

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

MINUTES

Date: Friday, February 5, 2016

Time: 8:32 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: Kathy Castillo, Hawaii Society of Certified Public
Accountants ("HSCPA")
Daria Loy-Goto, Complaints and Enforcement Officer,
Regulated Industries Complaints Office
("RICO")
Rodney Harano, CPA, CW Associates, CPAs
Marilyn Niwao, JD, CPA, Hawaii Association of Public
Accountants ("HAPA")
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 8:32 a.m. by Chairperson Lau.

Additions/Revisions to Agenda: None.

Approval of Minutes of the December 18, 2015 and the January 8, 2016 Board Meeting: After discussion, it was moved by Vice-Chairperson Taketa, seconded by Mr. Lee, and unanimously carried to approve the minutes of the December 18, 2015 and the January 8, 2016 Board meetings as circulated.

Executive Session: At 8:34 a.m., it was moved by Mr. Punua, seconded by Mr. Lee, 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 9:35 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 his draft of the Board's Final Order ("BFO") relating to the Matter of the Certified Public Accountant's License of Stanley L. Thornton, aka Stanley M. Thornton; ACC 2009-2-L.

He summarized the case for the Board and stated that Mr. Thornton was sued by his former client for filing the client's 2004-2006 tax returns late; and default judgment was entered 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. Based on these facts, 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.

The Hearing Officer recommended that Mr. Thornton's license be revoked and that relicensure be conditioned upon him satisfying the underlying judgment.

DAG Tam further stated that at the previous Board meeting, the Board had approved to adopt the Hearing Officer's Finding of Fact and Conclusions of Law, and modify the Hearing Officer's recommended sanctions to a lower sanction.

Thus, DAG Tam provided the Board with a draft of a BFO that included the following:

- Suspending Mr. Thornton's license for one year (suspension will start on the date the BFO is signed);
- Requiring any reinstatement of his license to be conditioned upon him completely satisfying the underlying judgment of \$24,634.23; and

- Fining him \$1,000.00, which is payable within the one (1) year period of suspension.

The Board signed the new BFO, as it was previously approved at the last meeting.

B. In the Matter of the Firm Permit to Practice of BDO USA, LLP; ACC 2015-6-L

DAG Tam provided a summary of the Settlement Agreement Prior to Filing of Petition for Disciplinary Action and Board's Final Order; Exhibit "1" regarding the Firm Permit to Practice of BDO USA, LLP ("BDO"). He stated that BDO received disciplinary action by the Texas Board based on allegations that BDO performed audits that failed to exercise due professional care, and rendered an opinion regarding financial statements containing material departures from generally accepted accounting principles. RICO alleges that BDO engaged in conduct reflecting adversely upon the permit holder's fitness to engage in the practice of public accountancy in the state of Texas.

Terms of the Settlement Agreement:

- Compliance with Texas Order.
- Notification of violations of the Texas Order by Respondent to the Board in writing within thirty (30) days of Respondent being notified of such a violation.
- \$2,000.00 administrative fine.
- Failure to fully and timely comply with terms of the Settlement Agreement shall result in the automatic revocation of Respondent's license.

After discussion, it was moved by Mr. Williams, seconded by Mr. Komo and unanimously carried (Vice-Chairperson Taketa recused himself from the vote) to approve the Settlement Agreement Prior to Filing of Petition for Disciplinary Action and Board's Final Order; Exhibit "1" relating to the Matter of the Firm Permit to Practice of BDO USA, LLP; ACC 2015-6-L.

At 9:50 a.m., the Board reconvened its scheduled Meeting and immediately recessed the meeting.

At 9:55 a.m., the Board reconvened its scheduled meeting.

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. DUMAR, Matthew A.
2. GOMES, Melissa A.
3. ICHIKAWA, Lara N.
4. JOHNSON, Samuel E.
5. MATSUBARA, Tad T.
6. OKAMOTO, Erika
7. PINKERTON, Richard E.
8. RATICA, Casey D.
9. ROBERTS, David A.
10. SCHAFER, Gary W. II

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. GOO, Brian Y. S.

