

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

MINUTES

Date: Friday, October 3, 2014

Time: 8:33 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
Edward L. Punua, CPA, Member
Carleton L. Williams, CPA, Member
Rodney J. Tam, Deputy Attorney General ("DAG")
Laureen M. Kai, Executive Officer
Lori Nishimura, Secretary

Excused: Keith A. Regan, Member

Guests: Kathy Castillo, Hawaii Society of Certified Public Accountants ("HSCPA")
Rodney Harano, CPA, CW Associates, CPAs
John W. Roberts, CPA, Hawaii Association of Public Accountants ("HAPA")
Dwayne Takeno, CPA, Chairperson, Peer Review Oversight Committee ("PROC")

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 8:33 a.m. by Chairperson Lau.

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Additions/Revisions
to Agenda:

None.

Approval of
Minutes of the
September 5, 2014
Board Meeting:

After discussion, it was moved by Vice-Chairperson Taketa, seconded by Mr. Komo, and unanimously carried to approve the minutes of the September 5, 2014 Board Meeting, as circulated.

Executive
Session:

At 8:34 a.m., it was moved by Vice-Chairperson Taketa, seconded by Mr. Punua, 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 9:21 a.m., it was moved by Vice-Chairperson Taketa, seconded by Mr. Williams, and unanimously carried for the Board to move out of Executive Session and to immediately recess the meeting.

At 9:30 a.m., the meeting reconvened; Chairperson Lau acknowledged that DAG Tam was not present.

Chairperson Lau acknowledged the arrival of Mr. Lee to the meeting during the Executive Session.

Applications for
CPA Certification:

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

1. HOTTA, Mizuho
2. MCADAMS, Todd B.
3. NAKAMATSU, Taryn M. L.
4. RYALS, Cameron D.

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5. STEINER, David J.
6. WOODALL, Andrew C.

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

1. WILLIAMS, Michael H.

Ratification of
Individual CPA
Permits to Practice:

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

1. IGE, Kristi M.Y.H.
2. KUNKEL, Eric M.
3. OHIRA, Chad M.
4. SMITH, David M.
5. TSANG, Carol K.Y.

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

1. TAKAMIYA, Bonnie R.

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

1. UEDA, Curt R.

Ratification of Issued
Firm Permits to
Practice:

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

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1. LE B POMASKI
2. DONG HYUN KIM
3. UENO & HOE CPAS LLC
4. CURZON CUMBEY & KUNKEL PLLC
5. JONI C ORIMOTO
6. LOREN L TSUGAWA
7. HAYNIE AND COMPANY P C
8. SMITH AND COMPANY CPAS PLLC

Approval of Firm Name:

After discussion, it was moved by Vice-Chairperson Taketa, seconded by Mr. Komo, and unanimously carried to approve the following Firm Name:

1. Brightline CPAs & Associates, Inc.

Ratification of Firm Name Approval:

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

1. B Y Kang CPA LLC
2. Myers & Ohira, An Accountancy Corporation

DAG Tam arrived back to the meeting at 9:34 a.m.

Chairperson's Report:

- A. National Update

- B. Industry Update

Chairperson Lau reported that he participated in a conference call with the NASBA Pacific Region Director and representatives from Pacific Region boards of accountancy, and discussed the following issues:

1. Practice Mobility

Forty-nine (49) states have mobility provisions, and several jurisdictions (U.S. territories) also have mobility.

2. Financial Challenges of Regulatory Boards
Independent or autonomous boards of accountancy are experiencing financial challenges.
3. Uniform Accountancy Act ("UAA")
Caution was advised to state boards that may be considering the whole adoption of the UAA, to be aware of jurisdictional issues.
4. CPE "Nano Learning"
In light of new studies of effective learning processes, a method of delivery of continuing professional education ("CPE") called "nano learning" has emerged. Nano learning involves providing CPE instruction in short segments of ten (10) minutes or less. This methodology has resulted in better learning experiences and improved retention of learned material.

Chairperson Lau stated the Board received a letter from the California Board encouraging this Board to continue to pursue mobility.

Chairperson Lau further reported that he had participated in an open teleconference call with the AICPA Peer Review Board at its meeting on September 30, 2014. The focus of the meeting was firm quality control with emphasis on licensure and regulatory control. It was suggested that firm quality be made a part of a board's peer review process.

