

Ratification of Firm
Name Approval:

After discussion, it was moved by Ms. Glaus, seconded by Mr. Regan, and unanimously carried to ratify the approval of the following CPA firm Names:

1. Kenny Jim, CPA, LLC
2. Tracy Watkins CPA, LLC

Chairperson Tsukamoto acknowledged, welcomed, and congratulated Jonathan Tang, CPA applicant, who was approved for his CPA license today.

Approval of
Minutes of the
September 7, 2012
Board Meeting:

Mr. Hirai suggested amending the minutes of the September 7, 2012 meeting, to clarify his report as written on page 8, first paragraph of the first sentence. He stated that he did reference the act in his report, and therefore requested to add verbiage (underlined), to read as follows:

Pursuant to Act 177 (SLH 2012), Committee Co-Chairperson Hirai reported that he and Mr. Taketa had attended the National Society of Accountants (“NSA”) annual meeting on Maui on August 22, 2012,

After discussion, it was moved by Mr. Taketa, seconded by Mr. Hirai, and unanimously carried to approve the minutes of the September 7, 2012 Board Meeting as amended.

Chairperson’s
Report:

A. Current Accounting Updates – Industry Issues and Trends

Chairperson Tsukamoto commented that FIN 48, the official interpretation of accounting rules issued by the Financial Accounting Standards Board is being reviewed by the new Private Company Council, which is chaired by National Association of States Boards of Accountancy former Board chairperson Billy Atkinson. He also commented that the presidential election results could represent a “fiscal cliff” come January 1, 2013.

It was suggested that the Board address the NASBA Regional Directors’ Focus Questions later in the meeting. There were no objections.

Executive Officer’s
Report:

- A. 2012 Legislative Session – of Interest to the Board
1. Act 247, Relating to Professional and Vocational Licensing (HB2257 HD1 SD1)

Executive Officer Kai reiterated that Act 247 (SLH 2012), effective July 1, 2012, allows a non-resident military spouse who applies for a license by endorsement or reciprocity to demonstrate competency in lieu of work experience. If the non-resident military spouse holds a current license in another state with licensure requirements that the Board deems to be at least equivalent to Hawaii's requirements, the license is to be granted pursuant to the statutes regarding licensure by endorsement or reciprocity.

Discussion ensued in response to DCCA's request for feedback on how best to implement the provisions of this act. Chairperson Tsukamoto commented that since there are no provisions for CPA licensure by reciprocity or endorsement in the Board's statutes, this act may not be applicable. DAG Tam agreed that based on the specific language of the Act, many provisions of the Act do not appear to apply to the licensing of CPAs because HRS chapter 466 does not have reciprocity or endorsement. He cautioned, however, that if in the future the Board's licensing statute is amended to include licensure by reciprocity or endorsement, this act would then apply.

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

Executive Officer Kai reiterated that Act 248, effective July 1, 2012 till June 30, 2022, provides a military service member the ability to use his/her documented training and experience that was gained while in the service to qualify for a Hawaii license. These provisions are meant to support veterans by recognizing that military education, training,

or service can be deemed substantially equal to the Board's requirements.

Discussion ensued in response to DCCA's request for feedback on how best to implement this provision. At the previous Board meeting, the Board instructed DAG Tam to research this act in relation to the education and experience requirements for a CPA license. DAG Tam advised that each application should be reviewed on a case by case basis. Chairperson Tsukamoto commented that each applicant's facts and circumstances of his/her educational credentials, as well as the applicant's duties and responsibilities in his/her work experience in the military would need to be carefully reviewed. In response to the Board's question of whether the military supervisor would be required to be a licensed CPA (as is currently required of all licensure applicants), DAG Tam stated that Act 248 allows such military experience to be accepted, and added that this experience may need to be more thoroughly scrutinized to determine its equivalency especially if the applicant's supervisor is not a licensed CPA.

B. Foreign Academic Credentials Evaluations

1. Chartered Accountant Professional Experience

Executive Officer Kai stated the Board has received inquiries on the acceptance of Chartered Accountant Professional credit that is converted to US equivalent credit. She explained that the evaluations of at least three (3) of Hawaii's Board-approved foreign academic credentials evaluators, have reflected the equivalency of three (3) years of foreign college or university undergraduate

study plus Chartered Accountant Professional experience or certification to the completion of a four-year baccalaureate degree granting program at a nationally or regionally-accredited college or university in the United States. CPAES, the Board's testing administrator has been receiving this type of equivalency in candidate's applications more and more often and thus inquired whether the Hawaii Board will consider it as fulfilling the education requirement to sit for the exam and to get licensed.

Ms. Kai stated that CPAES defers the acceptance to this type of equivalency to each State and that this Board has not accepted Chartered Accountant professional experience in lieu of the "fourth year in obtaining a baccalaureate degree". Ms. Kai also stated that HPU does not accept this equivalency as fulfilling the requirements for acceptance into its graduate degree programs. The consensus of the Board was that more research on this topic was needed. The Executive Officer was instructed to obtain the University of Hawaii's position on this matter, and further discussion was tabled.