Ratification of
Individual CPA
Permits to Practice:

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

1. BARTLETT, Jeffrey D.
2. COOK, Timothy M.
3. FISHER, Lenora D.C.
4. HARRIS, Kandy G.
5. HIGGINS, John T.
6. KOO, Eter P.Y.
7. LARSON, Derrick A.
8. LEE, Christopher D.
9. MA, Eugene C.W.
10. MIAO, Ningjin
11. NEWTON, Ekaterina A.
12. PANG, Bradley F.M.
13. PEVNICK, Larry N.
14. ROSS, Joshua W.
15. TANG, Jason Q.
16. WU, Jenny S.L.

Ratification of Issued
2014-2015 Firm
Permits to Practice:

After discussion, it was moved by Vice-Chairperson Taketa, seconded by Mr. Punua, and unanimously carried to ratify the approval of issued 2014 to 2015 Firm Permits to Practice (see, the Attached List).

Ratification of Issued
2016-2017 Firm
Permits to Practice:

After discussion, it was moved by Vice-Chairperson Taketa, seconded by Mr. Komo, and unanimously carried to ratify the approval of issued 2016 to 2017 Firm Permits to Practice (see, the Attached List).

Approval of Firm
Name:

After discussion, it was moved by Vice-Chairperson Taketa, seconded by Mr. Lee, and unanimously carried to approve the following firm name:

1. T-SOA, Certified Public Accounting Services

Ratification of
Approved Firm
Name:

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

1. Bryce K.K. Nomura, CPA, Inc.
2. Jennifer Busch CPA

The Board's consensus was to take up Agenda #7, A., 2), as the Peer Review Oversight Committee Chairperson, Dwayne Takeno, was present at the meeting.

Standing Committee

A. Peer Review

2. Request to the Peer Review Oversight Committee to Perform an Assessment of the Process to Conduct an Attestation Engagement in Order to Issue a Hawaii Supplement to the Peer Review

Committee Chairperson Taketa stated that on January 21, 2016, a conference call was held with representatives from the American Institute of Certified Public Accountants ("AICPA") who posed a number of questions for the Board concerning the peer review process, the timing of the Hawaii supplement to the peer review, the definition of "completion" of a peer review, and the Hawaii licensure requirements with which peer reviewers need to comply.

Committee Chairperson Taketa stated that it had been decided that a "walk through" of the process of complying with the requirements of a Hawaii supplement would be the most effective way to identify potential issues that may

arise in implementation. This “walk through” would provide insight to the Board from the perspectives of both the reviewed firm and the firm conducting the peer review. He suggested that the PROC may be able to assist the Board by conducting such an assessment to help identify any questions that may arise from CPA firms in their efforts to comply with the peer review requirements, as well as possible areas for the Board’s consideration to address.

PROC Chairperson Takeno commented that it may not be within the scope of the PROC’s purpose as described in the Board’s statutes. Committee Chairperson Taketa commented that as the PROC is the overseer of the Hawaii Society of Certified Public Accountants (“HSCPA”) as a peer review sponsoring organization, the PROC is charged with looking at the HSCPA’s Plan of Administration to ensure compliance with the actual process itself.

PROC Chairperson Takeno stated that he will convene a meeting of the PROC at which time the PROC will consider the Board’s request.

After further discussion, Committee Chairperson Taketa commented that the Board is asking the PROC to proactively look at the peer review process. Committee member Komo commented the PROC is being asked to do a “test run”.

DAG Tam commented that ultimately, the Board is responsible and has oversight of the Peer Reviewer for the Hawaii Supplement pursuant to HRS section 466-43. Committee Chairperson Taketa commented that members of the PROC may have pertinent peer review experience to provide guidance to the Board.

Chairperson's
Report:

A. National and Industry Update

1. Referral of Independent Qualified Public Accountant ("IQPA") Patrick H. Oki to the Board of Public Accountancy by the U.S. Department of Labor, Employee Benefits Security Administration

After extensive discussion, it was moved by Mr. Williams, seconded by Mr. Roberts, and unanimously carried to refer the matter to the Regulated Industries Complaints Office ("RICO") for investigation.

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

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. How quickly can your Board begin the enforcement process in response to a firm's failed peer review?

