

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

MINUTES

Date: Friday, November 8, 2013

Time: 8:35 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
Wendy M. Glaus, CPA, Member
Craig K. Hirai, CPA, Member
Darryl T. Komo, CPA, Member
Gabriel Lee, Member
Steven R. Oberg, CPA, Member
Keith A. Regan, Member
Carleton L. Williams, CPA, Member
Rodney J. Tam, Deputy Attorney General
Laureen M. Kai, Executive Officer
Alice Worthy, Secretary
Patti Kodama, Secretary

Guests: Rodney Harano, 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 8:35 a.m. by Chairperson Lau.

Additions/Revisions to Agenda: None.

Approval of
Minutes of the
October 1, 2013
Board Meeting:

After discussion, it was moved by Mr. Oberg, seconded by Ms. Glaus, and unanimously carried to approve the minutes of the October 1, 2013 Board Meeting as circulated.

Executive
Session:

At 8:36 a.m., it was moved by Mr. Regan, 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 9:27 a.m., it was moved by Mr. Lee, seconded by Mr. Oberg, 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 Mr. Lee, seconded by Mr. Oberg, and unanimously carried (Chairperson Lau recused himself from the vote for Applicants AUSTIN and LEE) to approve the following applications for certification:

1. AUSTIN, Jennifer D.
2. LE, Andrew
3. LEE, Kenny
4. LOE, Robert B.
5. PARK, Haeil
6. PARRY, Thomas J.
7. SHIMOKAWA, Brandon H.
8. SUGAWA, Lauren K.

Ratification of
Issued Firm
Permits to Practice:

After discussion, it was moved by Mr. Oberg, seconded by Mr. Regan, and unanimously carried to (Chairperson Lau recused himself from the vote for Applicant OTSUKA) ratify the approval of the following issued Firm Permits to Practice:

1. MICHAEL E RICHARDS
2. JANICE KIM
3. IVY X CHANG CPA LLC
4. LAURICE N S OTSUKA
5. GRANT BENNETT ASSOCIATES, A PROFESSIONAL CORPORATION
6. KAZUKO HONDA

Approval/Ratification
of Firm Name:

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

1. SHIMOTSU & COMPANY, CPAS, LLC

Restoration of
CPA License
ANDERTON, Jon F.
(CPA-1591):

Chairperson Lau requested that Executive Officer Kai summarize the Board's actions in this matter. Ms. Kai concluded her summarization with an explanation of the information and documentation that Mr. Anderton had provided in response to the Board's latest request (specifically, official court documents that describe the underlying facts of the licensee's convictions). After careful consideration and discussion, it was moved by Mr. Taketa, seconded by Mr. Lee, and unanimously carried to DENY Mr. Anderton's request for the restoration of his CPA license based on HRS sections 436B-19(7), (8), (9), (11), (12), and (14), and that the matter be referred to the Regulated Industries Complaints Office for follow-up as necessary.

Chairperson's
Report:

A. National Update

1. Firm Mobility

Chairperson Lau reviewed and explained:

- a. The Exposure Draft related to firm mobility that has been issued by the National Association of State Board's of Accountancy ("NASBA"). Board members need to review for discussion at the next Board meeting. The Board's comments are due to NASBA by January 31, 2014;
- b. With firm mobility being considered on a national level, the Board will need to consider and review this initiative to determine the Board's position;
- c. To lead this review and consideration, Chairperson Lau has established the Standing Committee on Firm Mobility, and has asked Vice-Chairperson Taketa to be its chairperson; and
- d. Comments on the Exposure Draft should be emailed to the Executive Officer, who will provide them to the Board prior to the discussion at the December 13, 2014 meeting.

2. 2013 NASBA Annual Meeting

Chairperson Lau reported that he, Vice-Chairperson Taketa, Mr. Hirai, and Executive Officer Kai attended NASBA's Annual Meeting on Maui on October 27-30, 2013. He reported that there were discussions and presentations relating to the Private Company Council, the Financial Accounting Standards Board, and the ongoing dialogue and debate on the American Institute of Certified Public

Accountants' ("AICPA") Financial Reporting Framework for Small- and Medium-Sized Entities. He thanked Mr. Regan for his role in facilitating Maui Mayor Alan Arakawa's presentation of the opening address welcoming all attendees.

B. Industry Update

Chairperson Lau had nothing to report at this time.

Executive Officer's Report:

A. NASBA Request for Annual Declaration on the Release of Candidate Contact Information

The Executive Officer reported that with Board approval, NASBA will release contact information for eligible and/or successful examination candidates to third parties for a limited number of mailings regarding one or more of the following topics:

1. Information on review courses to assist the candidates in preparing to sit for the Uniform CPA examination;
2. Career oriented information;
3. Email address;
4. Job placement assistance; and
5. Society and Association memberships pertaining to CPAs.

