

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

MINUTES

Date: Thursday, July 18, 2013

Time: 8:30 a.m.

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

Present: Nelson K.M. Lau, CPA, Vice-Chairperson
Wendy M. Glaus, CPA, Member
Craig K. Hirai, CPA, Member
Gabriel Lee, Member
Steven R. Oberg, CPA, Member
Keith A. Regan, Member
Gregg M. Taketa, CPA, Member
Carleton L. Williams, CPA, Member
Rodney J. Tam, Deputy Attorney General
Laureen M. Kai, Executive Officer
Lori Nishimura, Secretary

Excused: Michael H.F. Ching, CPA, Member

Guests: John W. Roberts, CPA, President, Hawaii Association of
Public Accountants ("HAPA")
Michael Tanaka, Hawaii Society of Certified Public
Accountants ("HSCPA")

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 Vice-Chairperson Lau.

Additions/Revisions
to Agenda: None.

Welcome and
Introduction of New
Member: Carleton
Williams, CPA:

Vice-Chairperson Lau welcomed and introduced new Board member, Carleton L. Williams, CPA.

Executive
Session:

At 8:32 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 9:52 a.m., it was moved by Mr. Regan, seconded by Ms. Glaus, and unanimously carried for the Board to move out of Executive Session and to immediately recess the meeting.

At 10:00 a.m., the Board reconvened its scheduled meeting.

Applications for
CPA Certification:

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

1. BARTLETT, Jeffrey D.
2. CORTEZ, Marie Lou R.
3. HALL, Maria D.
4. HONGO, Ami
5. IKEHARA, Kaitlyn
6. MIAO, Ningjin
7. PEDERSON, Bradley P.
8. WELP, Paul J.

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

1. MIRAMONTES, Louis P.

Ratification of
Individual CPA
Permits to Practice:

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

1. BRAUN, Nina
2. CHOI, Kevin M.
3. LILLY, Jennifer A.
4. OZUR, Alan L.

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:

1. TRACY WATKINS CPA LLC
2. KETEL THORSTENSON LLP
3. AUDITWERX LLC
4. BEACON PATH LLC

Approval of
Minutes of the
June 19, 2013
Board Meetings:

After discussion, it was moved by Mr. Oberg, seconded by Mr. Regan, and unanimously carried to approve the minutes of the June 19, 2013 board meeting, with the following amendment to the third full paragraph on page 5 (with new material underscored and repealed material bracketed and stricken through):

“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 as issued by AICPA; however, boards could not articulate an opinion because no one has any idea of what the standards will be."

Election of Board
Chairperson and
Vice-Chairperson:

Vice-Chairperson Lau requested that Board members could either indicate their interest in or nominate member(s) for the position of Board Chairperson. It was moved by Mr. Oberg, seconded by Mr. Regan, and unanimously carried to nominate and elect current Vice-President Lau for the position of Board Chairperson. Mr. Lau expressed his interest in the position. No further members expressed an interest and no further nominations were made for the position of Board Chairperson; thus, Mr. Lau was elected as Board Chairperson by unanimous vote.

Chairperson Lau requested that Board members could again either indicate their interest in or nominate member(s) for the position of Board Vice-Chairperson. It was moved by Mr. Lee, seconded by Mr. Regan, and unanimously carried to nominate and elect Mr. Taketa for the position of Vice-Chairperson.

Mr. Taketa expressed his interest in the position. No further members expressed an interest and no further nominations were made for the position of Board Vice-Chairperson; thus, Mr. Taketa was elected as Board Vice-Chairperson by unanimous vote.

Executive Officer's
Report:

A. CPE Sponsorship Request from Silmon Ng, CPA

Executive Office Kai reiterated that the Board had deferred decision-making on Mr. Ng's CPE Sponsorship request, pending his clarification of his responses to items #9 and #10 on the application and the Board's consultation with DAG Tam.

Discussion ensued about the Board's interpretation of Mr. Ng's intent as to how the CPE courses would be selected and presented. Board members questioned whether an individual could register and complete a course from another sponsor and obtain credit as a participant, and then get instructional credit by instructing participants on that same course, as an approved sponsor. The Board's consensus was to send an open invitation to Mr. Ng to attend a Board meeting to clarify his CPE Sponsorship Agreement application. It was moved by Vice-Chairperson Taketa, seconded by Mr. Regan, and unanimously carried to defer decision-making on Mr. Ng's CPE Sponsorship Agreement pending clarification of his responses on the application and requesting his appearance at a Board meeting to further explain how the sponsorship arrangement would function.

B. Taylor Duffy & Associates II PC (FPTP 603)
Merger with BeachFleischman PC

Executive Officer Kai gave a brief summary of a name change request from Taylor Duffy & Associates II PC (FPTP 603), whose merger with BeachFleischman PC caused the Board to question the nature of the merger and to consider whether it was a buyout or consolidation where Taylor Duffy & Associates II PC was absorbed into BeachFleischman PC, which would require the resulting firm to obtain a new and separate firm permit to practice ("FPTP"). Ms. Kai informed the Board that when she requested information from the accountancy board in the firm's home state of Arizona, she had been informed that it had not been notified of the merger. Subsequent to her inquiry, the Arizona Accountancy Board notified her that it had received notice and had canceled Taylor

Duffy & Associates II PC's registration retroactively to February 2013, and had registered BeachFleischman PC as a CPA firm in that state. It was noted that such notification is all that is required by the Arizona board for a firm to make the change in registration. After discussion, it was moved by Mr. Regan, seconded by Vice-Chairperson Taketa, and unanimously carried to approve the name change of Taylor Duffy & Associates II PC (FPTP 603) to BeachFleischman PC.

