

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

MINUTES

- Date: Friday, December 19, 2014
- Time: 8:40 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  
Edward L. Punua, 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: Hamid Pourjalali, Ph.D., Donald A. Corbin  
Distinguished Professor of Accounting, Shidler  
College of Business, School of Accountancy,  
University of Hawaii at Manoa  
John W. Roberts, CPA, Hawaii Association of Public  
Accountants ("HAPA")  
Melissa Takaaze, The Accountants Coalition
- 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 8:40 a.m. by Chairperson Lau.

Additions/Revisions  
to Agenda:

Executive Officer Kai requested for the Board to amend the agenda as follows:

Delete:     4.   APPLICATIONS  
                  \* \* \*  
                  D.   Ratification of Firm Name Approval  
                  \* \* \*  
                              3) ~~Ron Dolan, CPA &  
  Associates, Inc., An  
  Accountancy Corporation~~

Add:         4.   APPLICATIONS  
                  \* \* \*  
                  E.   Approval of Firm Name  
                              1) Ron Dolan, CPA &  
  Associates, Inc., An  
  Accountancy Corporation

After discussion, it was moved by Vice-Chairperson Taketa, seconded by Mr. Punua, and unanimously carried to approve the deletion and addition of the above and renumber the list accordingly.

Approval of  
Minutes of the  
November 14, 2014  
Board Meeting:

After discussion, it was moved by Mr. Regan, seconded by Mr. Lee, and unanimously carried to approve the minutes of the November 14, 2014 Board Meeting, as circulated.

Executive  
Session:

At 8:43 a.m., it was moved by Vice-Chairperson Taketa, seconded by Mr. Regan, 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 9:50 a.m., it was moved by Vice-Chairperson Taketa, seconded by Mr. Punua, and unanimously

carried for the Board to move out of Executive Session and to immediately recess the meeting.

At 9:58 a.m., the meeting reconvened; Mr. Hirai stepped out of the meeting and was not present.

Applications for  
CPA Certification:

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

1. FREUNDLICH, Andrew J.
2. HANANOKI, Maya R.
3. HUTCHISON, Sung Youn L.
4. KANG, Sol Jee
5. KAWACHI, Wesley K.
6. KNIPP, Mark S.
7. MERSCH, Kenneth L.
8. MURPHY, Mark D.
9. NAUMANN, Jeffrey J.
10. PATHIRANA, Patrick R.
11. PERSONS, Claude
12. ROBINSON, Jeremy L.
13. SAN AGUSTIN, Rebecca M.
14. TRACEY, Valerie L.
15. VAN DUYN, Michael J.
16. ZLOTOWITZ, Morris

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

1. DUNNE, Aidan M.

After discussion, it was moved by Vice-Chairperson Taketa, seconded by Mr. Punua, and unanimously carried (Mr. Williams recused himself from the vote) to defer decision-making on the following application for certification pending additional and clarifying information of the educational credits submitted:

1. MYERS, Marlo

Ratification of  
Individual CPA  
Permits to Practice:

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

1. ALMEDA, Nicole L.L.
2. BECK, Douglas E.
3. CHAKLER, Hugh
4. DOW, Mark V.
5. JOHNSON, Vivian K.
6. LECHLEITER, John C.
7. MCCOMBS, Douglas P.
8. NAKAMURA, Shari K.
9. NOVAK, Susan C.
10. SPITERI, Annette M.

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

1. BUNCE, Kenneth R.

Ratification of Issued  
Firm Permits to  
Practice:

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

1. O'CONNOR & DREW PC
2. DEBORAH A HUGHES
3. TIFFANY L SAWAI
4. SPITERI NARASKY & DALEY LLP

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 Name:

1. Allison D T Van Orman, CPA LLC
2. Jason J. Lee, CPA, Inc.  
dba Jason J. Lee & Jeong Min Ha, CPAs

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. Ron Dolan, CPA & Associates, Inc., An Accountancy Corporation

At 10:12 a.m., Mr. Hirai returned to the meeting.

Chairperson's  
Report:

A. National Update

1. 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. We understand that some estate attorneys on the west coast are advising partners of CPA firms to move their partnership equity account into a living trust. Does your accountancy act allow for partner's interest to be held in a trust capacity?

Response: This issue is not specifically addressed in the Board's statutes.

2. At the NASBA Annual Meeting and October Board of Directors' meeting, there were concerns voiced regarding changes in accounting education, specifically allowing college credit for life experience, testing out of college courses, and other accelerated accounting degree programs. NASBA is considering ways of tracking disparities in accounting education. Has your

Board discussed or raised concerns about the disparity in qualifying courses and methodologies in accounting education? If so, can you describe the concerns raised?

Response: No, the Board has not discussed or raised concerns about this issue. The Board relies upon the accrediting body to support its acceptance of the credits.