The candidate information that is to be released by NASBA includes the following:

1. Candidate's name;
2. Address;
3. Email address;
4. Examination date; and
5. Examination type (first time or re-exam).

Ms. Kai stated that the Board needs to declare its position on the release of candidate contact information for the coming year. The options for the Board to consider are:

1. Names and mailing addresses only (for eligible or successful candidates, or both);
2. Names, addresses, and email addresses for eligible or successful candidates, or both); or
3. Neither addresses nor email addresses.

It was discussed that for the past two years the Board has denied NASBA's release of candidate information to third parties. The Executive Officer noted that exam candidates are asked to indicate on their initial application whether they will allow NASBA to release their contact information. Additional discussion ensued regarding whether the Board has the authority to approve the release of information such as personal email addresses that are considered to be confidential under the provisions of HRS chapter 92F. After discussion, it was moved by Mr. Williams, seconded by Mr. Regan, and unanimously carried to deny NASBA's request.

Standing Committee
Reports:

A. Legislation and Rules

Committee Chairperson Hirai reported that he, Mr. Taketa, and Executive Officer Kai met with representatives of the AICPA at the NASBA Annual Meeting and raised questions about how and to what extent the Board's licensing statutes (HRS chapter 466) and administrative rules (Hawaii Administrative Rules chapter 16-71), as well as the Professional and Vocational Licensing Act (HRS chapter 436B) would be impacted by the recent recodification of the AICPA Code of Professional Conduct ("COC") should the Board determine that the provisions

of the COC be adopted in whole or in part or by exception. The AICPA provided information about model language for any proposed administrative rule revisions, and indicated that it would be able to provide this to the Board.

B. Uniform CPA Examination

1. Ratification of Examination Scores from the July/August (3rd Quarter) 2013 Testing Window

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

EXAMINATION RESULTS (BY SCORES)

	Number of Scores	Percentage
Initial Credit	19	7.08
Added Credit	75	27.98
No New Credit	73	27.23
Failed	82	30.59
Passed Exam	19	7.08
TOTAL	268	100.00%

TOTALS BY EXAM PARTS (BY CANDIDATES)

	AUD ¹	BEC ²	FAR ³	REG ⁴	TOTAL
# Attended	74	50	76	68	268
# Passed	27	29	32	25	113
% Passed	36.48	58.00	42.10	36.76	42.16

SUCCESSFUL CANDIDATES SUMMARY

# of Passing First-time Candidates	02
# of Passing Re-Exam Candidates	17
# of Passing Candidates	19

¹ AUD – Auditing and Attestation

² BEC – Business Environment and Concepts

³ FAR – Financial Accounting and Reporting

⁴ REG - Regulation

It was brought up why are Hawaii's passing rate is lower than the national average. Mr. Williams mentioned various factors such as Hawaii has more international candidates for whom English may be a second language, the fact that there are no CPA exam preparation classes available in Hawaii (although the HSCPA did try to offer such classes but could not get enough participation), and that accounting programs at universities and colleges on the mainland provide CPA examination preparation courses as part of the school curriculum. Mr. Taketa also mentioned that some states require that candidates earn 150 hours of education before being allowed to sit for the exam, and so may be better equipped to score higher which may result in stronger passing rates.

After further discussion, it was moved by Mr. Oberg, seconded by Vice-Chairperson Taketa, and unanimously carried to ratify the examination scores from the 3rd Quarter 2013 testing window.

B. Ethics

Committee Chairperson Hirai stated that his Ethics Committee report was covered in his report of the Legislation and Rules Committee.

C. Peer Review

Committee Chairperson Oberg had nothing to report at this time.

E. Continuing Professional Education

Committee Chairperson Glaus reported that she attended the Hawaii Tax Institute's 50th Annual Conference and that she was very impressed with the quality of speakers at the conference.

F. Communications

Committee Chairperson Lee had nothing to report at this time.

Investigative
Committee Reports:

A. Investigative Committee on Peer Review

Investigative Committee Chairperson Oberg had nothing to report at this time.

Open Forum:

None.

Next Board Meeting:

Friday, December 13, 2013
8:30 a.m.
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Announcements:

Executive Officer Kai announced that the new online license renewal system allowed CPAs, Public Accountants, and CPA firms to create a single account under which all applicable licenses can be renewed.

It was announced that Messrs. Hirai and Komo, and Vice-Chairperson Taketa had attended the meeting of the Hawaii Association of Public Accountants board as non-voting members of the association.