Response: The Board is just beginning to implement mandatory peer review for the renewal of a CPA firm's permit on December 31, 2017; therefore, there is no data or information on this issue. The Board realizes that this is a matter for the Board to address.

2. How long will it be until the firm is referred to the Board's enforcement committee?

Response: The Board is not at a point in the implementation of its peer review program where it can respond to this question. It is understood that referral will be upon the determination that a CPA firm has failed to cooperate with the Board's requirements.

3. Is your Board proposing any changes to speed up the process?

Response: The Board believes that it is too early in the implementation of its peer review program to effectively respond to this question.

4. Does your Board believe the experience requirement for audit practice in your state should be revisited?

Response: No. The Board has not and does not believe that it is necessary to revisit the experience requirement for audit practice.

5. Does your Board believe the AICPA's new CGMA (Chartered Global

Management Accountant) credential will impact the CPA candidate pipeline?

Response: The Board believes that there is not enough information on this matter to effectively respond to this question.

6. Does your Board foresee the CGMA credential impacting the Board's operations to protect the public in other ways?

Response: The Board believes that there is not enough information on this matter to effectively respond to this question.

7. What is happening in your jurisdiction that is important for other Boards and NASBA should know about?

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

8. 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.

9. 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.

Standing Committee A. Peer Review

Committee Chairperson Taketa informed the Board that the 2016 postcard notification that would have included information relating to the addition of two (2) sponsoring organizations that were approved by the Board at its January 8, 2016 meeting, will not be mailed out as originally planned; he stated that the approval of the mail-out was withdrawn by the Professional and Vocational Licensing Division Administrator.

Discussion ensued on the Board's continued efforts to provide information to CPA firms affected by the new peer review law. It was noted that the announcement and all updates have been posted on the Board's website. The Board again requested that the HSCPA and HAPA provide assistance to the Board to disseminate the information. The Board gratefully acknowledged the continued support of both associations as they have consistently provided a means to disseminate information to their membership.

1. Peer Review Compliance Reporting Form

After discussion, it was moved by Committee Chairperson Taketa, seconded by Mr. Komo, and unanimously carried to approve the draft peer review compliance reporting form, as it complies with the requirements of the statute.

2. Request to the Peer Review Oversight Committee to Perform an Assessment of the Process to Conduct an Attestation Engagement in Order to Issue a Hawaii Supplement to the Peer Review

This agenda item had already been discussed.

B. Legislation and Rules

1. Proposals to Redefine "Peer Review" and to Increase Filing Deadlines

- a. House Bill No. 1669, Relating to Public Accountancy

Committee Chairperson Williams reported that House Bill No. 1669, which proposes to redefine "peer review" to include reviews done by out-of-state public accountancy licensees, and to increase deadlines for filing of peer review compliance reporting forms and appealing certain ratings from 10 days to 30 calendar days, was passed unamended by the House Economic Development & Business Committee on February 2, 2016. He further stated that the next committee referrals are to the House Consumer Protection & Commerce Committee, and the House Finance Committee.

- b. Senate Bill No. 2407, Relating to Public Accountancy

Committee Chairperson Williams stated that Senate Bill No. 2407, the

companion bill to House Bill No. 1669, with a single referral to the Senate Commerce and Consumer Protection, and Health Committee, had not yet been scheduled for a hearing.

2. Proposals Relating to Immunity for Members of the Peer Review Oversight Committee

a. House Bill No. 1670, Relating to Public Accountancy

Committee Chairperson Williams reported that House Bill No. 1670, which proposes to allow members of the PROC to be reimbursed for appropriate expenses and to protect them from civil liability for actions done in furtherance of the purposes of the committee, had passed unamended by the House Economic Development & Business Committee on February 2, 2016. He further stated that the next committee referrals are to the House Consumer Protection & Commerce Committee and the House Finance Committee.

b. Senate Bill No. 2769, Relating to Public Accountancy

Committee Chairperson Williams stated that Senate Bill No. 2769, the companion bill to House Bill No. 1670, with referrals to the Senate Commerce and Consumer Protection, and Health Committee, the Judiciary and Labor Committee, and the Ways and Means

Committee, had not yet been scheduled for a hearing.

