

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

MINUTES

Date: Friday, February 14, 2014

Time: 8:32 a.m.

Place: King Kalakaua Conference Room  
King Kalakaua Building  
335 Merchant Street, 1<sup>st</sup> 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 ("DAG")  
Laureen M. Kai, Executive Officer  
Lori Nishimura, Secretary

Guests: None.

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: Executive Officer Kai requested the following revision and addition to the agenda:

- Revision: 6. CHAIRPERSON'S REPORT  
A. National Update  
2) Call for NASBA Vice Chair  
and Director Nominations

- Addition: 7. STANDING COMMITTEE REPORTS  
G. Uniform CPA Examination  
2) Supplemental Agreement to  
Examination Contract

After discussion, it was moved by Mr. Oberg, seconded by Mr. Regan, and unanimously carried to approve the revision and addition to the agenda as noted above.

Approval of  
Minutes of the  
January 10, 2014  
Board Meeting:

After discussion, it was moved by Vice-Chairperson Taketa, seconded by Mr. Oberg, and unanimously carried to approve the minutes of the January 10, 2014 Board Meeting as circulated.

Executive  
Session:

At 8:34 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 9:11 a.m., it was moved by Vice-Chairperson Taketa, seconded by Ms. Glaus, 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 matter pursuant to Chapter 91, HRS:

Chapter 91, HRS  
Adjudicatory Matters:

A. In the Matter of the Firm Permit to Practice of  
MCGLADREY, LLP; ACC 2012-1-L

DAG Tam provided a summary of the Settlement Agreement Prior to Filing of Petition for Disciplinary Action and Board's Final Order; Exhibits "1" on McGladrey, LLP. He stated that McGladrey, LLP entered into a stipulated order with the United States Commodity Futures Trading Commission on September 22, 2011; agreeing not to violate Commission Regulations and paid monetary fines and restitution. McGladrey, LLP reported to the Board (on October 19, 2011) within 30 days, as required by HRS section 436B-19(13) and 436B-19(15). The Regulated Industries Complaints Office alleges that the conduct described in this order constitutes conduct which reflects adversely upon McGladrey, LLP's fitness to engage in the practice of public accountancy, in violation of HRS section 466-9(b)(10).

Terms of Settlement Agreement:

- \$1000 administrative fine
- Failure to fully and timely comply with terms of the Settlement Agreement will result in the automatic revocation of Respondent's license.

After discussion, it was moved by Mr. Williams, seconded by Mr. Lee, and carried by majority vote (with eight "ayes" and Vice-Chairperson Taketa voting "nay") to approve the Settlement Agreement.

At 9:23 a.m., the Board reconvened its scheduled meeting, and immediately recessed the meeting.

At 9:30 a.m., the Board reconvened its scheduled meeting.

Applications for  
CPA Certification:

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

1. FLOOD, Sally A.
2. HUANG, Jasmine J.
3. LEVYCHIN, Richard M.
4. RUIZ, Masako S.
5. SCHULTE, Edward R.
6. SCHULTZ, Neill P.
7. SUTTIE, James C. Jr.
8. WU, Jenny S. L.

After discussion, it was moved by Mr. Regan, seconded by Mr. Oberg, and unanimously carried (Chairperson Lau recused himself from the vote) to approve the following applications for certification:

1. BAUCOM, Tara D.
2. NAGAMINE, Allison K.

After discussion, it was moved by Mr. Regan, seconded by Mr. Oberg, and unanimously carried (Mr. Williams recused himself from the vote) to approve the following application for certification:

1. LOO, Gavin H.W.

Ratification of  
Individual CPA  
Permits to Practice  
(2012-2013):

After discussion, it was moved by Vice-Chairperson Taketa, seconded by Ms. Glaus, and unanimously carried to ratify the approval of the following individual CPA Permit to Practice (2012-2013):

1. HAYS, Kyle M.

Ratification of  
Individual CPA  
Permits to Practice  
(2014-2015):

After discussion, it was moved by Vice-Chairperson Taketa, seconded by Ms. Glaus, and unanimously carried to ratify the approval of the following individual CPA Permits to Practice (2014-2015):

1. BARRETTA, Cody G.
2. CARR, Andrea L.

3. DELONG, Richard A.
4. FIEMAN, Sara C.
5. GONZALES, Clair G.
6. KATAYAMA, Nancy J.
7. KUMABE, Janelle R.
8. LEUNG, Willie
9. LOPEZ, Alejandra C.
10. MILLER, Lisa A.M.
11. NAKAGAWA, Dane Y.
12. TAKAMATSU, Grant F.
13. WAMURA, Shiho
14. WILSON, David C.

