

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

MINUTES

Date: Friday, December 18, 2015

Time: 8:30 a.m.

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

Present: Nelson K.M. Lau, CPA, Chairperson
Gregg M. Taketa, CPA, Vice-Chairperson
Darryl T. Komo, CPA, Member
Gabriel Lee, Member
Edward L. Punua, CPA, Member
John W. Roberts, CPA, Member
Carleton L. Williams, CPA, Member
Rodney J. Tam, Deputy Attorney General ("DAG")
Laureen M. Kai, Executive Officer
Lori Nishimura, Secretary

Guests: Dwayne Takeno, CPA, Peer Review Oversight
Committee ("PROC") Chairperson

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 Chairperson Lau.

Additions/Revisions
to Agenda: None.

Mr. Lee arrived to the meeting at 8:31 a.m.

Approval of
Minutes of the
November 3, 2015
Board Meeting:

After discussion, it was moved by Mr. Lee, seconded by Mr. Komo, and unanimously carried to approve the minutes of the November 3, 2015 Board meeting, with the following amendments, as requested by Executive Officer Kai (with new material underscored and repealed material bracketed and stricken through):

Page 2: Approval of Minutes of the October 2, 2015 Board Meeting:

“After discussion, it was moved by Vice-Chairperson Taketa, seconded by Mr. Punua, and unanimously carried to amend the Executive Session minutes of the November 3, 2015 Board meeting to reflect the absence of Mr. Punua and DAG Tam, and to note the attendance of Mr. Lee and DAG Paige, and to approve the minutes as amended.”

Page 4: Applications for CPA Certification:

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

1. BALMER, Alan J.
2. GAZZAWAY, Raymond T.
3. GLENN, David J.
4. KANO, Ky
5. KOENIG, Ami S.
6. LAMBERT, Deborah D.
7. MCCOY, Kenyata L.
8. PIEKSZA, Joseph
9. WEWORSKI, Joseph M.
10. YOUNG, David L. C.

After discussion, it was moved by Vice-Chairperson Taketa, seconded by Mr. Lee, and unanimously carried (Chairperson Lau recused himself from the vote) to [~~ratify the approval~~] approve [of] the following application for certification:

1. HARADA, Michael K.”

Executive
Session:

At 8:33 a.m., it was moved by Vice-Chairperson Taketa, seconded by Mr. Punua, and unanimously carried 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 10:31 a.m., it was moved by Vice-Chairperson Taketa, seconded by Mr. Punua, and unanimously carried for the Board to move out of Executive Session and to immediately recess the meeting to discuss and deliberate on the following adjudicatory matters pursuant to HRS chapter 91:

Chapter 91, HRS,
Adjudicatory
Matters:

A. In the Matter of the Certified Public Accountant’s License of Stanley L. Thornton, aka Stanley M. Thornton; ACC 2009-2-L

DAG Tam provided a summary of the Hearings Officer’s Finding of Fact, Conclusions of Law and Recommended Order; Exhibit “A” regarding Stanley L. Thornton, aka Stanley M. Thornton. He stated that Mr. Thornton was served with a lawsuit from his former client for penalties and interest paid by his client because Mr. Thornton filed his 2004-2006 tax returns late; judgment in default was entered in favor of his client and against Mr. Thornton in the principal amount of \$24,634.23 as of March 31, 2008. As of November 3, 2015, the judgment has not been satisfied and the judgment has not been appealed. As of July 6, 2015, Mr. Thornton has not reported the 2008

Judgment in writing to the Board. RICO alleges that Mr. Thornton failed to comply with the provisions of HRS sections 436B-19(7), 436B-19(8), 436B-19(16), 436B-19(17), 466-9(b)(10) and HAR section 16-71-64.

Recommended Order:

- Mr. Thornton's license be revoked and that relicensure be conditioned upon him satisfying the underlying judgment.

Discussion ensued on the terms of the Recommended Order.

After discussion, it was moved by Vice-Chairperson Taketa, seconded by Mr. Komo, and unanimously carried to defer decision making on the Recommended Order relating to the Matter of the Certified Public Accountant's License of Stanley L. Thornton, aka Stanley M. Thornton; ACC 2009-2-L.

At 10:45 a.m., the Board reconvened its scheduled Meeting and immediately recessed the meeting.

At 10:50 a.m., the Board reconvened its scheduled meeting.

The following agenda item was taken out of order to accommodate PROC Chairperson, Dwayne Takeno, to the meeting.

Chairperson's Report:

A. National and Industry Update

1. National Peer Review Committee Plan of Administration
 - a. Recommendation of the Peer Review Oversight Committee

2. American Institute of Certified Public Accountants Peer Review Plan of Administration
 - a. Recommendation of the Peer Review Oversight Committee

Both agenda items were discussed simultaneously.

PROC Chairperson Takeno stated the PROC held their meeting on November 24, 2015 to review and discuss the two Plans of Administration: (1) National Peer Review Committee Plan of Administration; and (2) the American Institute of Certified Public Accountants Peer Review Plan of Administration. On behalf of the PROC, PROC Chairperson Takeno stated that the PROC unanimously voted to recommend the approval of both Plans by the Board.

