

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

MINUTES

Date: Friday, November 14, 2014

Time: 8:31 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, Chairperson  
Gregg M. Taketa, CPA, Vice-Chairperson  
Wendy M. Glaus, CPA, Member  
Craig K. Hirai, CPA, Member  
Darryl T. Komo, CPA, Member  
Gabriel Lee, Member  
Edward L. Punua, CPA, Member  
Keith A. Regan, Member  
Carleton L. Williams, CPA, Member  
Rodney J. Tam, Deputy Attorney General ("DAG")  
Lauren M. Kai, Executive Officer  
Lori Nishimura, Secretary

Guests: None

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 Lau.

Ms. Glaus arrived to the meeting at 8:32 a.m.

Additions/Revisions to Agenda: Executive Officer Kai requested for the Board to amend the agenda as follows:

Addition: 4. APPLICATIONS

F. Temporary Permit to Practice  
1) ROSS, Gregory E.

DAG Tam and Mr. Lee arrived to the meeting at 8:34 a.m.

After discussion, it was moved by Vice-Chairperson Taketa, seconded by Mr. Williams, and unanimously carried to approve the addition of the above and renumber the list accordingly.

Approval of  
Minutes of the  
October 3, 2014  
Board Meeting:

After discussion, it was moved by Vice-Chairperson Taketa, seconded by Ms. Glaus, and unanimously carried to approve the minutes of the October 3, 2014 Board Meeting, as circulated.

Executive  
Session:

At 8:35 a.m., it was moved by Mr. Regan, seconded by Mr. Hirai, 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 9:02 a.m., it was moved by Mr. Regan, seconded by Mr. Lee, and unanimously carried for the Board to move out of Executive Session and to immediately recess the meeting.

At 9:17 a.m., the meeting reconvened; Chairperson Lau acknowledged the arrival of Mr. Komo to the meeting during the Executive Session.

Applications for  
CPA Certification:

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

1. BECK, Douglas E.
2. CHAKLER, Hugh
3. DOW, Mark V.
4. LAMBETH, Gail S.
5. LECHLEITER, John C.
6. LEE, Dongwon
7. MCCOMBS, Douglas P.
8. MUROBAYASHI, Brandi L.
9. NAKAMURA, Shari K.
10. NOVAK, Susan C.
11. ROTHE, ERIC J.
12. SPITER, Annette M.

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

1. BUNCE, Kenneth R.
2. WRIGHT, Vera J.

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. MCADAMS, Todd B.
2. NAKAMATSU, Taryn M.L.
3. STEINER, David J.
4. WOODALL, Andrew C.

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

1. WILLIAMS, Michael H.

Ratification of Issued  
Firm Permits to  
Practice:

After discussion, it was moved by Mr. Komo, seconded by Mr. Lee, and unanimously carried to ratify the approval of the following issued Firm Permits to Practice:

1. MYERS & OHIRA AN ACCOUNTANCY CORPORATION
2. ANGLIN REICHMANN SNELLGROVE & ARMSTRONG PC
3. GUINN SMITH & CO
4. SHARON DAVIS CPA PC

Restoration of CPA  
License, Permit to  
Practice, and Firm  
Permit to Practice:

Executive Officer Kai informed the Board that licensee Joseph Holtz had submitted applications to restore his CPA license with permit to practice ("PTP"), CPA-2771, and the firm permit to practice ("FPTP") for Joseph Holtz & Associates CPA Inc., FPTP-145.

Ms. Kai stated that Mr. Holtz answered "Yes" to the question on the applications: In the past 3 years have you been convicted of a crime in which the conviction has not been annulled or expunged?", and disclosed on all applications that "[I]n July 2013, in order to avoid a public trial, I plead guilty to a charge of sexual misconduct based upon actions alleged to have taken place over 10 years ago. These charges in no way were a product of or affected by my CPA practice."