Ratification of Issued  
Firm Permits to  
Practice:

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

1. LINDA E KAAPU CPA INC
2. KIM G HANSON
3. JEANINE C HILL
4. FANNY P S C LEE
5. CHRISTOPHER M LOVVORN
6. PETER S T LAM
7. RUSSELL M LINK
8. CARALYN J MERRILL
9. RMF CONSULTING INC
10. SHIMOTSU & COMPANY CPAS LLC
11. STEVE O WHETZEL
12. FELIX K C YOUNG
13. C&Y CPAS LLC
14. LINDA PARK
15. TRACEY F ITOMAN
16. LINDA C IWASAKI
17. JONATHAN A OLSON
18. EDWARD W C LEE
19. KENDALL C KIM
20. KATHY LAU
21. JOHN D SIZELOVE
22. ARTHUR S L CHING
23. KERI H N TAOKA
24. CHARITO B PASCUAL-DELGADO

25. RICHARD M OKUNA LLC
26. L DIANE CORNWELL
27. SHIHO WAMURA
28. KIMBERLY T STRAUBE
29. SONNENBERG CANEVARI AND  
MCANDREWS LLP
30. VASANA CHIU
31. PATRICIA J A AHN
32. NORMAN N OKIMOTO
33. GEORGE YAMAGUCHI
34. LEONARD & PAPPAS LLC
35. DAVID N HAMA
36. VFT CORPORATION
37. JAMES D SONODA
38. WALTER YOSHINORI SUGIURA
39. CHOY & WONG CPAS INC
40. LISA A M MILLER
41. MASAE S DOTE
42. DEACON M HANSON
43. TOM PARK LLC
44. JANET M JANSSEN

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

1. DARREL W LAU
2. PATRICIA A MATSUMOTO
3. RYAN K HINAGA
4. JEREMIAH V ANA

Ratification of  
Firm Name  
Approval:

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

1. Michael Y.P. Chock, CPA, Inc.
2. S. Y. Yeung, CPA, Inc., An Accountancy Corporation
3. Won Cho CPA

4. Yee & Takamatsu CPA Inc

Chairperson's  
Report:

A. National and Industry Update

1. 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. If someone holds the designation "CPA-Inactive" in another state, could he or she hold that designation in your jurisdiction? Does your state provide for an "inactive" or "retired" status? If so, what services could such an individual perform without being considered to need to have an active CPA license? If there is a distinction between "inactive" and "retired" status in your state, what could a "retired CPA" do? Does it matter if such services are performed pro bono?

Response: No, Hawaii has neither an "inactive" status nor a "retired" status for its CPA licensees. In order to practice public accountancy in Hawaii, an individual needs a license, an individual permit to practice, and be affiliated with a CPA firm that holds a firm permit to practice.

2. Your local newspaper reports a national firm has entered into a settlement agreement with the

Securities and Exchange Commission. What would cause your state to consider opening an investigation of that firm and/or its CPAs?

Response: The Board would need to know the underlying facts are of the case to determine there have been violations to its statutes or administrative rules.

3. Has your Board reviewed the two exposure drafts from the AICPA's Accounting Review Services Committee regarding 1) compilation and preparation services and association and 2) the applicable framework? If so, does your Board have concerns with these changes? Please explain.

Response: No, this matter has not been reviewed at the Board level.

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

Response: The Board continues its efforts to promulgate administrative rules to implement the recently-enacted peer review requirement for Hawaii CPA firms.

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

Response: Continuing to assist and support the Hawaii 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 and the Executive Officer.

2. Call for NASBA Vice Chair and Director Nominations

Chairperson Lau stated that NASBA's member boards have been asked for nominations for NASBA Vice President and NASBA Director at Large (2014-2015). Requests from individuals seeking the Board's support have been forwarded to Board members for their review prior to the meeting.

Mr. Oberg suggested supporting the nomination of Janice Gray for NASBA Vice President. He stated that she is a member of the Oklahoma Board and has had extensive experience in many areas of NASBA, including peer review. No further action was taken as other Board members expressed that they were not familiar with Ms. Gray, and no motion for support of nomination was received.

Executive Officer Kai and other Board members suggested to once again support the nomination of Laurie Tish for NASBA Director at Large, a position she has held for the past year. Ms. Kai stated that as Director at Large, Pacific Regional Director, and in other NASBA position, Ms. Tish has been a consistent advocate for this Board.

After discussion, it was moved by Mr. Oberg, seconded by Mr. Lee, and unanimously carried (Vice-Chairperson Taketa abstained from the vote) to submit a letter of support for the nomination of Laurie Tish for NASBA Director at Large (2014-2015).

B. Industry Update

Chairperson Lau provided an update on the private company initiative.

Standing Committee Reports:

A. Communications

Committee Chairperson Lee had no report.

B. Continuing Professional Education

Committee Chairperson Glaus had no report.

C. Ethics

Committee Chairperson Hirai reported that he planned to participate in a teleconference meeting that has been scheduled for next week by the NASBA Ethics Committee.

D. Legislation and Rules

Committee Chairperson Williams had no report. Former Committee Chairperson Hirai stated that House Bill No. 716, which proposes to amend HRS section 466-9(A)(2) and HRS section 466-11, relating to the Board's authority for disciplinary action, had passed its 3<sup>rd</sup> Reading by the House and had crossed over to the Senate; however, no committee referrals had yet been made.