3. Proposals to Define "Hawaii Attest Work"

a. House Bill No. 2651, Relating to Public Accountancy

Committee Chairperson Williams reported that House Bill No. 2651, which proposes to define "Hawaii attest work" was scheduled to be heard on February 8, 2016 by the House Consumer Protection & Commerce Committee. If passed by this committee, the next referral is to the House Finance Committee. Further discussion ensued on House Bill No. 2651, Proposed House Draft 1, which would be put forward by State Representative Isaac Choy's office for the consideration of the House Consumer Protection & Commerce Committee. This proposed House Draft 1 would remove the additional language in House Bill No. 2651 that had not been proposed and approved by the Board. It was found that since this language was added due to a bureaucratic error, Representative Choy's proposed House Draft 1 would remove the additional language and renumber the subsequent provisions in the bill. After discussion, it was the Board's consensus to fully support this proposed House Draft 1.

Further discussion ensued on the issue of the number of Hawaii attest engagements that would be required

to be selected for the Hawaii supplement to the peer review, as provided in HRS section 466-36(a)(2). It was then moved by Committee Chairperson Williams, seconded by Mr. Roberts, and unanimously carried to propose the addition of the words "one or more" to HRS section 466-36(a)(2) to clarify the number of Hawaii attest engagements that the peer reviewer would need to review in order to complete the Hawaii Supplement to the peer review.

b. Senate Bill No. 3118, Relating to Public Accountancy

Committee Chairperson Williams stated that Senate Bill No. 3118, the companion bill to House Bill No. 2651, with a single referral to the Senate Committee on Commerce and Consumer Protection, and Health, had not yet been scheduled for a hearing.

DAG Tam left the meeting at 10:50 a.m.

C. Ethics

Committee Chairperson Komo had no report.

D. Communications

Committee Chairperson Lee had no report.

E. Continuing Professional Education

Committee Chairperson Punua informed the Board that NASBA and AICPA will re-issue the Exposure Draft on Proposed Revisions to CPE

Provider Standards and that the comment period has been extended to April 30, 2016 with a tentative effective date of September 1, 2016.

F. Mobility

Committee Chairperson Taketa had no report.

G. Uniform CPA Examination

1. Ratification of Examination Scores from the October/November 2015 Testing Window

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

EXAMINATION RESULTS (BY SCORES)

	Number of Scores	Percentage
Credit	78	37.32
No Credit	131	62.68
Lost Credit	0	0
Voided	0	0
TOTAL	209	100.00

TOTALS BY EXAM PARTS (BY CANDIDATES)

	AUD	BEC	FAR	REG	TOTAL
# Attended	44	45	69	51	209
# Passed	17	22	22	17	78

% Passed	38.64	48.89	31.88	33.33	37.32
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SUCCESSFUL CANDIDATES SUMMARY

# of Passing First Time Candidates	5 (27.78%)
# of Passing Re-Exam Candidates	13 (72.22%)
# of International Candidates	0
# of Passing Candidates	18

After discussion, it was moved by Committee Chairperson Williams, seconded by Vice-Chairperson Taketa, and unanimously carried to ratify the examination scores from the October/November 2015 testing window.

Committee Chairperson Williams reported that the Board had received notification from the AICPA, NASBA, and Prometric, testing administrator for the Uniform CPA examinations, relating to candidate fees for 2016, 2017, and 2018. In line with the cost-of-living adjustment requirements of the Agreement, the Prometric hourly fee has been increased from \$19.52 to \$19.85, beginning January 1, 2016. The Prometric security fee per exam section also increased to \$6.05 from \$5.95 beginning January 1, 2016.

Mr. Williams further reported that the NASBA and AICPA fees per examination section are \$18.00 and \$90.00, respectively, for 2016 and will remain at that level for 2017. The NASBA fee will also remain at \$18.00 through 2018; however, the AICPA fee will increase January 1, 2018, although the actual amount of the

increase will not be determined until after its practice analysis.

Open Forum: None.

Next Board Meeting: Friday, March 4, 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 10:58 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

03/03/16

[X] Minutes approved as is.

[] Minutes approved with changes. See Minutes of _____.

