

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

MINUTES

Date: Friday, November 9, 2012

Time: 8:35 a.m.

Place: Queen Liliuokalani 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
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
Craig K. Hirai, CPA, Member

Guests: Rodney Harano, CPA, CW Associates
Craig Watanabe, CPA, President, 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 8:35 a.m. by Chairperson Tsukamoto.

Additions/Revisions
to Agenda: None.

Executive
Session:

At 8:36 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 9:33 a.m., it was moved by Mr. Regan, seconded by Vice-Chairperson Lau, and unanimously carried for the Board to move out of Executive Session.

The Board immediately recessed the meeting.

At 9:38 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. JOHNSTON, Jennifer L.
2. KOERNER, Sarinthip
3. KRAL, David L.
4. MORRISON, Todd W.
5. RAWLS, Ronald L.
6. ROSSMEISL, Roger
7. TAKADA, Hirotada

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 applications for certification:

1. HAMADA, Janelle N.
2. HIGASHI, Melanie E.
3. KIM, Dong Hyun

Ratification of
Individual CPA
Permits to Practice:

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

1. CHU, Hun Joon
2. LEYDE, Yoshimi F.
3. RUAN, Michael S.
4. STEEN, Richard A.

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

1. TAKASHIMA, Akiko

Ratification of
Issued Firm Permits
to Practice:

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

1. EDMUND N NAKANO

Ratification of Firm
Name Approval:

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

1. Hun J. Chu CPA LLC
2. Yeung & Co., CPA, Inc.

Approval of
Minutes of the
October 5, 2012
Board Meeting:

After discussion, it was moved by Vice-Chairperson Lau, seconded by Mr. Lee, and unanimously carried to approve the minutes of the October 5, 2012 Board Meeting as circulated.

Chairperson's
Report:

A. National Update

Chairperson Tsukamoto stated he had no updates.

B. Industry Update

Chairperson Tsukamoto stated he had no updates.

Executive Officer's
Report:

A. Updated Statistics for July/August (3rd Quarter)
2012 Testing Window

Executive Officer Kai informed the Board that CPA Examination Services ("CPAES") is continuing to work on providing the Board with a corrected report of the statistics for July/August (3rd Quarter) 2012 testing window.

B. Chartered Accountant Professional Experience

Discussion ensued on the acceptance of Chartered Accountant professional credit that is converted to U.S. equivalent college or university credit in fulfillment of the Board's education requirement for examination and licensure. Currently, this is being done by three (3) of the Board's approved evaluators, World Education Services, Inc., Foreign Academic Credentials Service, Inc., and Educational Credential Evaluators, Inc. These evaluations equate three (3) years of undergraduate study at a foreign college or university combined with a Chartered Accountant professional certification/credential to a four-year baccalaureate degree conferred by a U.S. college or university that is nationally or regionally accredited. Executive Officer Kai stated that this equivalence may not fulfill Hawaii's educational requirement, pursuant to HRS section 466-5(f) and HAR section 16-71-17.

Ms. Kai informed the Board that in researching the issue, she contacted Hawaii Pacific University ("HPU") and received confirmation from HPU professors Jack Karbens, CPA and Warren Wee, CPA, and the Associate Dean of HPU's College of Business Administration that HPU will not accept chartered accountant certification as equivalent to the fourth year of undergraduate study as a basis for entering the MBA program. Ms. Kai stated that she also contacted the University of Hawaii at Manoa, Shidler School of Business; however, she has not received any response to date.

Ms. Kai noted that CPAES may have allowed candidates who submit foreign educational evaluations that equate three (3) years of foreign undergraduate study together with Chartered Accountant professional certification/credential to a U.S. baccalaureate degree, to sit for the Uniform CPA Examination because the Board has not disallowed it.

After discussion, it was moved by Mr. Regan, seconded by Ms. Glaus, and unanimously carried to disallow the use of Chartered Accountant professional certification/credential to fulfill the education requirement for examination and licensure as a Hawaii CPA.