E. Mobility

Committee Chairperson Taketa had no report. Ms. Glaus asked for the status of any proposed legislation relating to mobility. Executive Officer Kai commented that a measure proposed by the Hawaii Society of Certified Public Accountants ("HSCPA") was not supported and therefore not introduced for this legislative session.

Mr. Williams commented that Representative Isaac Choy's opposition to mobility stemmed from his understanding that the Hawaii Board would be unable to impose disciplinary action against out-of-State CPAs who violate Hawaii's accountancy statutes and rules.

F. Peer Review

1. *Peer Review Program 2014 Plan of Administration* submitted by the Hawaii Society of Certified Public Accountants ("HSCPA")

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

Committee Chairperson Oberg stated that HSCPA submitted its *Peer Review Program 2014 Plan of Administration*; commenting that in general, it is a good plan, and mirror image to its plan that is submitted to the American Institute of Certified Public Accountants ("AICPA"). He did, however, have several areas of concern relating to the plan's provision that decision-making on certain issues would be deferred to the Peer Review Oversight Committee ("PROC") by the Board.

Discussion ensued on the deferral by the Board of certain procedures to the PROC, and whether this was allowed based on the Board's statute.

DAG Tam cited HRS section 466-42 (a)(1)(2)(3), which provides the purpose of a PROC; and that ultimately it is the Board's job and not the PROC for final determination.

DAG Tam left the meeting at 10:08 a.m.

The Board suggested that DAG Tam further review the proposed Plan and that Committee Chairperson Oberg forward his questions and concerns to the Executive Officer to forward to the PROC.

After discussion, it was moved by Committee Chairperson Oberg, seconded by Mr. Hirai, and unanimously carried to defer decision-making on the *Peer Review Program 2014 Plan of Administration* submitted by HSCPA, and further to refer this plan to DAG Tam for review and to refer this Plan with Mr. Oberg's comments to the PROC.

It was also suggested that the PROC meet to discuss the plan prior to the Board's next meeting that is scheduled for March 7, 2014, in order to provide an update to the Board at that meeting.

G. Uniform CPA Examination

1. Ratification of Examination Scores from the October/November (4<sup>th</sup> 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	14	5.2
Added Credit	64	23.79
No New Credit	62	23.04
Failed	103	38.28
Passed Exam	26	9.66
TOTAL	269	100.00%

TOTALS BY EXAM PARTS (BY CANDIDATES)

	AUD	BEC	FAR	REG	TOTAL
# Attended	65	67	67	70	269
# Passed	20	28	29	27	104
% Passed	30.76	41.79	43.28	38.57	38.66

SUCCESSFUL CANDIDATES SUMMARY

# of Passing First-time Candidates	6
# of Passing Re-Exam Candidates	20
# of Passing Candidates	26

After discussion, it was moved by Committee Chairperson Regan, seconded by Mr. Williams, and unanimously carried to ratify the examination scores from the 4<sup>th</sup> quarter 2013 testing window.

2. Supplemental Agreement to Examination Contract

Committee Chairperson Regan stated NASBA submitted a supplemental agreement to amend candidate's fees; they cited the increase as due to recent improvements in processing times and extension of customer service hours. NASBA also noted that this will be the first increase of its fees since 2004, and the amendment will align Hawaii's fees with the majority of other states. Committee Chairperson Regan described the amendment as follows:

First-time candidate's fee:

\$165 (an increase of \$20)

Re-examination candidate's fee:

(each to be increased by \$10)

All 4 sections \$120

3 sections \$105

2 sections \$90

1 section \$75

Discussion ensued on the proposed increase in fees. Vice-Chairperson Taketa commented that he did not think it is fair to increase fees to candidates who are not in the profession yet. Committee Chairperson Regan commented an increase in fees may make candidates take the examination more seriously, stating that Hawaii has a passing rate of 30%, well below the rest of the country. Committee Chairperson Regan requested for the 2012 and 2013 test scores to be provided to him.

Vice-Chairperson Taketa commented that he did not think fees have anything to do

with the test results and that he believes that the Board should remove unnecessary barriers for entrance to the accountancy profession for the next generation. He further commented that entry into the profession should be made easier, rather than hindering candidates with added costs.

After discussion, it was moved by Committee Chairperson Regan, seconded by Mr. Lee, and carried by majority vote (with eight "ayes" and Vice-Chairperson Taketa voting "nay") to approve the NASBA Supplemental Agreement.

Investigative  
Committee Reports:

A. Investigative Committee on Peer Review

Investigative Committee on Peer Review  
Chairperson Oberg had no report.

A. Investigative Committee on Mobility

Investigative Committee on Mobility  
Chairperson Taketa had no report.

Open Forum:

None.

Next Board Meeting:

Friday, March 7, 2014  
8:30 a.m.  
King Kalakaua Conference Room  
King Kalakaua Building  
335 Merchant Street, 1<sup>st</sup> Floor  
Honolulu, Hawaii 96813

Announcements:

None.