3. Should there be reconsideration of developing a "CPA-retired" status besides the "CPA-inactive" status (currently in the Uniform Accountancy Act) that would apply to people who have been in public practice for at least 20 years with no disciplinary charges against them? Explain

Response: Yes, this status should be reconsidered. The Board would like to see what can be developed.

4. What is happening in your jurisdiction that other Boards and NASBA should know about?

Response: The Hawaii Society of CPAs has developed proposed legislation regarding mobility that it will be introducing in the 2015 legislative session.

5. Are there any ways in which NASBA can assist your Board at the present time?

Response: (1) The Board would like to request the NASBA develop a database of acceptable educational institutions that boards can refer to in determining the educational

qualifications of a licensure applicant.  
(2) NASBA can certainly assist the  
Board by bringing together all  
stakeholders and interested parties on  
the issue of mobility.

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.

B. Industry Update

1. AICPA Exposure Draft relating to "Preparation of Financial Statements Performed under SSARS and the Impact on Enrollment in and the Scope of Peer Review"

Chairperson Lau provided a brief synopsis and commented that the exposure draft proposes that preparation of financial statements is not subject to peer review.

2. AICPA Exposure Draft relating to "Peer Review Performance, Disagreements and Qualifications"

Chairperson Lau provided a brief synopsis of the exposure draft which proposes to address changes occurring in the peer review program.

Standing Committee  
Reports:

A. Communications

Committee Chairperson Lee had no report.

B. Continuing Professional Education

Committee Chairperson Glaus had no report.

C. Ethics

1. Re-codified AICPA Code of Professional Conduct

Committee Chairperson Hirai had no report but reiterated that he is working to schedule 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.

D. Legislation and Rules

1. Uniform Accountancy Act ("UAA") Analysis

Committee Chairperson Williams reported on his findings, stating that it appears that the Board's licensing statute seems to track the UAA's earlier drafts and had adopted UAA provisions on a piece-meal basis. He suggested that the Board may want to consider proposing additional and updated revisions to the Board's laws.

Chairperson Lau requested that Mr. Williams prioritize UAA issues and provisions for the Board's consideration, and suggested the creation of a spreadsheet to provide a good cross reference to find gaps or differences between the UAA and the Board's current laws. Mr. Williams agreed to work on this task and further commented that basic differences such as the use of outdated terms would be a place to



begin. Vice-Chairperson Taketa commented that it would assist the Board to see how other states adopted the UAA, either on a piece-mail basis or adoption of the entire UAA.

Chairperson Lau thanked Committee Chairperson William for his continuing efforts in providing the Board with information on this matter.

E. Mobility

1. HSCPA Proposed Bill for An Act Relating to Public Accountancy

Chairperson Lau stated that the HSCPA had provided a copy of its proposed legislation which had been forwarded to the Board for review. He commented that the Board's position on this bill will be requested by the Legislature.

Committee Chairperson Taketa provided the following comments:

The Big Picture

1. As mentioned numerous times at NASBA regional and annual meetings, the State Boards of Public Accountancy's primary responsibility is the protection of the public. As former NASBA Chair Gaylen Hansen stated, "the only two bodies that protect the public from attest work of CPAs is the SEC and the State Boards of Public Accountancy."

Firm mobility will not be the only challenge we face in protecting the public. We won't be able to rely on the IRS to help protect the public, as

in the past, from CPAs practicing in the area of taxation. The Loving case defeated the idea of regulating tax return preparers and the Ridley case "watered down" Circular 230 to only apply to CPAs that represent taxpayers before the IRS. It doesn't apply to CPAs that prepare tax returns or perform tax planning or tax consulting services for taxpayers.

2. RICO continues with its investigation of the 70% of out-of-state CPAs that applied for temporary permits to practice in 2007 and 2008 that failed to obtain a Hawaii General Excise Tax license. RICO's investigation was referred to in the minutes of our April 12, 2013 meeting.

#### HSCPA's Mobility Bill

1. HSCPA's bill includes individual and firm mobility. No other state has adopted both individual and firm mobility in the same piece of legislation. While we are the last state to adopt individual mobility, there are currently only about seventeen states that have adopted firm mobility in one form or another. The Board has been focused on individual mobility and has not reviewed the issues dealing with firm mobility. Our focus on individual mobility was also evident when relying to a NASBA focus question on our position on firm mobility at our September 4, 2013 meeting. Our response was "The Hawaii Board is continuing its efforts to legislate individual CPA mobility; the Board believes that consideration of firm

mobility is premature and unwarranted at this time.”

2. Section 466-A of the bill, dealing with substantial equivalency is a concept applied at the individual CPA level but not the CPA firm level. For out of state firms with practice privileges under this section 466-A with no office in Hawaii and that performs review or compilation services, they will not be subject to Hawaii’s peer review law if their home state’s peer review meets Hawaii’s peer review law requiring the inclusion of Hawaii attest engagements (i.e. the Hawaii supplement) (see 466-34(b) and 466-7(d)(2)). (The key word is “if”, which makes this a conditional requirement and not a deemed privilege). The Board must determine how to enforce an out of state firm’s compliance with this conditional requirement.
3. The practice privilege is a deemed privilege due to section 466-A of the bill (substantial equivalency) with no tangible evidence.