2. NASBA International Evaluation Services

Executive Officer Kai reiterated that NASBA has launched its International Evaluation Services ("NIES"), which provides a service for the evaluation of foreign academic credentials that is specially designed for CPAs, and that currently, the boards of accountancy of Kansas and Washington accept the NIES evaluation in the licensing process. The NIES is designed to ensure consistency in the evaluation of foreign academic transcripts for examination

candidates so that all evaluations will be on a level playing field.

NASBA is requesting all boards of accountancy to consider the NIES as an approved evaluation service for licensure applicants. Ms. Kai stated that the Board's policy on the acceptance/approval of international academic evaluation services was established by the Board in November 1999, with amendments made in February 2000. This Board policy requires that the service provider submit to the Board: (1) a letter of application; (2) references from at least two (2) boards of accountancy that currently accept it; (3) proof of membership in the National Association of Credentials Evaluation services ("NACES") or the Association of International Credential Evaluators, Inc. ("AICE"); and (4) a sample evaluation. The NIES meets all but one requirement – it is not a member of either NACES or AICE. Chairperson Tsukamoto commented that this service is "examination candidate friendly".

The Board's consensus was to table this discussion until more research could be completed.

C. 2013 Board Meeting Schedule

Board members were provided with the 2013 Board Meeting schedule, with the following dates:

- January 4, 2013
- February 1, 2013
- March 1, 2013
- April 5, 2013
- May 3, 2013

- June 7, 2013
- July 5, 2013
- August 2, 2013
- September 6, 2013
- October 4, 2013
- November 1, 2013
- December 6, 2013

After discussion, the consensus of the Board was to accept the 2013 Board meeting dates.

Standing Committee Reports:

A. Legislation and Rules

No Report.

B. Uniform CPA Examination

Committee Chairperson Hirai stated the ratifications of the Uniform CPA examination scores were completed at the start of the meeting. He then reported that NASBA received reports of candidates who received another candidate's score report with their own score report. The Executive Officer added that an investigation concluded that there was an intermittent problem with the machine that stuffs the reports into envelopes, which resulted in two (2) reports being stuffed into the same envelope. Because there was no certainty as to which jurisdictions' candidates were affected, NASBA has reprinted and re-mailed all score reports for all examination candidates for the 3rd Quarter 2012 Testing Window. Ms. Kai contacted NASBA and was assured that measures have been taken so that this type of problem will not be repeated, and also confirmed that no Hawaii candidates were affected.

C. Ethics

No Report.

D. Peer Review

Committee Chairperson Oberg queried whether financial statements are subject to peer review being that they are non-attest reports. He commented that the exposure draft may impact the implementation of peer review. Chairperson Tsukamoto commented that small practitioners may be pushing for this and asked whether banks would accept such financial statements; unfortunately, there was no definitive answer from those present. The Board's consensus was to discuss this matter further at the next meeting.

Mr. Oberg mentioned that he will try to meet with James Brackens and Gary Freundlich of the American Institute of Certified Public Accountants at the NASBA Annual Meeting that he is attending later in the month.

E. Continuing Professional Education

No Report.

F. Communications

Committee Chairperson Lee reiterated that at the last Board meeting, members had been asked to email their responses to the survey questions on NASBA's poll on communication outreach, to the Executive Officer, who then would email these responses to him to compile as the Board's response before the September 21, 2012 deadline. Mr. Lee reported the Board's responses to the NASBA poll were: (1) Mr. Lee was the Board's Communications Officer and his contact information was provided; (2) although the Board's Communications Officer would not be at the Annual Meeting, there would be a member representing the Board at the

communication sessions (Mr. Oberg); (3) the Board does not publish a newsletter; (4) the Board does not publish articles/updates in the state society newsletter; (5) the Board does not publish an annual report; (6) the Board does not engage in social media; and (7) other methods of communication outreach that the Board currently uses to engage with stakeholder groups include advance dissemination of board meeting agenda, board meetings are open to the public, meeting minutes are available on the Board's webpage, and that members participate in the activities of both the HSCPA and HAPA.

Mr. Oberg commented that the latest Hawaii Society of Certified Public Accountant's newsletter did include a nice write-up of this Board by their President, Craig Watanabe.

Investigative
Committee Reports:

A. Investigative Committee on Two-Tier Licensing

Investigative Committee on Two-Tier Licensing Co-Chairperson Taketa commented that the name of this investigative committee should be changed to reflect the actual mission of the committee, which is to investigate how the Board can implement a single-level licensing model. He further commented that this terminology would be consistent with other states and jurisdictions with this type of licensing structure, and that with the anticipated implementation of mobility, Hawaii would be using the same terms as other states and jurisdictions. Mr. Taketa reiterated that the investigative committee would need to work closely with State Representative Isaac Choy ("Rep. Choy") on the proposed mobility bill as the concept of mobility is consistent with single-tier licensing systems.

