

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

MINUTES

Date: Friday, March 8, 2013

Time: 8:30 a.m.

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

Present: Nelson K.M. Lau, CPA, Vice-Chairperson  
Michael H.F. Ching, CPA, Member  
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: Kent K. Tsukamoto, CPA, Chairperson

Guests: Shino Fong, Hawaii National Bank, *CPA applicant*  
John W. Roberts, CPA, President, Hawaii Association of  
Public Accountants ("HAPA")

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 Vice-Chairperson Lau.

Additions/Revisions  
to Agenda: None.

Executive  
Session:

At 8:31 a.m., it was moved by Mr. Ching, seconded by Mr. Oberg, 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 9:26 a.m., it was moved by Mr. Regan, seconded by Mr. Ching, and unanimously carried for the Board to move out of Executive Session and to immediately recess the meeting.

At 9:31 a.m., the Board reconvened its scheduled 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. COTTRELL, Heather G.
2. FONG, Shino O.
3. FUKEDA, Feng Z.
4. MATSUDA, Daryce T.
5. SAYIN, Lucas N.C.
6. YEE, Alexander K.
7. ZERCOE, Douglas M.

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

1. CHAN, Kevin W.J.

Ratification of  
Individual CPA  
Permits to Practice:

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

1. ANDERSEN, Kevin R.
2. GOODIN, Charles T.
3. KAMIGAKI, Lloyd T.
4. LOVRET, Robert R.
5. REANIER, Lindsay A.
6. RENFRO, Randy C.
7. TANG, Jonathan K.F.
8. UYEHARA, Marci C.

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

1. HIGASHI, Melanie E.

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 ("FFTP"):

1. LYNETTE M O YAMAMOTO
2. YEUNG & CO CPA INC
3. CHARLOTTE K TERUYA
4. HUNTER & RENFRO LLP
5. CORY P Y REELITZ

After discussion, it was moved by Mr. Oberg, seconded by Mr. Lee, and unanimously carried (Ms. Glaus recused herself from the vote) to ratify the approval of the following FFTP:

1. SILMON NG CPA LLC

Approval of  
Minutes of the  
January 11, 2013  
Board Meeting and  
the February 1, 2013  
Board Meeting:

Vice-Chairperson Lau suggested amending the minutes of the January 11, 2013 meeting, as written on page 8, C. Ethics, with bracketed and stricken material to be repealed and with underscored material to be added, as follows: "Committee Chairperson Lau informed the Board of several current and upcoming [~~NASBA~~] AICPA initiatives relating to ethics issues. He enumerated the Ethics Codification Exposure Draft in April 2013, the impact on judgment of members in the same CPA firm this month, partner [~~equivalence~~] equivalents and proposed revised definitions in ethics standards [~~in November 2013~~]."

After discussion, it was moved by Mr. Lee, seconded by Mr. Oberg, and unanimously carried to approve the minutes of the January 11, 2013 Board Meeting as amended.

After discussion, it was moved by Mr. Oberg, seconded by Ms. Glaus, and unanimously carried to approve the minutes of the February 1, 2013 Board Meeting as circulated.

Chairperson's  
Report:

A. NASBA Regional Directors' Focus Questions

Vice-Chairperson Lau 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. What has your Board done to ensure a high percentage of CPE compliance?

Response: A post-renewal random audit that requires submittal of original certificates of CPE completion to validate the number of CPE hours claimed on the renewal is conducted on licensees. Should there be no compliance to the audit – no response to audit notification or insufficient evidence of

required CPE hours – the licensee is referred to the Board's enforcement division for investigation and sanction.

2. Should NASBA urge universities to put a CPA track in their programs, one offering specific classes focused on subject areas needed to pass the Uniform CPA Examination? Is there an outstanding model in your state?

Response: No. The Board believes that the curriculum for an accounting baccalaureate should be sufficient to prepare students to sit for the examination. There may have been an exam prep course offered by some local colleges/universities during the summer session; however, the course was not offered for credit. There is no outstanding model of such a course in Hawaii.

3. One State has considered requiring a forensic accountant to have a private investigator's license. Has your state established/considered a similar requirement?

Response: No.

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

Response: Implementation of the recently-enacted peer review statute through the promulgation of administrative rules.

5. Are there any ways in which NASBA can assist your Board at the present time?

Response: Yes, provide a summary of the proposed revised AICPA Ethics Code, and

provide a comparison of the Code with the Hawaii Board's statutes and rules.

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.

B. Proposal for Regulation of Bookkeepers and Accountants

Discussion ensued on a proposal for the regulation of bookkeepers and accountants, received from Michael McEnerney, CPA. In testimony on Senate Bill No. 506, Proposed Senate Draft 2, Mr. McEnerney stated that there is a serious problem with unlicensed individuals who provide "accounting" services using standards accounting programs such as QuickBooks, an online accounting software, by issuing financial statement information to clients. These financial statement documents resemble statements issued by CPAs, and clients are being misled into thinking that the work is being done by licensed CPAs. Mr. McEnerney believes that these individuals should be licensed by the Board, as well as those individuals who prepare business tax returns, including "Schedule C"s.

Mr. Ching remarked that if these financial statements are actually compilations, that the work is an attest function and the individuals are infringing on the scope of practice of a CPA; Vice-Chairperson Lau confirmed that statement. Mr. Taketa commented that they should be regulated, but that licensing may be very difficult to accomplish.

The Board instructed Executive Officer Kai to request that Mr. McEnerney provide clarification and/or examples concerning his proposal and to extend an invitation for him to attend the next Board meeting in order to discuss this issue.