Ms. Kai informed the Board that in a letter dated April 4, 2014, she had requested information and documents from Mr. Holtz to clarify his "Yes" answer. On October 14, 2014, the Board received documents and information from David M. Hayakawa, Esq. on behalf of Mr. Holtz. The Executive Officer summarized the information and documents that were provided, as follows:

1. Mr. Holtz plead guilty to four (4) counts of Sexual Assault in the Third Degree (Class C felony) of two (2) minor girls, and was sentenced to the maximum term of five (5) years for each count, terms to be served concurrently. Mr. Holtz is currently incarcerated and his tentative release date is July 12, 2017;
2. Mr. Holtz's e-Crim Record, dated May 21, 2014, lists the four (4) charges and no other criminal activity;
3. A letter from Dr. Carol Tyler, Psy.D., confirmed Mr. Holtz's successful completion of sex offender treatment;
4. Copies of letters from four (4) of Mr. Holtz's clients attest to their continued trust in his professional work as a CPA; and
5. Copies of numerous letters of support for Mr. Holtz that had been provided to the Court at his sentencing;

DAG Tam commented that the Board would need to determine whether Mr. Holtz's conviction is materially related to the profession. During the ensuing discussion on the incarceration status of Mr. Holtz, DAG Tam stated that there is no legal basis to deny an applicant a license or to deny a licensee a license restoration just because the applicant is in prison. Nevertheless, several Board members expressed that they were uncomfortable with approving an application for the restoration of a license for a licensee who remains incarcerated.

Discussion ensued on approving the conditional restoration of Mr. Holtz's CPA license with PTP, with the following conditions:

1. He must successfully complete all of the terms and conditions of his incarceration and any subsequent parole/probation;
2. He must provide the original certificates of completion for the eighty-two (82) continuing

professional education hours that were claimed on his PTP, which includes four (4) hours of ethics CPE; and

3. Should he fail to comply with any of the aforementioned terms conditions, his conditional CPA license and permit to practice shall be automatically terminated without a hearing.

After further discussion, it was moved by Vice-Chairperson Taketa, seconded by Mr. Lee, and unanimously carried to issue a conditional CPA license and permit to practice, subject to the above-listed conditions.

Discussion ensued on Mr. Holtz's application for the restoration of the FFTP for Joseph Holtz & Associates CPA Inc. Mr. Komo inquired if a conditional restoration could be applied to the FFTP restoration. The Board determined that it may not be necessary because if the firm has no other owner, and the owner's CPA license with PTP expires and/or is terminated, then the FFTP license would also expire at that time.

After discussion, it was moved by Mr. Komo, seconded by Mr. Lee, and unanimously carried to approve the restoration of the FFTP of Joseph Holtz & Associates CPA Inc., FFTP-145, based upon the issuance of a conditional CPA license and permit to practice to Mr. Holtz since he is the firm's principal CPA on record. Further, Mr. Holtz is to be advised that if he is no longer the principal CPA of the firm, another principal CPA must be appointed and the Board must be notified of this change within thirty (30) calendar days of the date he ceased being the principal CPA for the firm.

Ratification of Firm  
Name Approval:

After discussion, it was moved by Mr. Williams, seconded by Mr. Hirai, and unanimously carried to ratify the approval of the following Firm Name:

1. Verity Accountancy Corporation  
dba Verity Certified Public Accountants

Temporary Permit  
to Practice:

Chairperson Lau provided a brief summary of the Temporary Permit to Practice ("TPTP") application of Gregory E. Ross, who is requesting a waiver of the sixty-day filing requirement, pursuant to HAR section 16-71-27, which states: "The board may waive the filing deadline for good cause." He explained that Mr. Ross is applying for the current TPTP which is for the continuation of the engagement for which a TPTP had been earlier granted but had expired on October 15, 2014. An unplanned delay had prevented him from completing the engagement within the ninety (90) days term of the initial TPTP. The Executive Officer noted that the Board's laws and rules do not allow for extensions of TPTPs; therefore, Mr. Ross must file a new application for a new term.

After discussion, it was moved by Mr. Regan, seconded by Ms. Glaus, and unanimously carried to waive the sixty day filing requirement and to approve the Temporary Permit to Practice application of:

1. ROSS, Gregory E.

Chairperson Lau commented that the Board may want to explore setting a renewal procedure for issued TPTPs whose engagement service(s) may have been extended.

