

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

MINUTES

Date: Friday, April 4, 2014

Time: 8:34 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
Carleton L. Williams, CPA, Member
Rodney J. Tam, Deputy Attorney General ("DAG")
Laureen M. Kai, Executive Officer
Lori Nishimura, Secretary

Excused: Steven R. Oberg, CPA, Member
Keith A. Regan, Member

Guests: Kathy Castillo, Executive Director, Hawaii Society of
Certified Public Accountants ("HSCPA")
Dr. Raymond N. Johnson, CPA
National Association of State Boards of
Accountancy ("NASBA") Director-at-Large
Chairperson, NASBA Ethics and Strategic
Issues Committee
Marilyn Johnson

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 8:34 a.m. by Chairperson Lau.

Additions/Revisions to Agenda: None.

Approval of Minutes of the March 7, 2014 Board Meeting: After discussion, it was moved by Mr. Williams, seconded by Vice-Chairperson Taketa, and unanimously carried to approve the minutes of the March 7, 2014 Board Meeting as circulated.

DAG Tam arrived to the meeting at 8:35 a.m.

Executive Session: At 8:35 a.m., it was moved by Vice-Chairperson Taketa, seconded by Ms. Glaus, 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 9:36 a.m., it was moved by Mr. Williams, seconded by Mr. Komo, and unanimously carried for the Board to move out of Executive Session and to immediately recess the meeting.

At 9:46 a.m., the meeting reconvened.

Chairperson Lau acknowledged the arrival of Mr. Lee to the meeting during the Executive Session, and the departure of DAG Tam during the recess.

Applications for CPA Certification: After discussion, it was moved by Vice-Chairperson Taketa, seconded by Mr. Komo, and unanimously carried to approve the following applications for certification:

1. CHEN, Yu Jing
2. NISHIHARA, Kristen K.
3. SAECHAO, Cheng On
4. SILVESTAIN, Scott E.
5. WARNICK, Nicholas A.

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

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

1. BONNEMA, Edward J.
2. DEYOUNG, Kalea S.
3. ENGLISH, Carmen N.
4. HALL, Charles A.
5. KADEY, Ronald G.
6. MAKOFF, Kristina M.
7. NAKATA, Taichiro
8. NOYAMA, Cody T.
9. TSUKAMOTO, Eric W.

Ratification of Issued
Firm Permits to
Practice:

After discussion, it was moved by Mr. Komo, seconded by Mr. Hirai, and unanimously carried to ratify the approval of the following issued Firm Permits to Practice:

1. JULIA M BEDNARIK
2. DANIEL J GRAY CPA INC
3. FREEMAN & BONNEMA PLLC
4. TAICHIRO NAKATA
5. HOWARD M S HU
6. RENEE S NAGAOKA
7. CORY WRIGHT & ASSOCIATES CPA
8. EMILY K NAKADA
9. KRISTINA M MAKOFF
10. SOLUTION CENTER FINANCIAL LLC

Ratification of Firm
Name:

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

1. Kalea DeYoung CPA
2. David M. Chinaka, CPA, Inc.

Chairperson's
Report:

A. National and Industry Update

Chairperson Lau stated that the NASBA Western Regional Meeting will be held on June 11-13, 2014 in St. Louis, Missouri. New Board members, Messrs. Komo and Williams were encouraged to attend, as NASBA also conducts a special orientation for new board members the day prior to the start of the Regional Meetings. Chairperson Lau requested that Messrs. Komo and Williams check their schedules for their availability in attending that meeting, as requests for scholarships to NASBA would need to be submitted as soon as possible.

Mr. Williams stated that he would not be able to attend that meeting due to a prior commitment. Dr. Johnson suggested that Mr. Williams consider attending the Eastern Regional Meeting which is scheduled to take place in Kentucky during the week prior to the Western Regional Meeting.

Discussion ensued on the request by former Board Chairperson Thomas Ueno, CPA, for the Board's support in recommending him for a second two (2) year term on the NASBA Nominating Committee. It was noted that the Board had supported Mr. Ueno's initial nomination for his current seat on the committee. After discussion, it was moved by Mr. Williams, seconded by Mr. Hirai, and unanimously carried to recommend Mr. Ueno for another two (2) year term on the NASBA Nominating Committee, and to instruct the Executive Officer to submit that

recommendation to NASBA before the May 23, 2014 deadline.

Chairperson Lau encouraged Board members to consider applying to serve on any of a number of NASBA committees for the upcoming year. If interested, a Board member should complete the NASBA Committee Interest Form by April 23, 2014. Board members had already been provided with NASBA's informational email prior to this meeting. Mr. Hirai shared his experiences as a member of NASBA's Ethics and Strategic Issues Committee, stating that his participation includes semi-monthly tele-conference calls, and yearly meetings.

B. Industry Update

Chairperson Lau had no report.

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 requested that agenda items subsequent to his report be taken up at this time, and that Dr. Johnson's report be presented and discussed at the end of the meeting.

D. Legislation and Rules

Committee Chairperson Williams stated that House Bill ("H.B.") No. 716, which proposes

to amend HRS sections 466-9 and 466-11, relating to the Board's authority for disciplinary action, had crossed over from the House to the Senate and was heard by the Senate Commerce and Consumer Protection Committee that subsequently passed the measure with a technical amendment. The bill became H.B. No. 716, Senate Draft ("S.D.") 1, and was then passed unamended by the Senate Judiciary and Labor Committee. It was then adopted by the Full Senate and transmitted back to the House on April 2, 2014.

