

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

MINUTES

Date: Wednesday, June 19, 2013

Time: 8:30 a.m.

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

Present: Kent K. Tsukamoto, CPA, Chairperson  
Nelson K.M. Lau, CPA, Vice-Chairperson  
Michael H.F. Ching, CPA, Member  
Wendy M. Glaus, CPA, Member  
Craig K. Hirai, CPA, Member  
Steven R. Oberg, CPA, Member  
Gregg M. Taketa, CPA, Member  
Rodney J. Tam, Deputy Attorney General  
Laureen M. Kai, Executive Officer

Excused: Gabriel Lee, Member  
Keith A. Regan, Member

Guests: John W. Roberts, CPA, President, Hawaii Association of  
Public Accountants ("HAPA")  
Carl Williams, CPA, CW Associates, CPAs

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 Tsukamoto.

Additions/Revisions  
to Agenda: Mr. Taketa requested the following addition to the  
agenda (requested new agenda item is underscored):

7.     STANDING COMMITTEE REPORTS  
       \* \* \*

B. Uniform CPA Examination  
1) Neighbor Island Testing Sites

It was moved by Mr. Taketa, seconded by Vice-Chairperson Lau, and unanimously carried for the above-noted item to be added to the meeting agenda.

Executive Session:

At 8:32 a.m., it was moved by Vice-Chairperson Lau, 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 9:30 a.m., it was moved by Vice-Chairperson Lau, seconded by Mr. Ching, and unanimously carried for the Board to move out of Executive Session and to immediately recess the meeting.

At 9:36 a.m., the Board reconvened its scheduled meeting.

Applications for CPA Certification:

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

1. BARRETTA, Cody G.
2. BRAUN, Nina
3. BRENNER, Dawn E.
4. CHOI, Kevin M.
5. FREITAS, Robin K.
6. KIM, Jeung Eun
7. LILLY, Jennifer A.
8. OZUR, Alan L.

Ratification of  
Individual CPA  
Permits to Practice:

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

1. BATAK, Harlan M.
2. COTTRELL, Heather G.
3. PERZEL, Patricia Ann
4. TANAKA, Norman T.

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

1. CHAN, Kevin W.J.
2. SHIMABUKURO, Lauren M.

Ratification of  
Issued Firm  
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 Firm Permits to Practice:

1. MICHELLE C RUSSELL
2. COUGHLAN NAPA CPA COMPANY LLC

Temporary  
Permit to Practice:

The Executive Officer informed the Board that an application for a Temporary Permit to Practice ("TPTP") had been received by the Board from Jose A. Campos, an out-of-State CPA, less than sixty (60) days prior to the commencement of the period covered by the application. The sixty (60) day deadline is required by Hawaii Administrative Rules ("HAR") section 16-71-27. The rule also permits the Board to waive the filing deadline requirement for good cause. Discussion ensued on the applicant's explanation for the delay in the submittal of the application. Executive Officer Kai noted that all other requirements for a TPTP had been met.

After discussion, it was moved by Mr. Oberg, seconded by Ms. Glaus, and unanimously carried to approve the following application for a TPTP for the period June 19, 2013 to September 1, 2013:

1. CAMPOS, Jose A.

Ratification of Firm  
Name Approvals:

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

1. Ryan Y. Shimada, CPA

After discussion, it was moved by Mr. Oberg, seconded by Vice-Chairperson Lau, and unanimously carried (Chairperson Tsukamoto recused himself from the vote) to ratify the approval of the following firm name:

1. Tracey A. Keahi CPA LLC

Approval of  
Minutes of the  
May 3, 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 May 3, 2013 Board Meeting as circulated.

Chairperson's  
Report:

A. National Update

Chairperson Tsukamoto asked the Board members who had attended the National Association of State Boards of Accountancy ("NASBA") Western Regional Meeting in early June, to share their comments on the meeting.

Mr. Taketa remarked that he believed that participation in NASBA meetings and conferences is beneficial to all members, especially members recently appointed to the Board. The New Board Member Orientation Program attended by Ms. Glaus, Mr. Lee, and himself was well organized and comprehensive

in providing information about the mission of NASBA, the key personnel in NASBA's organization, and the types of resources and services available from NASBA to assist state boards of accountancy. He further commented that the meeting provided an excellent opportunity to keep updated on new regulatory developments and to network with NASBA staff, as well as members and staff of other state boards.

The Executive Officer thanked Mr. Taketa for timely providing his written account of his participation in the NASBA meeting.

