

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

MINUTES

Date: Friday, December 7, 2012

Time: 8:31 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
Marilyn Niwao, CPA, Hawaii Association of Public Accountants ("HAPA")
Tammy Velasquez, CPA, Ernst & Young, The Accountants Coalition ("TAC")
Thomas Ueno, CPA, National Association of State Boards of Accountancy ("NASBA") Continuing Professional Education ("CPE") Committee

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 8:31 a.m. by Chairperson Tsukamoto.

Additions/Revisions to Agenda: The Executive Officer requested the following additions to the agenda:

Add:

3. APPLICATIONS

D. Approval of Firm Name/Ratification of Firm Name Approval

* * *

3) Lau CPA LLC

4) Lau CPA Hawaii LLC

7. STANDING COMMITTEE REPORTS

B. Uniform CPA Examination

1) Request from Examination Candidate Samuel Macharia for an Extension of the Expiration Date for an Exam Part Passed in May 2012, Due to a Six to Nine Month Military Deployment Beginning on December 20, 2012.

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

Executive Session:

At 8:35 a.m., it was moved by Mr. Regan, seconded by Mr. Lee, 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 9:22 a.m., it was moved by Vice-Chairperson Lau, seconded by Mr. Oberg, and unanimously carried for the Board to move out of Executive Session and to immediately recess the meeting.

At 9:29 a.m., the Board reconvened its meeting and immediately recessed to discuss and deliberate on the following adjudicatory matter pursuant to Chapter 91, HRS:

Chapter 91, HRS,
Adjudicatory Matters:

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

Chairperson Tsukamoto stated that the Board received the Hearings Officer's Findings of Fact, Conclusion of Law, and Recommended Order Pursuant to Board's May 18, 2012 Order of Remand, in the above matter. He stated that the Hearings Officer recommends that the Board suspend the Respondent's license and permit to practice for not more than two years; however, because the enforcement of the June 15, 2010 Board's Final Order was never stayed and Respondent has not engaged in the practice of public accountancy since (at least) June 15, 2010, the two-year suspension has already been satisfied; and that the Respondent may apply to have his license and permit to practice restored, provided that he first satisfies all applicable requirements for license and permit restoration.

After discussion, it was moved by Mr. Oberg, and seconded by Mr. Lee, to adopt the Hearings Officer's recommended order. With a vote of five (5) ayes (Vice-Chairperson Lau, Ms. Glaus, Messrs. Lee, Oberg, and Regan), one (1) nay (Mr. Taketa), and two (2) recusals (Chairperson Tsukamoto and Mr. Hirai), the motion passed. It was noted in the record that Mr. Taketa's nay

vote reflected that based on the specific violations in this case, he was in favor of revoking Respondent's license and permit to practice.

At 9:34 a.m., the Board reconvened its scheduled meeting.

Chairperson Tsukamoto informed the guests that prior to going into Executive Session, the Board had approved additions to agenda item 3, D. Applications, and agenda item 7, Standing Committee Reports. He also informed the guests that agenda item 4, Chapter 91, HRS, Adjudicatory Matters, had been taken out of order and that the Board had recessed for this agenda item immediately after coming out of Executive Session, so as to not inconvenience them by having to leave the meeting for the recess immediately upon entering the meeting after the Executive Session.

Applications for
CPA Certification:

After discussion, it was moved by Vice-Chairperson Lau, seconded by Ms. Glaus, and unanimously carried to approve the following applications for certification:

1. LIU, Jerome J.W.
2. LOVRET, Robert R.
3. SCRUGGS, Renee
4. YAMASHIGE, Brendan H.

Ratification of
Individual CPA
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 individual CPA Permits to Practice:

1. JOHNSTON, Jennifer L.
2. KRAL, David L.
3. MORRISON, Todd W.
4. ROSSMEISL, Roger
5. TAKADA, Hirotada

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

1. HAMADA, Janelle N.

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. COMER NOWLING AND ASSOCIATES PC
2. COASTAL ACCOUNTING OF NW FL PA
3. LAULIMA TAX ADVISORY GROUP LLC
4. KHO & PATEL CPA'S

Approval of Firm Name/Ratification of Firm Name Approval:

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

1. Big Island CPA
2. Dong Jin Lee, CPA
3. Lau CPA LLC
4. Lau CPA Hawaii LLC

Approval of Minutes of the November 9, 2012 Board Meeting:

After discussion, it was moved by Vice-Chairperson Lau, seconded by Mr. Regan, and unanimously carried to approve the minutes of the November 9, 2012 Board Meeting as circulated.