C. Other

None.

Standing Committee Reports:

A. Legislation and Rules

Committee Co-Chairperson Hirai reported that House Bill No. 716, Relating to the Disciplinary Authority of the Board of Public Accountancy, passed unamended by the House Committee on Consumer Protection and Commerce; however, a hearing was not scheduled by the second referral to the Judiciary Committee, despite a visit from himself and an email from the Licensing Administrator of the Professional and Vocational Licensing Division ("PVL D"). Mr. Hirai commented that the bill will carry over to the 2014 Legislative Session and that the Board has two options to consider: (1) request that the bill be included in the Department's administrative bill package; and (2) continue with the existing House Bill No. 716. The Executive Officer mentioned that should the Board decide to request that the bill be included in the Department's administrative package, the Board would need to make that decision before September of this year.

Executive Officer Kai reported that Senate Bill No. 969 and its companion bill, House Bill No. 1319, Relating to Debt Settlement Services, were deferred indefinitely by the Senate Committee on Commerce and Consumer Protection and the House Committee on Consumer Protection and Commerce.

Executive Officer Kai further reported that Senate Bill No. 506, SD2, Relating to Professional and Vocational Licensing, had crossed over to the House. Ms. Kai commented that this bill in its initial form was of concern to NASBA because it proposed to allow individuals to become licensed CPAs without taking the Uniform CPA Examination. NASBA had planned to submit testimony in opposition; however, it deferred to PVLD's testimony which requested that the bill be amended to include clarification that the Board shall accept the results of the passage of a national or regional exam accepted by statute or rule in the specific licensing area or the equivalent as determined by the licensing authority. The bill passed with PVLD's amendment, and the committee report clarified that the bill was not intended to circumvent any of the existing licensing standards of the different licensing authorities.

B. Uniform CPA Examination

Committee Chairperson Hirai reported that AICPA and NASBA have extended their agreement with Prometric to deliver the Uniform CPA Examination through 2019.

C. Ethics

Committee Chairperson Lau reported on the following actions of the AICPA Professional Ethics Executive Committee ("PEEC"):

1. Approved for exposure its revised Code of Professional Conduct, to be issued on April 15, 2013, with comments to be accepted until August 15, 2013.
2. Adopted the proposed revisions to the "Internal Audit Assistance Services" section of



Interpretation No. 101-3, "Nonattest Services" under Rule 101, Independence, which concluded that financial statement preparation, cash-to-accrual conversions, and reconciliations are considered nonattest services. This revision is to be effective for engagements covering periods beginning on or after December 15, 2014.

3. Adopted with minor revisions, the partner equivalent proposals contained in the September 18, 2012 exposure draft, which provides guidance to a partner equivalent who would need to apply certain independence requirements that are applicable to partners. This guidance will be effective for engagements covering periods beginning on or after December 15, 2014.
4. Approved the deletion of the "holding out" definition and related proposals contained in the September 18, 2012 exposure draft, which will be effective on May 31, 2013. The PEEC believed that all members should be bound by the rules of the AICPA Code, regardless of whether they hold out as CPAs. In addition, the term "practice of public accounting" has been replaced by "public practice". This ensures consistency with the term used in the majority of the rules.

D. Peer Review

Committee Chairperson Oberg requested that he present the Investigative Committee on Peer Review ("ICPR") report jointly with this committee report. There were no objections.

Mr. Oberg reported that the ICPR held a meeting after the February 1, 2013 Board meeting to discuss the necessity of administrative rules or

"Frequently asked questions"-type of guidance for the implementation of peer review. He also requested feedback from the AICPA Peer Review Program that provided a preliminary draft of possible rules yesterday. The ICPR needs time to review this draft, which Mr. Oberg forwarded to the members of the ICPR and to DAG Tam. Time would be needed to review the draft and so the ICPR plans to meet after the May 3, 2013 Board meeting.

Mr. Oberg further announced that the NASBA Peer Review Oversight Committee Summit 2013 is being held on July 10, 2013, in Nashville, Tennessee. He and Carleton Williams, a member of the Board's Peer Review Oversight Committee, will be attending the summit on scholarships provided by NASBA.

E. Continuing Professional Education

Committee Chairperson Glaus had no report.

F. Communications

Committee Chairperson Lee had no report.

Investigative  
Committee Reports:

A. Investigative Committee on Mobility

Investigative Committee on Mobility ("ICM") Chairperson Glaus reported that the ICM had no report.

B. Investigative Committee on Peer Review

Discussion on this matter was conducted during the Standing Committee Report on Peer Review.

Open Forum: None.

Next Board Meeting: Friday, April 12, 2013  
8:30 a.m.  
King Kalakaua Conference Room  
King Kalakaua Building  
335 Merchant Street, 1<sup>st</sup> Floor  
Honolulu, Hawaii 96813

Announcements: Mr. Regan announced that the County of Maui is searching for a County Council Auditor, a new position established by recent charter amendments. The applicant should be a CPA or a certified internal auditor. The annual salary is \$100,000.00 but the application deadline is today.

Adjournment: There being no further discussion, the meeting adjourned at 10:11 a.m.

Taken and recorded by:

/s/ Lori Nishimura

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Lori Nishimura, Secretary

Reviewed and accepted by:

/s/ Laureen M. Kai

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Laureen M. Kai, Executive Officer

LMK:ln

04/04/13

[ X ] Minutes approved as is.  
[ ] Minutes approved with changes. See Minutes of \_\_\_\_\_.