#### Comments and Conclusions

1. With respect to the ongoing investigation of the 70% of out-of-state firms, we would not create a favorable perception from the public’s point of view if we approved this bill before RICO completes its investigation. We should invite a representative of RICO to our next meeting to give us a status report of the case.

2. We have been focused on legislative efforts related to individual mobility and have not reviewed or discussed the impact of firm mobility and how it impacts our ability to protect the public.
3. The HSCPA bill should include a separate section defining substantial equivalency at the firm level. Substantial equivalency should include comparable peer review requirements and consistency in rules about ownership of CPA firms.
4. The HSCPA mobility bill refers to the out-of-state CPA's and firm's practice privilege as a deemed privilege. Do all of the other states provide tangible evidence of this deemed privilege, such as wallet sized license/permit cards, to its licensed CPAs and Firms? Are we comfortable about our ability to protect the public if there is no such evidence?
5. Since we are dealing with a deemed privilege, when carrying out disciplinary action under HRS section 466-9, the State must decide through statute or administrative rules, on an effective method to communicate to the public any revocation of practice privileges under section 466-A of the bill.

Mr. Hirai left the meeting at 10:53 a.m.

Mr. Lee left the meeting at 11:07 a.m.

DAG Tam left the meeting at 11:12 a.m.

Mr. Williams inquired about Representative Isaac Choy's reaction to the proposed bill, as the Representative's position is important for the Board to consider. He then stated that he would like to defer further action on this bill until the next meeting. Mr. Regan commented that he would rather table this agenda item rather than take a "nebulous deferral".

It was then moved by Committee Chairperson Taketa and seconded by Mr. Komo to defer decision-making on approving HSCPA's mobility bill until:

1. RICO concludes its investigation of the out-of-state CPA firms;
2. RICO reviews HSCPA's mobility bill and communicates to the Board any concerns with respect to enforcement; and
3. The Board reviews the impact of firm mobility on our ability to protect the public by seeking answers to the questions listed above.

The vote reflected three (3) ayes by Messrs. Taketa and Komo, and Ms. Glaus, and four (4) nays by: Messrs. Regan, Punua, Williams, and Chairperson Lau; therefore, the motion died.

It was then moved by Mr. Regan, seconded by Mr. Williams, and unanimously carried to table the discussion of this agenda item to the next meeting.

F. Peer Review

1. HSCPA Peer Review Plan of Administration

Committee Member Komo reported that the Peer Review Oversight Committee

("PROC") received the HSCPA's revised Peer Review Plan of Administration ("Plan") at its meeting on December 3, 2014, and had approved the Plan subject to certain corrections, and further recommended that the Board approve the Plan.

Chairperson Lau stated that the HSCPA notified the Board just yesterday that the AICPA continues to review the Plan and had requested that the Board defer approval of the Plan pending further revisions.

After discussion, it was moved by Committee Chairperson Taketa, seconded by Mr. Williams, and unanimously carried to approve the HSCPA's Plan to be a sponsoring organization of the Board's Peer Review Program, with the full understanding that changes may be suggested by the AICPA and other interested parties at any point in the future for the Board's consideration.

2. Inquiry Relating to Preparation of Financial Statements

Executive Officer Kai reported that the Board had received an inquiry whether compilation or review of financial statements is a service that would require that the CPA firm providing this service undergo peer review. The inquirer explained that she provides bookkeeping services (includes monthly bank reconciliation, posting sales, posting journal entries, run payroll, etc.) and wanted to confirmation that these types of activities are considered to be compilations. The inquirer's client wants

bookkeeping services and monthly/ quarterly financials to use, and these financial statements are prepared by a licensee or provided by clients to be used by the licensee for tax preparation purposes.

After discussion, the consensus of the Board was that the licensee should consult AICPA and or their standards such as Statements on Standards for Accounting and Review Services ("SSARS"), AICPA Audit and Accounting Guide for Compilation and Review Engagements and the AICPA Technical Practice Aids. Mr. Komo also suggested that the licensee check with their peer reviewer.

G. Uniform CPA Examination

Committee Chairperson Regan had no report.

Open Forum: Mr. Roberts thanked the Board members for their services as "these are tough challenges" that are confronting the Board.

Next Board Meeting: Friday, January 16, 2015  
8:30 a.m.  
King Kalakaua Conference Room  
King Kalakaua Building  
335 Merchant Street, 1<sup>st</sup> Floor  
Honolulu, Hawaii 96813

Announcements: None.

Adjournment:                    There being no further discussion, the meeting  
adjourned at 11:34 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:ln

01/15/15

[ ] Minutes approved as is.

[X] Minutes approved with changes. See Minutes of February 6, 2015.