Committee Co-Chairperson Taketa requested the Board's support and endorsement of its intent to move toward single-tier licensing and that a name change should reflect this intent. After discussion, it was moved by Committee Co-Chairperson Lee, seconded by Mr. Oberg, and unanimously carried to support the move from two-tier licensing to one-tier licensing and to amend the investigative committee's name to the "Investigative Committee on Single-Tier Licensing".

B. Investigative Committee on Mobility

Investigative Committee on Mobility ("ICM") Chairperson Glaus reported that California had passed its mobility law effective July 1, 2013. This mobility law allows CPAs to enter California to practice; however, a CPA engaged to provide attestation services would still need to register with the board. Ms. Glaus mentioned that Hawaii is the only state without mobility; however, there are four to five jurisdictions, including Washington D.C., Puerto Rico and the Virgin Islands, that have not yet passed any mobility legislation.

Ms. Glaus also mentioned that New York's mobility law was another model to be reviewed, and passed out copies to Board members.

ICM Chairperson Glaus informed the Board that Rep. Choy had invited mobility stakeholders to a meeting on October 16, 2012 to discuss his proposed mobility bill. She and Mr. Taketa would attend, along with representatives from HSCPA, HAPA, and The Accountants Coalition. Mr. Taketa commented that Rep. Choy informed him that he intends to accomplish a lot at this meeting; therefore, Mr. Taketa requested that all Board members review the proposed bill and

forward their comments to the Executive Officer, who would forward them to him.

C. Investigative Committee on Peer Review

Investigative Committee on Peer Review ("ICPR") Chairperson Oberg reported that the committee is continuing to gather information on the peer review law to determine whether administrative rules to implement the peer review program are needed, or if the statute is self-executing. He mentioned that he had received input from ICPR member Taketa and from Rodney Harano who is a member of the AICPA Peer Review Committee. Mr. Oberg also informed the Board that he had forwarded the statute to James Brackens and Gary Freundlich of the AICPA and that he hoped to meet with them at the NASBA Annual Meeting.

Chairperson Tsukamoto reminded the Board that the end of this year is the deadline for appointments to the Peer Review Oversight Committee, and added that the Board received three (3) recommendations from HSCPA, and is awaiting additional recommendations from HAPA and other stakeholders.

Open Forum:

Chairperson Tsukamoto had earlier requested that the Board take up the NASBA Regional Director's Focus Questions at this time.

DAG Tam left the meeting at 10:30 a.m.

Chairperson's Report:

B. NASBA Regional Directors' Focus Questions

Chairperson Tsukamoto stated that the following focus questions had been provided to Board members to review prior to the meeting. The Board discussed and reached consensus on the following responses:

1. (a) In the last three years, what organizations have been your Board's top three referral sources of disciplinary cases? (State Society? HUD? SEC? etc.) (b) About how many cases have been referred by each of these in the last year?

Response: (a) The Hawaii Society of CPAs (b) three (3) to five (5).

2. (a) Can a community college in your state provide sufficient accounting/business courses (excluding principles or introductory accounting courses) to enable an individual holding a baccalaureate in drama, for example, to qualify to sit for the Uniform CPA Examination or for licensure as a CPA? (b) If so, are there qualifications the community college must meet to have its accounting and business courses acceptable to the Board?

Response: (a) No. (b) Not applicable.

3. (a) What services can a "CPA-Inactive" or CPA-Retired" perform as a volunteer for a charity in your jurisdiction? (b) Does it matter if those services are done for compensation or pro bono? If so, please explain.

Response: (a) Not applicable; Hawaii has no "CPA-Inactive" or "CPA-Retired" status. (b) Not applicable.

4. What is happening in your jurisdiction that is important for other State Boards and NASBA to know?

Response: Mobility legislation; single-tier licensing model; and implementation of peer review.

5. Are there any issues with which NASBA can help your Board?

Response: Yes, with the implementation of our recently-enacted peer review statute; with proposed mobility legislation; by continuing to assist the Hawaii Board with scholarships to attend NASBA meetings.

6. NASBA'S Board of Directors would appreciate as much input on the above questions as possible. How were the responses shown above compiled? Please check all that apply.

Response: Input from some Board Members and Executive Officer.

Chairperson Tsukamoto reported that Dennis Duban, a Hawaii-licensed CPA in tax practice, pleaded guilty to two (2) counts of tax fraud and conspiracy to commit fraud. After discussion, it was moved by Mr. Oberg, seconded by Mr. Taketa, and unanimously carried to refer this matter regarding Mr. Duban to the Regulated Industries Complaints Office.

Executive Officer Kai reminded Board members that the Board member orientation presented by the department will take place on October 24, 2012 at the State Capitol.

Next Board Meeting: Friday, November 9, 2012
8:30 a.m.
Queen Liliuokalani 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 10:45 a.m.

Taken and recorded by:

/s/ Lori Nishimura

Lori Nishimura, Secretary

Reviewed and accepted by:

/s/ Laureen M. Kai

Laureen M. Kai, Executive Officer

LMK:ln
10/26/12

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