Chairperson's Report:

A. National Update

Chairperson Tsukamoto stated the National Association of State Boards of Accountancy ("NASBA") is calling for nominations for Vice-Chairperson for 2013-2014. He commented that he supports the nomination of Mr. Walter C. Davenport.

After discussion of Mr. Davenport's qualifications, it was moved by Chairperson Tsukamoto, seconded by Mr. Oberg, and unanimously carried to support the nomination of Mr. Davenport for NASBA Vice-Chairperson, 2013-2014, and to transmit a letter of support to the NASBA Nominating Committee. Mr. Ueno mentioned that he is a member of the Nominating Committee and that he appreciates the Board's participation in the nomination process.

B. Industry Update

Chairperson Tsukamoto stated he had no updates but did want to comment that the development of "little GAAP" reporting standards is moving forward.

Standing Committee Reports:

A. Legislation and Rules

No Report.

B. Uniform CPA Examination

Committee Chairperson Hirai informed the Board that NASBA will be changing the administration dates and testing windows of the Uniform CPA Examination at international testing sites to synchronize with the administration dates and testing windows of the examinations that are given in the U.S.

- 1) Request from Examination Candidate Samuel Macharia for an Extension of the Expiration Date for an Exam Part Passed in May 2012, Due to a Six to Nine Month Military Deployment Beginning on December 20, 2012.

Executive Officer Kai reported that the Board received a request from examination candidate Samuel Macharia for a one year extension of the expiration date for an exam part passed in May 2012, due to a six to nine month military deployment beginning December 20, 2012. Ms. Kai stated that she had verified Mr. Macharia's signed deployment orders, and further confirmed the candidate's passing of one exam part in May 2012. She explained that the current expiration date of this passing score is November 2013, which will fall soon after the end of the candidate's six to nine month deployment to Djibouti, Africa. The candidate also informs the Board that his deployment may be extended past the nine-month end date; this would mean that the current expiration date will pass before he returns.

Discussion ensued on HRS section 466-5(g), which states in pertinent part: "The board shall prescribe the terms and conditions under which an applicant who has taken the examination prescribed in subsection (e), but who has not satisfactorily completed the examination, may be given credit for any part thereof that the applicant has satisfactorily completed. The board may also provide a specific length of time for an applicant to apply for reexamination."; and on Hawaii Administrative Rules section 16-71-19(k), which states in pertinent part: "Notwithstanding any other provision to the contrary, conditional credits that have expired may be extended only for good and valid reasons as determined by the board."

After discussion, it was moved by Mr. Hirai, seconded by Mr. Regan, and unanimously

carried to approve Mr. Macharia's request for a one year extension to November 2014 of the expiration date for an exam part passed in May 2012, due to a six to nine month military deployment beginning on December 20, 2012.

Chairperson Tsukamoto, on behalf of the Board, expressed appreciation to Mr. Macharia for his military service.

C. Ethics

No Report.

D. Peer Review

1) Selection of Members of the Peer Review Oversight Committee ("PROC")

Committee Chairperson Oberg reiterated that Act 324 required the establishment of the PROC before the end of 2012, and stated that the Board received the following seven (7) recommendations:

- State Representative Isaac Choy;
- Wilcox Choy;
- Gordon Ciano;
- Brian Isobe;
- Edward K. Kosaki;
- Dwayne Takeno; and
- Carleton L. Williams.

Mr. Oberg further reiterated that, at the last meeting the Board instructed the Executive Officer to send a "questionnaire" to each nominee that requested the confirmation of the nominee's qualifications in fulfillment of the requirements of Act 324. Six (6)

responses were received by the Board and copies were made available to the Board for review; as of the meeting date, Representative Choy's responses to the questionnaire had not been received.

Committee Chairperson Oberg stated that three (3) members would need to be selected today in order to meet the deadline; and further added that there is no specific term date for the PROC members at this time.

After discussion, Committee Chairperson Oberg moved that the Board appoint Wilcox Choy, Gordon Ciano, and Carleton Williams as members of the PROC. This motion was seconded by Mr. Lee, and was unanimously carried.

Committee Chairperson Oberg expressed his appreciation to all nominees. He also commented that the Board will need to discuss the terms of the members of PROC in future meetings, and suggested staggering members' appointed terms.

E. Continuing Professional Education

1) Report on the National Registry of CPE Sponsors, Thomas T. Ueno, CPA, NASBA CPE Committee

Mr. Ueno gave a brief presentation as a committee member of the NASBA Continuing Professional Education Committee, requesting the Board's continued recognition of NASBA's National Registry, a comprehensive listing of CPE providers and sponsors that comply with the stringent standards established by NASBA. He

informed the Board that the Internal Revenue Service had recently adopted the use of the National Registry for the continuing education that is required of registered tax preparers.