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 stated that he may be holding a meeting with the Regulated Industries Complaints Office and HSCPA to discuss the recodification of the AICPA Code of Conduct ("Code") and the enforcement issues involved in the Board's adoption of the Code, in part or in its entirety. He noted that most state CPA societies do not share enforcement information with the state boards. Mr. Williams commented that he would be interested in attending that meeting too.

D. Legislation and Rules

Committee Chairperson Williams stated that the Board had not received any information relating to potential or pending legislative initiatives.

E. Mobility

Committee Chairperson Taketa had no report.

F. Peer Review

1. Hawaii Society of Certified Public Accountants ("HSCPA") Plan of Administration

PROC Chairperson Takeo stated that subsequent to the Board's last meeting of August 20, 2014 and the PROC's last meeting of September 12, 2014, the HSCPA made a number of revisions to the Plan, as agreed upon by the HSCPA and the PROC. The Plan was conditionally approved by the PROC at

that meeting, contingent upon the incorporation of these agreed-upon revisions into the Plan. He further stated that this revised Plan is being presented to the Board at today's meeting, with the PROC's recommendation for approval; however, he understands that there may be questions and concerns that need to be addressed.

Committee Chairperson Taketa commented that there are "some inconsistencies" in the revised Plans:

PROGRAM ENROLLMENT (Both AICPA Member and Non AICPA Member Plans)

Point 2 states: "A firm's due date for its initial peer review is ordinarily 18 months from the date it enrolled in the Program or should have enrolled, whichever date is earlier." However, HRS section 466-34(c)(4) states that the initial peer review must be performed within eighteen months of the date the Hawaii attest work was first performed. Both Plans must be revised to reflect the language in the statute.

TIMING OF REVIEWS – INITIAL REVIEWS
(Both AICPA Member and Non AICPA Member Plans)

Point 1 in both plans must also be amended to reflect the language in HRS section 466-34(c)(4).

FIRM REQUEST FOR EXTENSION OF DUE DATE (Both AICPA Member and Non AICPA Member Plans)

This section in both plans should provide a timeline of when HSCPA will notify the Board of its decision to grant or deny the firm's request for an extension. HRS section 466-34(f) states "The board shall accept extensions granted by the sponsoring organization to complete a peer review; provided that the board is notified by the firm within twenty days of the date that an extension is *granted*."

Discussion ensued on the consequence(s) a firm may face in the event the due date of its review is extended beyond the renewal date of its firm permit to practice ("FPTP"). Committee Chairperson Taketa commented that it is a "detiment to the firm if it doesn't renew its FPTP" on time, as its authority to practice public accounting is not renewed. The Board should decide sooner rather than later whether a firm at renewal can attest that it was granted an extension by the HSCPA (as accepted by the Board), and can then continue its practice without the renewal of its FPTP. It was noted that similar to the situation where a CPA does not fulfill the continuing professional education requirements for the renewal of the individual permit to practice, if the requirements for the renewal of a FPTP are not met, the renewal is nevertheless granted due to the property interest the firm has in its permit and the firm's entitlement to due process before the Board can deny its renewal.

The following changes in both Plans as follows, with deletions bracketed and stricken, and additions underscored:

Point 6.c. ~~[The Board has agreed that, in]~~ In general, an extension may be granted if:.

FIRM MONITORING PROCEDURES FOR TERMINATING FIRMS (AICPA Member Plan only)

It was suggested that this section include language similar to the language in the section FIRM MONITORING PROCEDURES FOR NON-COMPLIANT FIRM-FAILING TO COOPERATE ONCE THE REVIEW HAS COMMENCED of the Plan for Non AICPA members, relating to the third warning letter from the HSCPA that it will ask the PROC to recommend whether the firm should be sanctioned by the Board for failure to cooperate.

HAWAII SUPPLEMENT TO THE PEER REVIEW REPORT (Both AICPA Member and Non AICPA Member Plans)

Discussion ensued on Point 2, which states "Select at least one engagement (highest level of scope) from the list above;". Committee Chairperson Taketa suggested mirroring the terminology used in the AICPA Peer Review Standards "cross section of the firms". Mr. Hirai commented that the Hawaii supplement is for a firm that has already been peer reviewed and thus has had a review of a cross section of its engagements. After discussion, the consensus of the Board was to use the language in HRS section 466-36(2), "Select engagements from the list of engagements obtained from the reviewed firm;".