FEB - 5 2016

LTYPE	LIC NUM	ORIG LIC	BP NAME PART 1
FPTP	943	12/21/2015	YOSHIYUKI B <MURAOKA<
FPTP	944	12/23/2015	MICHAEL E <KAM<
FPTP	945	12/28/2015	EUGENE G S <HO< CPA INC
FPTP	946	12/28/2015	GLEN H <TAMURA<
FPTP	947	12/29/2015	MICHAEL K <BATES<
FPTP	948	12/24/2015	REG <BAKER< CPA LLC
FPTP	949	12/30/2015	RONALD T <TOMASA< CPA INC
FPTP	950	12/30/2015	JENNIFER A <MCMAHON<
FPTP	951	12/30/2015	LCL LLC
FPTP	952	12/30/2015	STANLEY Y C <CHANG<
FPTP	953	12/30/2015	DENNIS H <IKAWA< CPA LLC
FPTP	954	12/29/2015	SANG YONG <PAE<
FPTP	955	12/29/2015	JOHN A <JACOBSON<
FPTP	956	12/28/2015	NAOHIRO <MIYAJIMA<
FPTP	957	12/30/2015	TIFFANY <TRANG< CPA LLC
FPTP	958	12/30/2015	PETER M <TADAKI<
FPTP	959	12/30/2015	EDWARD <AN< CPA INC
FPTP	960	01/01/2016	DOUGLAS R <HARTMAN<
FPTP	961	01/01/2016	HIROYUKI <KOIDA<
FPTP	962	01/01/2016	MARTINELLIMICK PLLC
FPTP	963	01/01/2016	AARON M <WILLIAMSON< JR
FPTP	964	01/01/2016	GLEN S <AOKI< CPA LLC
FPTP	965	01/01/2016	EGDAMIN HU CPA INC
FPTP	966	01/01/2016	VIVIAN K <JOHNSON< CPA LLC
FPTP	967	01/01/2016	STARTS INTERNATIONAL HAWAII INC
FPTP	968	01/01/2016	ALLISON D T <VAN ORMAN< CPA LLC
FPTP	969	01/01/2016	ALAN K <KUTAKA<
FPTP	970	01/04/2016	MARCUM LLP
FPTP	971	01/04/2016	NATALIE <WALTERS< CPA INC
FPTP	972	01/04/2016	DENISE K <SHIGETA<
FPTP	973	01/05/2016	BOECKMANN & ASSOCIATES
FPTP	974	01/01/2016	PRACTICAL ACCOUNTING SOLUTIONS OF HAWAII LLC
FPTP	975	01/05/2016	PAMELA J <OKUNA<
FPTP	976	01/11/2016	RICHARD S <CAVE<
FPTP	977	01/01/2016	HENRY J <ELLIS< JR
FPTP	978	01/01/2016	THE <INTEGER< COMPANY
FPTP	979	01/01/2016	CURTIS Y <HARADA<
FPTP	980	01/01/2016	B Y KANG CPA LLC
FPTP	981	01/01/2016	NONA L <NISHINA<
FPTP	982	01/01/2016	TEERAPAT <SUNTHARO<
FPTP	983	01/01/2016	BONNIE R <TAKAMIYA<
FPTP	984	01/04/2016	KEN <HANKERSON<
FPTP	985	01/08/2016	NAGAUE & NAGAUE CPAS INC
FPTP	986	01/11/2016	SHANNON K <ASATO<
FPTP	987	01/11/2016	JASON Q <TANG<
FPTP	988	01/01/2016	BRADLEY F M <PANG<
FPTP	990	01/01/2016	MARK K W <CHUI<
FPTP	991	01/01/2016	MICHAEL Y P <CHOCK< CPA INC
FPTP	992	01/01/2016	LISA M TOMA <YOSHIDA< CPA LLC
FPTP	993	01/01/2016	SUZANNE L <YOSHIOKA<
FPTP	994	01/01/2016	SAMUEL A <AUCOIN<
FPTP	995	01/01/2016	C LOW & ASSOCIATES CPAS INC
FPTP	996	01/01/2016	ROY I <NIIMI<

Issued 2014-2015 Firm Permits to Practice

Issued 2016-2017 Firm Permits to Practice