Ms. Glaus commented that she also would highly recommend attending the New Member Orientation, as she came away with a much better understanding of NASBA, how the Hawaii Board can benefit from being a member board of NASBA, and the responsibilities of a board of accountancy member.

Mr. Taketa and Ms. Glaus reported that Billy Atkinson, Chairman of the Private Company Council, spoke at the Western Regional on the proposed financial reporting framework ("FRF") which establishes alternatives within U.S. generally accepted accounting principles ("GAAP") for private companies. Mr. Atkinson believes that the Financial Accounting Standards Board will hold hearings with users before finalizing standards and that there will definitely be standards for accepted GAAP. It appeared that NASBA was requesting support from its member boards for its position in opposition to the FRF; however, boards could not articulate an opinion because no one has any idea of what the standards will be.

The Board agreed that this is an issue that should be monitored carefully by the Board, and

determined that it would be the responsibility of the next Board Chairperson.

Mr. Taketa commented that there was also a presentation and discussion relating to the latest developments with the American Institute of Certified Public Accountants ("AICPA") Accounting and Review Services Committee ("ARSC"), specifically the exposure draft for compilation services that considers such services as non attest. The premise of this change in the definition of compilation services is that the preparation of financial statements is a management function because an entity's financial statements are the representation of management. This means that compilation services and the preparation of financial statements are synonymous, and therefore, compilation services are non attest. Mr. Taketa remarked that comments and input on the exposure draft are being accepted by the ARSC.

B. Industry Update

Chairperson Tsukamoto stated that proposals for the accounting standards for the financial reporting for small and medium-sized entities ("little GAAP") continue to be discussed by NASBA, the AICPA, and members of the profession.

Mr. Oberg expressed his appreciation to Chairperson Tsukamoto for his four (4) years of service as a member of the Board. Board members and staff echoed Mr. Oberg's sentiments. Chairperson Tsukamoto thanked members and staff for the experience of being a member of the Board of Public Accountancy.

Executive Officer's  
Report:

A. Inquiry from Kaya, Odo & Loo (FOTP-375)  
regarding Firm Name Requirements

The Executive Officer informed the Board that an inquiry had been received from a CPA firm about whether its current firm name could be retained upon the retirement of one (1) of its three (3) partners. Ms. Kai cited HAR section 16-71-64(e), which states, in pertinent part:

"A licensee shall not practice public accountancy under a firm name which is misleading in any way, as to the legal form of the firm, or as to the persons who are sole practitioners, partners, officers, or shareholders of the firm, or as to any matter with respect to which public communications are restricted by subsection (c).

\* \* \*

However, the names of one or more past partners or shareholders may be included in the firm name of a partnership or corporation or its successor [emphasis added], and a partner surviving the death or withdrawal of all other partners may continue to practice under a partnership name for up to two years after becoming a sole practitioner."

After discussion, the Board reached consensus that the CPA firm could retain its firm name upon retirement of one (1) of the partners. It was further noted that even with the retirement, the CPA firm retained its legal form as a partnership.

DAG Tam left the meeting at 9:45 a.m.

B. CPE Sponsor Agreement from Silmon Ng, CPA LLC

The Executive Officer reported that a request to become an approved sponsor of continuing professional education ("CPE") had been received from Silmon Ng, CPA, LLC. She

explained that CPE sponsor applications are usually handled administratively; however, there were questions regarding the information on this application that require the Board's consideration.

After discussion (from which Ms. Glaus recused herself), it was decided by consensus of the Board members that decision making on the request would be deferred until the Board could consult with its attorney.

Standing Committee Reports:

A. Legislation and Rules

Committee Co-Chairperson Hirai reported that the committee would be meeting before the convening of the 2014 State Legislative Session with State Representative Karl Rhoads, Chairperson of the House Judiciary Committee, to discuss House Bill No. 716, Relating to the Disciplinary Authority of the Board of Public Accountancy. He reiterated that this bill had been passed unamended by the House Committee on Consumer Protection and Commerce, but had not been scheduled for a hearing by the House Judiciary Committee, despite his call and visit to Rep. Rhoads and an email from the Department of Commerce and Consumer Affairs ("DCCA") encouraging that a hearing be held. Since the bill will carry over to the 2014 Legislative Session, Mr. Hirai will continue to track the bill to final passage. Chairperson Tsukamoto commented that although this is not an administration bill, it continues to have the support of the DCCA.