Standing Committee Reports:

A. Legislation and Rules

Committee Co-Chairperson Hirai reported that the committee is arranging to meet 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, a carryover bill from the 2013 State Legislative Session.

Mr. Hirai also mentioned that the committee will also be involved with the rule-writing portion of the administrative rules related to peer review, and in any rules that may be required related to licensure requirements for CPA firms conducting peer reviews of Hawaii firms.

B. Uniform CPA Examination

1. Ratification of Examination Scores from the April/May (2nd 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	26	11.60
Added Credit	49	21.87
No New Credit	56	25.00
Failed	69	30.80
Passed Exam	24	10.71
TOTAL	224	100.00%

TOTALS BY EXAM PARTS (BY CANDIDATES)

	AUD	BEC	FAR	REG	TOTAL
# Attended	88	47	50	39	224
# Passed	39	24	20	16	99
% Passed	44.31	51.06	40.00	41.02	44.20

SUCCESSFUL CANDIDATES SUMMARY

# of Passing First-time Candidates	1
# of Passing Re-Exam Candidates	23
# of Passing Candidates	24

After discussion, it was moved by Mr. Oberg, seconded by Vice-Chairperson Taketa, and unanimously carried to ratify the examination scores from the 2nd quarter 2013 testing window.

Vice-Chairperson Taketa informed the Board that he received a commitment from the University of Hawaii at Hilo ("UHH") to upgrade the security features of its existing test center in order to provide for the administration of the

Uniform CPA Examination on the Big Island. Prometric, the examination administrator, has been given this information and will provide its security criteria to UHH for implementation.

C. Ethics

Committee Chairperson Lau had no report.

D. Peer Review

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

Executive Officer Kai stated that the Board would need to select a candidate for the Peer Review Oversight Committee ("PROC") since one of their members, Mr. Williams, is now a member of this Board. Chairperson Lau commented that it is prudent that the Board again seek candidates for service on the PROC. Ms. Kai asked whether the candidates who had applied during the previous recruitment should be contacted to provide updated information to the Board should they still be interested in serving. The Board agreed that these candidates should be afforded the opportunity to update their application information for this vacancy. The Executive Officer stated that she will contact the four (4) candidates who had applied and were not previously selected, (Isaac Choy, Brian Isobe, Edward Kosaki, and Dwayne Takeno), to inquire whether they were still interested in being a PROC member. She will also contact the HSCPA and HAPA to ask these associations to disseminate the call for volunteers to their membership. Mr. Roberts requested that HAPA be provided with the required questionnaire to be completed by a

prospective candidate. The Board asked that the candidates' information be provided prior to the next Board meeting on September 4, 2013 so that a decision can be made at that meeting.

E. Continuing Professional Education

Committee Chairperson Glaus had no report.

F. Communications

Committee Chairperson Lee gave a brief report on the sessions specifically focused on issues relating to board communication officers that he attended at the National Association of State Boards of Accountancy ("NASBA") Western Regional Meeting. The session provided insight on how to promote effective and efficient communication among boards of accountancy, NASBA, and their respective stakeholders. A poll was taken at the session resulted in the following: (1) About half of the boards represented at the meeting issue annual reports; (2) 39% contribute articles to their societies' newsletters and/or websites; and (3) 46% of boards utilize social media to communicate with their licensees and other stakeholders.

Investigative
Committee Reports:

A. Investigative Committee on Peer Review

Investigative Committee on Peer Review ("ICPR") Chairperson Oberg reported that members of the ICPR had met with State Representative Isaac Choy after the Board's last meeting on June 19, 2013, to discuss the proposed administrative rules to implement Act 324, SLH 2012. Mr. Oberg found the meeting to be very informative; issues discussed were the necessity of rules to implement the law, and the

representative's underlying intentions when drafting the law.

Mr. Oberg reported that he and Mr. Williams had gained a great deal of insight and information by participating in the NASBA PROC Summit earlier this month. Sixty-five (65) participants from twenty-seven (27) states attended the summit which gave Messrs. Oberg and Williams details on the structure and role of the PROC in the peer review process and the duties and responsibilities of the PROC members. He added that the ICPR is working on the rules draft and making good progress, and that an ICPR is scheduled for after the Board's next meeting on August 2, 2013.

Open Forum: There were no public comments on issues that are not on the agenda for consideration for the Board's agenda at a subsequent meeting.

Next Board Meeting: Friday, August 2, 2013
8:30 a.m.
King Kalakaua Conference Room
King Kalakaua Building
335 Merchant Street, 1st Floor
Honolulu, Hawaii 96813

Announcements: Board members were reminded of the remaining 2013 meeting dates as follows:

- Wednesday, September 4
- Tuesday, October 1
- Friday, November 8
- Friday, December 13

Adjournment: There being no further discussion, the meeting
adjourned at 10:25 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:In

08/12/13

[X] Minutes approved as is.

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