TIMING OF REVIEWS – SUBSEQUENT REVIEWS (Both AICPA Member and Non AICPA Member Plans)

Point 1 would be amended to read as follows, with deletions bracketed and stricken and additions underscored:

1. A firm's subsequent peer review ordinarily has a due date of three years and six months from the year-end of the previous peer review. For example, if a firm's initial peer review due date was determined to be June 30, 2014, with a review *year end* of December 31, 2013; then the firm's next peer review due date would be June 30, 2017, which is based on three years and six months from the *year end* of the previous review."

FIRM REQUEST FOR EXTENSION OF DUE DATE (Both AICPA Member and Non AICPA Member Plans)

6 c. The Board has agreed that, in general, an extension may be granted if: should be amended to "In general, an extension may be granted if:".

The Board deferred decision making on the approval of the Plan, pending the consideration of the above-cited changes by the Peer Review Oversight Committee and the HSCPA. It was further noted that DAG Tam provided his edits to the Plan; although non-substantive, the Executive Officer was instructed to forward the suggested changes to the PROC and the HSCPA for consideration.

REVISED Approval of Chairperson Lau suggested rescinding the Board's

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approval of the minutes of the September 5, 2014 meeting which had been done at the start of this meeting. He suggested the following amendment to the Chairperson's Report on page three (3):

Chairperson Lau stated that [the following] two (2) additions have been made to [standing] the following committees:

- ~~[Peer Review Standing Committee (which also includes the] Investigative Committee on Peer Review[})]~~: Mr. Komo; and
- Communications Standing Committee: Mr. Punua.

After discussion, it was moved by Mr. Williams, seconded by Vice-Chairperson Taketa, and unanimously carried to approve the minutes of the September 5, 2014 Board Meeting, as amended.

Standing Committee
Reports:

G. Uniform CPA Examination

1. American Institute of Certified Public Accountants ("AICPA") Invitation to Comment on "Maintaining the Relevance of the Uniform CPA Examination"

In Mr. Regan's absence, Chairperson Lau reported that the decision of the Board at its September 5, 2014 meeting had been to table discussion on this issue until Board members were provided with the AICPA's email request and the document itself, and would be scheduled for today's meeting. He reiterated that this document proposes a variety of potential changes to the CPA examination to reflect the needs of the changing profession and protect the public interest.

It was noted that the AICPA State Regulation and Legislation Team would be conducting a webcast on October 28, 2014, which is designed to provide participants with the latest information on the AICPA's Examination Practice Analysis and would discuss this Invitation to Comment. Board members agreed that participating in this webcast would be beneficial to the Board's discussion on the Invitation to Comment. After discussion, the consensus of the Board was to defer this agenda item to the Board's next meeting in order to provide Board members to gain additional information via the AICPA webcast. It was noted that the deadline for comment is December 2, 2014.

Mr. Hirai left the meeting at 10:01 a.m.

Mr. Williams commented that he has a positive opinion of the examination. He suggested that the exam should use Word and Excel rather than the proprietary system in order for candidates to be familiar with the computer programming of the examination. Also, the addition of "interview skills" as examination items would be beneficial as CPAs would be utilizing these skills for client interaction in audits and other types of engagements.

Vice-Chairperson Taketa commented that exam candidates may be subjected to undue additional stress because of the inclusion of "test case" questions that are not counted in their overall score. It was noted that this is a process that many

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high stakes examination creators and providers utilize to ensure that the examination is psychometrically sound.

- Open Forum: Mr. Roberts commented that he had attended an accounting and auditing update seminar, which had discussed the Department of Labor study that highlighted significant deficiencies in the CPA audits of Employee Benefit Plans. He and HAPA are worried that this profession may be destroying the fragile world of trust that CPAs strive to establish with their clients with the systemic failure in honesty and integrity. He mentioned that there is widespread misconduct with CPAs leaving CPE classes early or not paying attention to the information being presented. He stated that the Board should create a PSA (public service announcement) to send out a message to licensees warning them of the danger of destroying the trust between a CPA and the client.
- Next Board Meeting: Friday, November 14, 2014
8:30 a.m.
King Kalakaua Conference Room
King Kalakaua Building
335 Merchant Street, 1st Floor
Honolulu, Hawaii 96813
- Announcements: None.
- Adjournment: There being no further discussion, the meeting adjourned at 10:10 a.m.

Taken and recorded by:

/s/ Lori Nishimura

Lori Nishimura, Secretary

Reviewed and accepted by:

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/s/ Laureen M. Kai

Laureen M. Kai, Executive Officer

LMK:ln

10/29/14

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