

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

MINUTES

Date: Friday, April 12, 2013

Time: 8:33 a.m.

Place: King Kalakaua Conference Room
King Kalakaua Building
335 Merchant Street, 1st Floor
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
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
Steven R. Oberg, CPA, Member

Guests: Kathy Castillo, Hawaii Society of Certified Public
Accountants ("HSCPA")
Michael T. McEnerney, MBA, JD, CPA/ABV/CFF, ASA, CVA
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 8:33 a.m. by Chairperson Tsukamoto.

Additions/Revisions
to Agenda:

None.

Executive
Session:

At 8:34 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 9:18 a.m., it was moved by Vice-Chairperson Lau, seconded by Mr. Lee, and unanimously carried for the Board to move out of Executive Session and to immediately recess the meeting.

At 9:26 a.m., the Board reconvened its scheduled 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. ANDERSON, Alan B.
2. CLARK, Brian D.
3. FISHER, John T.
4. JONES, Jeffrey C.
5. NAEL-DECIERDO, Victoria L.
6. OHIRA, Chad M.
7. SACCO PINEDA, Erin E.
8. YOUNG, Jason

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

1. COLGROVE, Nathan A.

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. SHIMABUKURO, Lauren M.

Discussion ensued on Wesley K. Kawachi's application for a CPA license, who submitted twenty-four (24) credits of communication courses to fulfill the business-related course category of the education requirement for licensure. The Board determined that some of his communication courses would qualify as business-related courses. It was then moved by Mr. Hirai, seconded by Mr. Lee, and unanimously carried to defer decision-making on the following application for certification, pending fulfillment of the education requirement for licensure:

1. KAWACHI, Wesley K.

Ratification of
Individual CPA
Permits to Practice:

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

1. EGDAMIN, Yvonne A.
2. FONG, Shino O.
3. SAYIN, Lucas N.C.
4. ZERCOE, Douglas M.

Ratification of
Issued Firm 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 Firm Permits to Practice ("FPTP"):

1. VALERIE A S LEE
2. SHERRIN FIELDER CPA A PC
3. CARLYLE CONSULTING HAWAII LLC

4. ROBERT R LOVRET
5. COHNREZNICK LLP
6. JONATHAN K F TANG
7. ALOHA PACIFIC ACCOUNTING & TAX
8. CLR I LLC DBA REANIER ADVISORS
9. SHINO O FONG
10. AMERICAN PACIFIC TAX LIMITED

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 FPTP:

1. DANIEL V LOO

Approval of
Minutes of the
March 8, 2013
Board Meeting:

After discussion, it was moved by Vice-Chairperson Lau, seconded by Mr. Taketa, and unanimously carried to approve the minutes of the March 8, 2013 Board Meeting as circulated.

Chairperson's
Report:

- A. National Update

No report.

- B. Industry Update

Chairperson Tsukamoto announced that the Board received a request from Janice L. Gray, CPA, for the Board's support of her candidacy for a director-at-large position on the 2013-2014 Board of Directors of the National Association of State Boards of Accountancy ("NASBA"). After discussion of Ms. Gray's request, there was no motion made on this issue.

Executive Officer's
Report:

- A. Department of Taxation Criminal Tax Investigation

Executive Officer Kai informed the Board that the Hawaii Department of Taxation ("DoTax") is following up on old complaints that were received and not addressed in the past. DoTax

Criminal Tax Investigators, Mark Hunsaker and James Propotnick, met with Ms. Kai and Licensing Administrator, Celia Suzuki, regarding a matter brought to DoTax's attention by HAPA in its December 16, 2009 letter regarding "Tax Non-Compliance by Mainland and Foreign CPA Firms Doing Business in Hawaii".

Ms. Kai reminded the Board of HAPA's study involving the issuance of temporary CPA permits to practice ("TPTP") to out-of-State CPAs in 2007 and 2008. HAPA's study found that approximately 70% of out-of-State CPA firms had not obtained a Hawaii General Excise Tax ("GET") license, and HAPA's letter listed thirty-one (31) CPA firms whose CPA employee(s) had been issued TPTPs in 2007 and 2008. Upon receipt of HAPA's findings, the Board sent notification letters to twenty-three (23) CPA firms on the list informing them of the requirement to hold a current FFTP in order to engage in the practice of public accounting. The remaining eight (8) firms were not sent notices as they had already obtained FFTP's for the 2010-2011 biennium, and had provided evidence of current GET licenses. Copies of the Board's letters were provided to the investigators as requested. The Executive Officer also informed the Board that the investigators would be requesting additional licensure information on these out-of-State CPA firms as the investigation progressed.

Ms. Kai also stated that the investigators were informed that there is a continuing investigation related to the HAPA study being conducted by the Regulated Industries Complaints Office ("RICO"), and that RICO would be asked to contact the investigators.

Chairperson Tsukamoto commented that he was a member of the Board when the findings of the HAPA study had been brought to the Board's attention, and that he appreciates its work on that study.

B. Temporary Permit to Practice Application

1. Jeremy D. Blecha
Tronconi Segarra & Associates, LLP

Discussion ensued on a TPTP application that was received from Jeremy D. Blecha on November 16, 2012 for a ninety (90) day period of December 1, 2012 to February 28, 2013. The application was received fifteen (15) days before the start of the proposed engagement, while the TPTP requirement is to submit the application at least sixty (60) days prior to the engagement.