C. Uniform CPA Examination

1. Neighbor Island Testing Sites

Mr. Taketa reported that he had met with Patricia Hartman, NASBA Director of Client



Services, at the Western Regional Meeting to briefly discuss the issue of developing neighbor island testing sites for the administration of the Uniform CPA Examination. Ms. Hartman told him that she would check with the exam administrator, Prometric, about the issue. Mr. Taketa explained that with only one (1) Hawaii testing site (located in Honolulu), neighbor island candidates face a hardship in getting to the test site as the only mode of transportation is by air. The high costs of inter-island airfare, additional costs for ground transportation and perhaps even lodging, and taking time off from work by candidates who are employed all impose further financial and professional hardship on neighbor island examination candidates.

Mr. Taketa further proposed the possibility of Prometric considering cooperative arrangements on the neighbor islands, specifically with the University of Hawaii at Hilo ("UHH") on Hawaii Island, as it has a test center that administers the GMAT, LSAT, MCAT, GRE, ASVAB, TOEFL, Praxis, and other exams. He explained to the Board that for non-Prometric test sites, the overriding concern is to ensure adequate security measures to be in place, and so this and other concerns would need to be addressed and satisfactory arrangements are required.

Mr. Taketa volunteered to spearhead the initiative for neighbor island test sites and to investigate the possibility of utilizing the existing test center at UHH to administer the CPA exam. After discussion, it was moved by Mr. Oberg, seconded by Vice-Chairperson Lau, and unanimously carried to accept

Mr. Taketa's offer and appoint him to head the Board's exploration of the possibility of establishing neighbor island testing sites for the administration of the Uniform CPA Examination.

D. Ethics

Committee Chairperson Lau reminded the Board that the comment period for the exposure draft on the re-codification of the AICPA Code of Professional Conduct began on April 15 and extends to August 15, 2013.

E. Peer Review

Committee Chairperson Oberg stated that his report would be combined with his report as Chairperson of the Investigative Committee on Peer Review.

E. Continuing Professional Education

Committee Chairperson Glaus had no report.

F. Communications

There was no report, as Committee Chairperson Lee was excused from the meeting.

Investigative  
Committee Reports:

A. Investigative Committee on Mobility

Investigative Committee on Mobility ("ICM") Chairperson Glaus reported that NASBA is looking at the concept of firm mobility; however, judging from the input from states at the NASBA Western Regional Meeting, it appears that many states have problems with this concept.

Mr. Taketa commented that he had also attended the Pacific regional breakout at the NASBA meeting and there were reports of

widespread objection to firm mobility due to the lack of notice and fees. He also stated that he had brought up the concern about the reported non-payment of state income and general excise taxes by out-of-State CPAs.

B. Investigative Committee on Peer Review

Investigative Committee on Peer Review ("ICPR") Chairperson Oberg reported that the ICPR will meet after the conclusion of this meeting with Representative Isaac Choy to discuss the proposed administrative rules to implement Act 324, SLH 2010. Messrs. Oberg, Lau, and Taketa from the Board, and Mr. Williams, member of the Peer Review Oversight Committee, would participate.

Open Forum: There were no comments.

Next Board Meeting: The Executive Officer announced that the next meeting scheduled for Friday, July 12, 2013 would be missed by Mr. Oberg and Mr. Williams who will be attending the NASBA Peer Review Oversight Committee Summit in Nashville, Tennessee. Ms. Kai requested a change in the meeting date to Thursday, July 18, 2013, commenting that DAG Tam had earlier confirmed his attendance. Consensus of the Board was to accept this change. Therefore, the next Board meeting will be:

Thursday, July 18, 2013  
8:30 a.m.  
Meeting room to be announced  
King Kalakaua Building  
335 Merchant Street, 1<sup>st</sup> Floor  
Honolulu, Hawaii 96813

The Executive Officer asked if Board members had checked their schedules on their availability for the meeting rescheduled to Tuesday, October 1, 2013, as

discussed at the last meeting. Consensus of the Board was to accept this change.

Ms. Kai then requested that the September 6, 2013 meeting be rescheduled to Wednesday, September 4, 2013, in order to accommodate staff participation in a DCCA event. Consensus of the Board was to accept this change.

The Executive Officer will send an email to all Board members regarding these changes, and a revised Meeting Schedule will be distributed.

Announcements: There were no announcements.

Adjournment: There being no further discussion, the meeting was adjourned at 10:23 a.m.

Taken and recorded by:

/s/ Laureen M. Kai

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Laureen M. Kai,  
Executive Officer

LMK

07/12/13

[ ] Minutes approved as is.

[ X ] Minutes approved with changes. See Minutes of July 18, 2013.