Discussion ensued on Mr. Hirai's suggestion that the Board submit letters to the chairpersons of the House Committee on Consumer Protection and Commerce and the House Judiciary Committee requesting the acceptance of H.B. No. 716, S.D. 1, thereby avoiding the referral of the measure to a conference committee. Mr. Hirai further suggested that because the Regulated Industries Complaints Office ("RICO") had also provided supporting testimony throughout the session, RICO should also submit similar letters to both chairpersons. The Board reached consensus on Mr. Hirai's suggestion and instructed the Executive Officer to follow through with letters from the Board and from RICO.

E. Mobility

Committee Chairperson Taketa had no report.

F. Peer Review

Due to Committee Chairperson Oberg's excused absence, there was no report.

Chairperson Lau stated that, with the departure of Mr. Oberg from the Board, his positions of Chairperson of the Peer Review Committee and Chairperson of the Peer Review Investigative Committee would become vacant. Mr. Lau announced that Mr. Taketa had been asked to assume both of these chairpersonships, and that Mr. Taketa had graciously accepted the new assignments.

G. Uniform CPA Examination

Due to Committee Chairperson Regan's excused absence, there was no report.

Investigative
Committee Reports:

A. Investigative Committee on Peer Review

Due to Investigative Committee on Peer Review Chairperson Oberg's excused absence, there was no report.

B. Investigative Committee on Mobility

Investigative Committee on Mobility Chairperson Taketa had no report.

Open Forum: None.

Next Board Meeting: Friday, May 2, 2014
8:30 a.m.
King Kalakaua Conference Room
King Kalakaua Building
335 Merchant Street, 1st Floor
Honolulu, Hawaii 96813

Announcements: Executive Officer Kai reminded the Board that the deadlines for submittal of disclosures to the Hawaii State Ethics Commission are coming up as follows:

- Disclosure of Financial Interests Long Form (Form D-201) must be received by the

Commission on or before June 2, 2014; the report should cover the period from June 1, 2013 through May 31, 2014;

- Gifts Disclosure Statement must be filed by June 30, 2014; the report should cover gifts received during the period from June 1, 2013 through June 1, 2014.

Standing Committee
Reports:

C. Ethics

- 1) Dr. Raymond Johnson, CPA
Chairperson, NASBA Ethics and Strategic
Issues Committee

Dr. Johnson was introduced and welcomed by the Board. He gave a brief summary of the American Institute of Certified Public Accountants ("AICPA") Ethics Codification project, which moves the Code of Conduct ("COC") from a rules-based approach to a conceptual framework. The COC addresses the necessity that risk in every situation needs to be identified and safeguards must be in place to reduce that risk to an acceptable level.

Discussion ensued on the different ways that other states have incorporated the COC into their rules, focusing on the way the states of Delaware and Nevada had done so. Dr. Johnson commented that Delaware had decided on the automatic adoption of the COC, as amended, unless explicitly choosing to reject a specific provision, thus keeping the code "evergreen". He then explained that Nevada had adopted the COC in its entirety as of a certain date. His recommendation for any state that does this is to specify the

date of June 1 of every year as this is the date that the AICPA updates its COC. Dr. Johnson noted that the AICPA website provides the latest amended COC, and that the website is regularly maintained. The Board could provide a link to the AICPA COC from its own website, which would preclude the Board from having to update its rules every time the COC is amended.

Dr. Johnson commented that recodification provides clarity and takes away much of the ambiguity of the previous COC, providing clear advice and interpretations of the guidelines, especially to CPAs in business.

Mr. Hirai stated that the first issue that the Board needs to address is whether or not the Board will adopt the COC. Dr. Johnson commented that his review of the Board's administrative rules showed that the Board's rules are similar to the AICPA COC in 1989. Obviously, the COC has undergone a number of amendments since then that the Board's rules do not capture, thereby requiring a substantial updating of these rules. He stated that there are eighteen (18) states similar to Hawaii that does not refer to the AICPA COC in the state rules.

The disadvantages to the adoption of the COC were discussed, primarily the need for CPAs who are not members of the AICPA to compel them to become more knowledgeable about the COC and to look to the COC for guidance.

Dr. Johnson informed the Board that the codification project went through a

preliminary review of the existing COC, resulting in many changes made even before releasing the formal exposure draft. The exposure period resulted in approximately 200 comments identifying additional changes to be made.

Board members commented that there is concern about how enforcement of the COC would be accomplished. Additional comments were made regarding the possibility of greater potential for litigation as the result of adopting the COC and the interpretations included in it.

Dr. Johnson stated that there are advantages to the licensees of a state with a close tie-in with the AICPA COC. Licensees will be able to use the AICPA "ethics hotline" enabling them to obtain answers to their specific questions. When asked whether non AICPA members could also utilize this feature, Dr. Johnson stated that he will check on that and let the Board know.

Ms. Glaus and Vice-Chairperson Taketa left the meeting at 10:46 a.m.

Dr. Johnson pointed out statute conflicts with client records and forms of business. Mr. Komo also commented that there may be a conflict with the Board's prohibition of the acceptance by licensees of contingency and referral fees.

Discussion ensued on current procedures of ethics-related complaints being submitted to the HSCPA, which in turn

are referred to the AICPA, which recommends appropriate sanctions, to which the HSCPA concurs or disagrees.

Adjournment: Mr. Lee left the meeting at 10:56 a.m., and the meeting adjourned as there was no quorum.

Taken and recorded by:

/s/ Lori Nishimura

Lori Nishimura, Secretary

Reviewed and accepted by:

/s/ Lauren M. Kai

Lauren M. Kai, Executive Officer

LMK:ln

04/25/14

[X] Minutes approved as is.
[] Minutes approved with changes. See Minutes of _____.