C. NASBA International Evaluation Services

Executive Officer Kai reiterated that at the last meeting, the Board tabled any decision-making on approving the NASBA International Evaluation Services ("NIES") as a foreign academic credentials evaluation service for Hawaii candidates for the Uniform CPA Examination and for applicants for a Hawaii CPA license. She stated that the NIES provides a service for the evaluation of foreign academic

credentials that is specially designed for states and jurisdictions to offer to the applicants for the examination and for CPA licensure. Ms. Kai restated that NIES was created by NASBA in response to the requests of numerous boards that were looking for a standards-based model that focuses on the unique needs of boards of accountancy and emphasized adherence to an accountancy board's laws, rules, and policies. She commented that currently, the boards of accountancy of Kansas and Washington accept the NIES evaluation in their examination and licensing processes, with twelve (12) other state and jurisdictions in various stages of the approval and implementation process. She further reiterated that the NIES is designed to ensure consistency in the evaluation of foreign academic transcripts for examination candidates and license applicants, so that all evaluations will be on a level playing field.

Executive Officer Kai stated that she and Mr. Oberg attended the October 29-31, 2012 NASBA Annual meeting and were able to gain more information about NIES and also obtain the handout "NIES Process Flow Comparison", which was distributed to all Board members. Both stated that they believe that the approval of NIES as the Board's exclusive evaluation service would best serve the Board as well as the Hawaii candidates for the examination and the applicants for CPA licensure, and that NASBA would provide full support in implementation. They commented that should the Board accept NIES as an additional approved evaluation service (in addition to the existing nine services, rather than as an exclusive provider), that inconsistencies may continue to occur between the different evaluation services.

After discussion, it was moved by Mr. Oberg, seconded by Mr. Regan, and unanimously carried to approve NIES as the Board's exclusive provider of foreign educational credentials evaluation services.

D. Revised 2013 Board Meeting Schedule

Board members were provided with the revised 2013 Board Meeting schedule, as changes to the January, April, July, and December dates have been made. This schedule supersedes the schedule that was distributed at the October 5, 2012 Board meeting.

After discussion, the consensus of the Board was to accept the revised 2013 Board Meeting schedule, as follows:

- January 11, 2013
- February 1, 2013
- March 1, 2013
- April 12, 2013
- May 3, 2013
- June 7, 2013
- July 12, 2013
- August 2, 2013
- September 6, 2013
- October 4, 2013
- November 1, 2013
- December 13, 2013

The Executive Officer stated that the revised meeting schedule will be posted on the Board's website.

Standing Committee Reports:

A. Legislation and Rules

No Report.

B. Uniform CPA Examination

No Report.

C. Ethics

No Report.

D. Peer Review

Committee Chairperson Oberg, noting that he also chairs the Investigative Committee on Peer Review ("ICPR"), stated that he would provide a combined report to include Agenda Item # 8.B., "Investigative Committee on Peer Review". There were no objections.

Peer Review Committee and ICPR Chairperson Oberg reported that he and Executive Officer Kai met with James Brackens and Gary Freundlich of the American Institute of Certified Public Accountants ("AICPA") to discuss Hawaii's new peer review statute (Act 324, SLH 2012) and the AICPA's recommendations regarding implementation. Mr. Oberg stated that the discussion focused on the possibility of utilizing a combination of administrative rules and "Q & A"-type communications to clarify and implement the new law. Mr. Brackens and Mr. Freundlich expressed appreciation for the comments received through the ICPR from Mr. Taketa and from Rodney Harano, which included suggestions on promulgating administrative rules to implement the appeal provisions of Act 324. Mr. Oberg commented that further comments and suggestions from the AICPA, as well as from NASBA, are expected.