After discussion, it was moved by Mr. Williams, seconded by Mr. Komo, and unanimously carried (Mr. Roberts abstained from the vote) to approve the two aforementioned Plans of Administration. Chairperson Lau commented that the approval of these two Plans should resolve the requirement of HRS section 466-34(b) that all firms enroll in the applicable program of an approved sponsoring organization, as the Hawaii Society of Certified Public Accountants (the Board's sole approved sponsoring organization prior to this meeting) had stated that they will not enroll out-of-State firms (i.e., CPA firms whose principal offices are outside Hawaii).

DAG Tam left the meeting at 10:51 a.m.

Applications for
CPA Certification:

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

1. CASTRO, Ngu Thuy
2. CAVE, Richard S.
3. DENT, Ryan J.
4. GARRISON, Kellen T.
5. HAMDY, Jenna L.
6. HARTMAN, Douglas R.
7. HIGGINS, John T.
8. KIDA, Kumiko
9. KOHLER, Mark J.
10. KOIDA, Hiroyuki
11. KOLTERMAN, Kory R.
12. MA, Eugene C.W.
13. MATSUSAKA, Marissa N.
14. PEVNICK, Larry N.
15. TOKUMOTO, Tyler T.
16. WILLIAMSON, Aaron M.

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

1. SZABO, Scott R.

Ratification of
Individual CPA
Permits to Practice:

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

1. ABE, Marian K.M.
2. AGGER-NIELSEN, Claus
3. BALMER, Alan J.
4. GAZZAWAY, Raymond T.
5. KANO, Ky
6. KOENIG, Ami S.
7. LAMBERT, Deborah D.

8. MCCOY, Kenyata L.
9. NATHAM, Curtis R.
10. PERERA, Saman N.
11. PIEKSZA, Joseph
12. SMITH, Lance J.
13. WEWORSKI, Joseph M.
14. YOUNG, David L.C.

Ratification of Issued Firm Permit to Practice:

After discussion, it was moved by Mr. Punua, seconded by Vice-Chairperson Taketa, and unanimously carried to ratify the approval of the following issued Firm Permits to Practice:

1. GLENN S AOKI
2. ALAN J BALMER
3. KENYATA L MCCOY
4. WEWORSKI & ASSOCIATES
5. CONRAD LLP
6. PUEO CONSULTING LLC
7. ELINA V HARTKOPF
8. LISA T O SO
9. LYNETTE C YAMASHIRO
10. OSAMU TAKAGI
11. FRANCIS UTAJIRO IMADA
12. TONY LIM CPA LLC
13. RAND R OLSEN CPA LLC
14. TRACY T CHIANG
15. MICHAEL C KOGA
16. HKG LLP
17. LARRY K JITCHAKU CPA LLC

Approval of Firm Name:

After discussion, it was moved by Mr. Lee, seconded by Mr. Komo, and unanimously carried to approve the following firm names:

1. Lau CPA LLC
2. Lau CPA Hawaii LLC

Ratification of Approved Firm Name:

After discussion, it was moved by Mr. Punua, seconded by Mr. Lee, and unanimously carried to ratify the approval of the following firm name:

1. Glen S. Aoki, CPA, LLC
2. James R. Nardine, C.P.A., P.C.

Chairperson's
Report:

A. National and Industry Update

1. National Peer Review Committee Plan of Administration

- a. Recommendation of the Peer Review Oversight Committee

This agenda item had been previously discussed.

2. American Institute of Certified Public Accountants Peer Review Plan of Administration

- a. Recommendation of the Peer Review Oversight Committee

This agenda item had been previously discussed.

3. National Association of State Boards of Accountancy ("NASBA") Regional Directors' Focus Questions

Chairperson Lau stated 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) Has your Board considered the proposed changes to the Uniform Accountancy Act and Model Rules to create a "CPA-Retired" category? Do you foresee many retirees applying for this designation in your jurisdiction?

Response: Yes, the Board has considered the proposed changes but does not anticipate any changes to its license structure.

- 2) An addition to NASBA's updated Strategic Plan is increasing the volume of CPA candidates. What is your jurisdiction doing to assist that effort?

Response: The Board is working closely with the University of Hawaii, School of Accountancy, to better align candidates' success in passing the exam.

- 3) What is your Board doing to ensure the ethics continuing professional education courses you require are remaining relevant?

Response: The Board relies heavily on the NASBA framework.

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

Response: (1) Successful implementation of its peer review program; and (2) continued efforts to adopt mobility.

- 5) Can NASBA be of any assistance to your Board at this time?

Response: Yes, NASBA can continue to assist the Hawaii Board with implementing its participation in the ALD and other services, and continue to support the Board with scholarships

and other assistance to attend NASBA meetings and conferences.

- 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 all Board Members.