Mr. Blecha's application was not completed until February 27, 2013, when the final required document was received. He explained that his initial late submittal (received on November 16, 2012) was due to the correspondingly delayed assignment of the engagement to him, and further, that he was not aware of the sixty (60) day lead time requirement. Mr. Blecha is requesting the Board's approval post-engagement, as the permit period expired on February 28, 2013.

After discussion, it was moved by Mr. Taketa, seconded by Mr. Lee, and unanimously carried to deny the TPTP application for Mr. Blecha and to refer the matter to RICO for the investigation of alleged unlicensed activity during the

period of December 1, 2012 through
February 28, 2013.

A Proposal to License
Or Register Tax
Return Preparers by
Michael T. McEnerney,
MBA, JD, CPA/ABV/
CFF, ASA, CVA:

Michael T. McEnerney introduced himself and stated that he is representing himself and neither his CPA firm nor any organization or association in his proposal to license or register tax return preparers. A copy of his proposal had been distributed to Board members via email prior to the meeting.

Mr. McEnerney stated that there are no standards or supervision of unlicensed business tax return preparers and thus provided his proposal to the Board for its consideration of adding new license classifications of tax return preparers, including licensed attorneys ("LA"), Licensed Certified Public Accountants ("LCPA"), Licensed Tax Accountants ("LTA"), and Registered Tax Preparers ("RTP"). Preparation of business tax returns would be limited to LAs, LCPAs, and LTAs. RTPs would be able to prepare all other types of tax returns, as are the other three classifications. Mr. McEnerney mentioned that California and New York are among the states to require registration of paid tax return preparers. He suggested that Hawaii follow the California license model as it assures a minimum level of competence and requires continuing professional education.

Mr. McEnerney observed that tax return preparation practitioners who incorrectly prepare returns are underreporting taxable income and that the resulting underpayment of taxes is detrimental to the State's collection of tax revenue.

Chairperson Tsukamoto commented that he personally believes that Mr. McEnerney's proposal is on the right track. He and the other Board members thanked Mr. McEnerney for his presentation, and agreed that the matter should be taken up by the Board at a future meeting.

Standing Committee Reports:

A. Legislation and Rules

Committee Co-Chairperson Hirai reiterated that House Bill No. 716, Relating to the Disciplinary Authority of the Board of Public Accountancy, has not been scheduled for a hearing by the House Judiciary ("JUD") Committee. Mr. Hirai reported that he had discussed the proposed bill with the JUD Committee chair, State Representative Karl Rhoads, who informed him that the committee wanted to hear controversial bills during this legislative session. Mr. Hirai stated that he hoped to meet with Rep. Rhoads during the interim before the 2014 legislative session, perhaps together with the Executive Officer and a representative from the Department of Commerce and Consumer Affairs.

B. Uniform CPA Examination

1. Ratification of Examination Scores from the January/February (1st Quarter) 2013 Testing Window.

Committee Chairperson Hirai presented the statistics for this testing window as follows:

EXAMINATION RESULTS (BY SCORES)

	Number of Scores	Percentage
Initial Credit	13	5.93
Added Credit	61	27.85
No New Credit	54	24.65
Failed	78	35.61
Passed Exam	13	5.93
TOTAL	219	100.00%

TOTALS BY EXAM PARTS (BY CANDIDATES)

	AUD	BEC	FAR	REG	TOTAL
# Attended	55	58	49	57	219
# Passed	18	25	16	28	87
% Passed	32.73	43.10	32.65	49.12	39.73

SUCCESSFUL CANDIDATES SUMMARY

# of Passing First-time Candidates	4
# of Passing Re-Exam Candidates	13
# of Passing Candidates	13

After discussion, it was moved by Committee Chairperson Hirai, seconded by Mr. Taketa, and unanimously carried to ratify the examination scores from the 1st quarter 2013 testing window.

Committee Chairperson Hirai reported that the number of examination candidates had generally increased through each testing quarterly period in 2012, and that the steady increase in candidate numbers appeared to be continuing in 2013.

C. Ethics

Committee Chairperson Lau had no report.

D. Peer Review

No report due to Committee Chairperson Oberg's excused absence.

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

Investigative Committee member Tsukamoto
reported that the committee will meet after the
conclusion of the next scheduled Board meeting
on May 3, 2013.

Open Forum:

None.

Next Board Meeting:

Friday, May 3, 2013
8:30 a.m.
King Kalakaua Conference Room
King Kalakaua Building
335 Merchant Street, 1st Floor
Honolulu, Hawaii 96813

Announcements:

DAG Tam requested for the Board to enter into
Executive Session in order to discuss a pending legal
issue.

Executive
Session:

At 10:20 a.m., it was moved by Mr. Regan, seconded
by Mr. Lee, and unanimously carried for the Board to
enter into Executive Session 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 10:23 a.m., it was moved by Mr. Regan, seconded by Mr. Lee, and unanimously carried for the Board to move out of Executive Session.

Adjournment: There being no further discussion, the meeting adjourned at 10:23 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

05/01/13

- [X] Minutes approved as is.
[] Minutes approved with changes. See Minutes of _____.