Mr. Hirai commented that this Board already recognizes the National Registry. Mr. Ueno explained that the original registry had been developed in the 1990's and had become cumbersome and difficult to use and maintain. In addition, new developments, specifically proliferation of web-based continuing education prompted the revision and improvement of the standards. The new National Registry was approved and adopted by NASBA and the American Institute of Certified Public Accountants ("AICPA") in 2012.

Discussion ensued on the high cost of registering to be placed on the National Registry. Mr. Ueno explained that imposition of these fees is due to the costs related to the extent and number of audits required to maintain the registry. He further explained that NASBA maintains the listing by ensuring that all continuing professional programs offered by sponsors are in compliance with stringent standards.

Mr. Ueno was thanked for his presentation.

F. Communications

No Report.

Investigative
Committee Reports:

A. Investigative Committee on Mobility

Investigative Committee on Mobility ("ICM")
Chairperson Glaus reported on the progress of

the proposed mobility legislation, with a second draft of the proposed bill drafted by Representative Choy and exposed for comment to the Mobility Working Group. She stated that the ICM's comments on Draft 2 were the same as the comments it provided to Representative Choy regarding Draft 1.

Ms. Niwao expressed her concern with the ICM's comments on the requirement for the Board to include on its website the licensing requirements of all states as well as to maintain the accuracy of this information. She pointed out that the term "substantial equivalency" refers to those states that NASBA has determined to have licensing requirements that are consistent with what is required by the Uniform Accountancy Act ("UAA"). She reminded the Board that the UAA allows for one (1) year of experience in employment situations that do not necessarily include public accounting work, while the requirement in Hawaii is for two (2) years of professional experience. Ms. Niwao believes that this difference would make depending on the NASBA listing of states' licensing requirements unreliable.

Mr. Taketa mentioned that the Board should concentrate its efforts on monitoring the exceptions, rather than using its limited resources to maintain the entire database. He explained that the Board could initially go through the NASBA listing to identify those states with licensing standards that are below those of Hawaii, and since most states do not lower their standards, the Board would be able to keep tabs on these states.

Ms. Glaus commented that the concerns expressed by Ms. Niwao mirror the concerns of the ICM. She also informed the Board that the

Department of Commerce and Consumer Affairs ("DCCA") had made similar comments, and emphasized its concerns regarding additional funding to implement many of the disclosure provisions of the proposed bill. Ms. Glaus noted that there was no response to date from Representative Choy on the concerns brought up by the DCCA. She stated that she believed that the Board could use the NASBA listing as a starting point and not as the final authority regarding licensing requirements of the other states and jurisdictions. Ms. Glaus further commented that the proposed bill is still far from mobility, which she believes to be practice privileges with "no notice, no fee, and no escape".

Ms. Glaus reported that no further meetings of the Mobility Working Group have been scheduled, and that all communication will be done via email through Representative Choy.

Chairperson Tsukamoto commented that there is great concern if this proposed mobility legislation is different from the mobility provisions of other states.

B. Investigative Committee on Peer Review

Investigative Committee on Peer Review
Chairperson Oberg reported previously that both NASBA and AICPA have suggested that the Board consider promulgating administrative rules to clarify and implement the peer review program mandated by Act 324 (SLH 2012). He reported that the AICPA had sent an email notification to CPA firms that conduct peer reviews that provided information on the special provisions in Act 324 and what would be required of these firms to conduct peer reviews of Hawaii CPA firms.

Mr. Oberg reiterated the information that he had provided at the Board's last meeting about the AICPA's suggestion to utilize a combination of administrative rules and a "Q & A"-type communications that would provide guidance for the implementation of the peer review program. He asked Board members to review the information that has been provided by the ICPR and the AICPA for discussion at the next meeting.

C. Investigative Committee on Single-Tier Licensing

No Report. Executive Officer Kai confirmed with Committee Co-Chairperson Taketa that discussion relating to this agenda item would be tabled and the topic would be taken off the agenda until proposed mobility legislation is passed and upon further notice from the committee.

Open Forum: None.

Next Board Meeting: Friday, January 11, 2013
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 10:36 a.m.

Taken and recorded by:

/s/ Lori Nishimura

Lori Nishimura, Secretary

Board of Public Accountancy
Minutes of the December 7, 2012 Meeting
Page 14

Reviewed and accepted by:

/s/ Lauren M. Kai

Lauren M. Kai, Executive Officer

LMK:ln
01/03/13

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