4. Provision of Accounting Services to Marijuana Businesses - Update

Executive Officer Kai was instructed to resend the draft letter that DAG Tam had distributed for further discussion at a subsequent meeting.

Chairperson Lau stated that the Board received a request from State Senator Baker and the Director of the Department of Commerce and Consumer Affairs for an informal discussion on whether or not the Board thinks public member representation on regulatory boards and commissions should be increased, and if an increase is warranted, by how much. Discussion ensued and the consensus of the Board was that the current composition of the Board strikes the appropriate balance with professional members (seven CPAs) and two members who represent the public. Furthermore, the current composition of the Board best effectuates the enforcement and regulatory functions of the Board, as the Board believes that a majority of Board members should be industry members because of the technical issues that it often addresses.

Chairperson Lau stated that the online renewal program for the CPA firm permits to practice experienced technical difficulties and, as a result,

online transactions will be, by close of business today, disabled and licensees will no longer be able to renew their permits online. After this time, the only way licensees can renew their permits is manually (i.e., paper format or hard copy). However, because the Christmas holidays are approaching, the Board was concerned about lack of time to notify licensees about the online renewal issue and new requirement to manually renew by the December 31, 2015 deadline.

Based on the fact that these technical difficulties were beyond the control of the licensees and there is insufficient time to notify licensees about the problem, the Board felt that firms should be given additional time to renew their permits to practice. After much discussion, the Board agreed that an additional month would be a reasonable amount of time. Thus, the Board agreed to extend the deadline for the renewal of CPA firm permits to practice from December 31, 2015 to January 31, 2016. A notice will be posted on the Board's website along with instructions to access hard copy renewal applications. Furthermore, requests to the Hawaii Association of Public Accountants and the Hawaii Society of Certified Public Accountants will be sent to ask that this information be communicated to their members.

Standing Committee

A. Peer Review

1. Peer Review Definitions

Committee Chairperson Taketa commented that the Committee is very much aware of the urgency in drafting a proposal for consideration during the upcoming legislative session. He stated that the Committee had received good input and was proceeding with its work.

2. Notification to CPA Firms - Update

Discussion ensued on the draft of the second reminder mail-out to firms concerning the new peer review law that Executive Officer Kai provided to Board members at the previous meeting. The Board conveyed that they want the mail-out to be sent as soon as possible as it may take six weeks for processing and mail-out.

B. Legislation and Rules

1. Proposed Amendments to HRS Chapter 466, Relating to Immunity for Members of the Peer Review Oversight Committee

Committee Chairperson Williams reiterated to the Board that the proposed amendments to HRS section 466-42 that provide for the reimbursement of applicable expenses and provide immunity from civil liability for members of the Peer Review Oversight Committee ("PROC") have been included in the DCCA administrative bill package. He stated that the DCCA has twenty-four (24) bills, of which six (6) are from the Professional and Vocational Licensing Division. He further reported that the DCCA has not yet received word from the Governor's office on how many DCCA administrative bills will be included in Governor Ige's administrative bill package.

2. Proposed Definition of "Hawaii Attest Engagement"

Committee Chairperson Williams stated that this work is ongoing.

3. Proposed Housekeeping Amendments to HRS Chapter 466, Relating to Peer Review

After discussion, it was moved by Committee Chairperson Williams, seconded by Mr. Lee, and unanimously carried to approve the amended draft as discussed and to delegate to Committee Chairperson Williams the authority to present the proposal to State Representative Isaac Choy.

4. Proposed Amendments to the Uniform Accountancy Act ("UAA")

Committee Chairperson Williams reported that he and Mr. Komo had met with Ray Johnson of the National Association of State Boards of Accountancy ("NASBA") to discuss the new AICPA Code of Conduct ("COC"). He further commented that he and Mr. Komo had been provided with contact information to resources at NASBA to assist the Board. He noted that incorporating the AICPA COC by reference in the Board's administrative rules would make the provisions "evergreen" without the need to make amendments whenever the AICPA COC changes.

C. Ethics

1. Inquiry Regarding Commissions, Referral Fees, and Contingency Fees - Update

The consensus of the Board was to review the draft letter that DAG Tam had distributed for further discussion at a subsequent meeting.

D. Communications

Committee Chairperson Lee had no report.

E. Continuing Professional Education

Committee Chairperson Punua had no report.

F. Mobility

Committee Chairperson Taketa had no report.

G. Uniform CPA Examination

1. Exposure Draft: Maintaining the Relevance of the Uniform CPA Examination

Committee Chairperson Williams reiterated that comments for this exposure draft are due on or before November 30, 2015, and that comments are accepted from individuals and firms to the AICPA.

Committee Chairperson Williams provided an update on the free CPA review class on the Business Environment and Concepts ("BEC") section of the Uniform CPA Examination that the University of Hawaii at Manoa School of Accountancy will hold on January 8 to 31, 2016, noting that 51 students have registered.

Open Forum: None.

Next Board Meeting: Friday, January 8, 2016
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 11:24 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

01/15/16

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