Chairperson's  
Report:

A. National Update

B. Industry Update

Chairperson Lau acknowledged the following Board members who will be serving on NASBA committees for the upcoming year:

- Mr. Williams has been appointed to the Regulatory Response Committee;
- Mr. Hirai has been re-appointed to the Ethics and Strategic Issues Committee; and
- Vice-Chairperson Taketa has been appointed to the Education Committee.

Chairperson Lau briefly summarized what had been discussed during the NASBA Annual Meeting in Washington D.C., in which he and the Executive Officer had participated. Mr. Lau reported that there were discussions and sessions about: (1) The format of the new audit report which will present the auditor's opinion first, include a key audit matters section, provide focus on going concern and other changes to enhance transparency and clarify responsibilities; (2) NASBA polls which have found that boards of accountancy rely on the universities to determine if online, MOOCs, nano courses, internships, etc., are valid, and thus face challenges in making determinations and the implications of the changing landscape in higher education; (3) The different levels of accreditation of colleges and universities that provide accounting education, including the accreditation of the entire institution, the school/college of business, and the accounting program; and (4) The practice analysis which evaluates the effectiveness of the CPA Examination and will determine the successful careers of future CPA candidates, while continuing to effectively protect the public interest.

Standing Committee  
Reports:

A. Communications

Committee Chairperson Lee reported that he has been in communication with NASBA on the proposed Board newsletter. He commented that the Board will need to decide how many newsletters a year should be produced,



quarterly, semi-annually, or annually. He suggested for the Committee Chairpersons to write up a paragraph or two in their areas to be included in the newsletter. Common articles that are utilized by other state boards, such as license renewal reminder, board calendar, may also be included in the newsletter.

After discussion, Chairperson Lau requested to Committee Chairperson Lee to present a draft newsletter at the Board's next meeting.

B. Continuing Professional Education

Committee Chairperson Glaus had no report.

C. Ethics

Committee Chairperson Hirai had no report but reiterated that he was still working to hold a meeting with the Regulated Industries Complaints Office and HSCPA to discuss the recodification of the AICPA Code of Conduct ("Code") and the enforcement issues involved in the Board's adoption of the Code, in part or in its entirety.

D. Legislation and Rules

Chairperson Lau mentioned that a topic discussed at the NASBA Annual Meeting related to statute and rule changes brought about by the new version of the Uniform Accountancy Act ("UAA"), which is the 7<sup>th</sup> Edition that had been released this past summer. He asked what other states and jurisdictions were doing and asked Committee Chairperson Williams to pursue this matter because this might be a good time to step back and re-visit the provisions of the UAA. It appears that adoption of the UAA or provisions of the UAA is more prevalent throughout the country.

Committee Chairperson Williams agreed with Chairperson Lau and stated that the new version is logical and well-drafted. Should Hawaii adopt UAA provisions, it would become more consistent with the rest of the country and would help out-of-State CPAs be aware of and comply with Hawaii's laws and rules. The latest edition has a more robust section relating to "place of business" which may be pertinent to Hawaii's unique situation of "snowbirds" doing business in Hawaii during their winter vacations.

Committee Chairperson Williams stated that he will draft a "primer" for review and discussion at the Board's January 2015 meeting, outlining the basic provisions of the UAA. This discussion may lead to model legislation in the future.

Committee Chairperson Williams then reported that he attended a seminar held by the Hawaii Society of Certified Public Accountants ("HSCPA") and learned that the HSCPA plans to introduce a mobility bill for the 2015 Legislative session. He believes the HSCPA may present its proposal to the Board in the near future.

E. Mobility

Committee Chairperson Taketa commented that he had no report; however, he noted that he had just learned from Mr. Williams during his report that the HSCPA may be proposing a mobility bill in the next Legislative session.