Mr. Oberg reiterated that Act 324 required the establishment of a Peer Review Oversight Committee ("PROC") before the end of 2012,

and stated that the Board received the following four (4) recommendations:

- Carleton Williams;
- Gordon Ciano;
- Wilcox Choy; and
- State Representative Isaac Choy.

Discussion ensued on the qualifications of a PROC member, as mandated by Act 324, which include: (1) Not a current member of the Board, the HSCPA Peer Review or Professional Ethics Committees, or the AICPA Professional Ethics Executive Committee; (2) Have significant experience with attest engagements; (3) Be currently in the practice of public accountancy at the partner or equivalent level; and (4) The member's firm shall have received a report with a rating of pass or an unmodified opinion from its last peer review .

The Board instructed the Executive Officer to send a "questionnaire" to each nominee for the PROC that requests that the nominee confirm his/her qualifications in fulfillment of the requirements of Act 324. The Board reached consensus that the deadline for any nominations would be November 23, 2012, and the Board's decision on the members of the PROC would be made at the Board's December 7, 2012 meeting.

E. Continuing Professional Education

No Report.

F. Communications

No Report.

Investigative
Committee Reports:

A. Investigative Committee on Mobility

Investigative Committee on Mobility (“ICM”) Chairperson Glaus informed the Board that a meeting was called by State Representative Isaac Choy who had drafted proposed legislation relating to interstate mobility of CPAs. Participants in the meeting included representatives from The Accountants Coalition (“TAC”), HSCPA, HAPA, the ICM, and the Department; Representative Choy determined that the group would be known as the Mobility Working Group (“MWG”).

Ms. Glaus summarized the points discussed at this meeting of the MWG, which included: (1) changes to the language in the bill’s preamble (introduction); (2) using NASBA’s mobility matrix/listing to fulfill the requirement that the Board check that each individual CPA entering the State under mobility is licensed in a state with licensure requirements equivalent to Hawaii’s; (3) concerns about the ability of the Board to maintain and update the required listing on the Board’s website of all CPAs practicing under mobility.

Mr. Taketa stated that Representative Choy wants to model the mobility bill on the recently-enacted mobility legislation in California, and that the purpose of public protection would be met with the public’s ability to verify if an out-of-State CPA is in good standing with the state(s) that issued the CPA’s license. It was noted that this information already exists with CPAverify, the public portion of NASBA’s Accountancy Licensing Database. Mr. Taketa commented that slightly outdated information is better than no information, and that the Board must do its part to implement the public protection provisions of the mobility bill.

Discussion ensued on the cost factor, as Ms. Glaus confirmed that funding is needed to implement many of the disclosure provisions of the proposed bill. Other concerns included the "no escape" provision of mobility and how violations of Hawaii's licensing laws and rules would be pursued against out-of-State CPAs. Mr. Harano commented that he may have some information concerning how other states and jurisdictions had dealt with the "no escape" facet of mobility, and will forward that information to the Executive Officer.

Discussion ensued on how the Board hoped that the proposed mobility legislation would include revisions to HRS section 466-9 to address the recent Circuit Court ruling that the Board may impose only one disciplinary action. The Board's proposed bill to address this issue had not been introduced during the 2012 Legislative Session; however, Representative Choy requested the language in the proposed bill from the Executive Officer, and it is anticipated that it will be incorporated in his mobility bill.

B. Investigative Committee on Peer Review

Discussion on this agenda item was included in the report by Mr. Oberg, Chairperson of the Peer Review Committee.

B. Investigative Committee on Single-Tier Licensing

Committee Co-Chairperson Taketa stated he had no report but did suggest that discussion relating to this agenda item be tabled until the proposed mobility legislation is passed. There were no objections.

Open Forum:

Mr. Harano commented that he believed that Representative Choy would not qualify to be a PROC

member, because his CPA firm may not have gone through a peer review, as was one of the requirements of being a PROC member. Chairperson Tsukamoto stated his concern about this as well.

Next Board Meeting: Friday, December 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 10:15 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
12/05/12

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