F. Peer Review

1. Hawaii Society of Certified Public Accountants ("HSCPA") Plan of Administration

Executive Officer Kai reported that the Board had received the revised Plan of Administration ("PoA") from the HSCPA, and requested that the Committee on Peer Review as well as the Investigative Committee on Peer Review ("ICPR") review the revised PoA prior to the next meeting of the Peer Review Oversight Committee ("PROC"). She stated that she hoped that the PROC would meet prior to the Board's December meeting to review the revised PoA to determine its recommendation for approval to the Board. Chairperson Lau requested that comments on issues that may need to be addressed, be emailed to the Executive Officer in the near future in order to be considered at the PROC meeting.

Committee Chairperson Taketa stated that he had drafted reporting forms that will be required for the implementation of the peer review program. He commented that he will be attending a seminar with the Hawaii Association of Public Accountants ("HAPA") on Monday in Hilo, and will be announcing that firms need to plan early to participate in peer review in order to meet the requirements for participation in the peer review program.

Committee Chairperson Taketa provided a brief summary of the AICPA Peer Review webinar in which he participated: (1) The qualification of peer reviewers to ensure that they continue to be qualified to conduct peer reviews; (2) The availability of peer reviewers and the risk of a reduction in the number of qualified peer reviewers due to more stringent qualification standards, and the effect on

states' peer review programs; (3) AICPA's James Brackens statement that there is an increase in the number of peer reviewers, at least in certain areas; and (4) The peer reviews of firms that perform audits of employee benefit plans to ensure the quality of these audits.

- G. 1. Ratification of Examination Scores from the July/August (3<sup>rd</sup> Quarter) 2014 Testing Window

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

EXAMINATION RESULTS (BY SCORES)

	Number of Scores	Percentage
Credit	83	41.70
No Credit	116	58.29
Lost Credit	0	0
Voided	0	0
TOTAL	199	100.00%

TOTALS BY EXAM PARTS (BY CANDIDATES)

	AUD	BEC	FAR	REG	TOTAL
# Attended	47	46	58	48	199
# Passed	20	14	28	21	83
% Passed	42.55	30.43	48.27	43.75	41.70

Committee Chairperson Regan commented that Hawaii candidates ranked at 46 out of 53 jurisdictions at this testing window.

#### SUCCESSFUL CANDIDATES SUMMARY

# of Passing First-Time Candidates	3
# of Passing Re-Exam Candidates	10
# of International Candidates	4
# of Passing Candidates	13

Mr. Williams, who also serves on the School of Accountancy ("SOA") Advisory Board of the Shidler College of Business at the University of Hawaii, commented that they are assessing whether the accounting curriculum of the University of Hawaii may need to be modified in order to strengthen their program.

After discussion, it was moved by Mr. Hirai, seconded by Mr. Komo, and unanimously carried to ratify the examination scores from the 3<sup>rd</sup> quarter 2014 testing window.

2. American Institute of Certified Public Accountants ("AICPA") Invitation to Comment on "Maintaining the Relevance of the Uniform CPA Examination"

Committee Chairperson Regan stated that he did not participate in the webcast on October 28, 2014 that was presented by the AICPA State Regulation and Legislation Team. Vice-Chairperson Taketa, and Messers. Komo and Punua all agreed that there was very little

discussion relating to the Uniform CPA Examination.

Mr. Williams reiterated his comments that the Uniform CPA exams utilize proprietary software systems and are not run on standard computer programs such as Word and Excel. This compels exam candidates to participate in the tutorials prior to testing to familiarize themselves with the proprietary software, and may actually detract from their performance on the examination. He also commented that to change the exams to run on Word and Excel programs may increase the cost of the exam.

Chairperson Lau requested and the Board agreed that individual Board members may comment on their own (as professionals and not members of the Board) to the AICPA's Invitation to Comment.

Open Forum: None.

Next Board Meeting: The consensus of the Board was to change the December 12, 2014 scheduled meeting to the following:

Friday, December 19, 2014  
8:30 a.m.  
King Kalakaua Conference Room  
King Kalakaua Building  
335 Merchant Street, 1<sup>st</sup> Floor  
Honolulu, Hawaii 96813

Announcements: None.

