

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

MINUTES

Date: Friday, January 16, 2015

Time: 8:33 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  
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

Excused: Craig K. Hirai, CPA, Member

Guests: Rodney Harano, CPA, CW Associates, CPAs  
Hamid Pourjalali, Ph.D., Donald A. Corbin  
Distinguished Professor of Accounting, Shidler  
College of Business, School of Accountancy,  
University of Hawaii at Manoa  
Tammy Velasquez, Ernst & Young, 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 8:33 a.m. by Chairperson Lau.

Additions/Revisions  
to Agenda:

None.

Approval of  
Minutes of the  
December 19, 2014  
Board Meeting:

Chairperson Lau stated that the minutes of the December 19, 2014 meeting were not finalized. The minutes will be available within thirty days after the December 19, 2014 meeting date, as required pursuant to HRS section 92-9, and will be on the February 6, 2015 meeting agenda for the Board's review and approval.

DAG Tam arrived to the meeting at 8:34 a.m.

Executive  
Session:

At 8:34 a.m., it was moved by Vice-Chairperson Taketa, seconded by Mr. Williams, 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. Williams, 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 matters pursuant to Chapter 91, HRS:

Chapter 91, HRS,  
Adjudicatory Matters:

- A. In the Matter of the Certified Public Accountant's License of Dennis L. Duban; ACC 2012-21-L

DAG Tam provided a summary of the Settlement Agreement After Filing of Petition for Disciplinary Action and Board's Final Order; Exhibit A regarding Dennis L. Duban. He

stated that Mr. Duban, whose CPA license expired December 31, 2013, had pled guilty to one count of Conspiracy to Defraud the Internal Revenue Service and one count of Aiding in the Preparation of a False Tax Return, and is currently incarcerated. Mr. Duban violated HRS section 436B-19(12), 466-9(b)(5), HRS 466-9(b)(8), HRS 466-9(b)(9), and 466-9(b)(10).

Terms of Settlement Agreement:

- Voluntary surrender of CPA license; shall not apply for a new license until the expiration of at least five (5) years from the effective date of the surrender of the license.
- Failure to fully and timely comply with terms of the Settlement Agreement shall result in the automatic revocation of Respondent's license.
- Possible further sanctions may be pursued by the Board as provided by law to include further fines and other sanctions if Mr. Duban violates any provision of the statutes or rules governing the conduct of certified public accountants in the State of Hawaii, or if Mr. Duban fails to abide by the terms of this Settlement Agreement.

After discussion, it was moved by Mr. Williams, seconded by Mr. Lee, and unanimously carried to approve the Settlement Agreement relating to the Matter of the Certified Public Accountant's License of Dennis L. Duban; ACC 2012-21-L.

- B. In the Matter of the Certified Public Accountant's License of Diana C.H. Pruner; ACC 2014-8-L

DAG Tam provided a summary of the Settlement Agreement Prior to Filing of Petition for Disciplinary Action and Board's Final Order regarding Diana C.H. Pruner. He stated that Ms. Pruner renewed her CPA license online and attested to having completed four (4) continuing professional education ("CPE") credits in ethics or professional conduct; Ms. Pruner's license was selected for random audit and to date, she has not provided proof to the Board of having completed the CPE credits she claimed in the online renewal, as required by HRS sections 436B-19(2), 436B-19(17), 466-9(b)(1), and 466-9(b)3).

Terms of Settlement Agreement:

- Voluntary surrender of CPA license; shall not apply for a new license until the expiration of at least five (5) years from the effective date of the surrender of the license.
- Failure to fully and timely comply with terms of the Settlement Agreement shall result in the automatic revocation of Respondent's license.

After discussion, it was moved by Mr. Williams, seconded by Mr. Regan, and unanimously carried to approve the Settlement Agreement relating to the Matter of the Certified Public Accountant's License of Diana C.H. Pruner; ACC 2014-8-L.

C. In the Matter of the Certified Public Accountant's License of Kelvin Wong; ACC 2014-12-L

DAG Tam provided a summary of the First Amended Settlement Agreement Prior to Filing of Petition for Disciplinary Action and Board's

Final Order regarding Kelvin Wong. He stated that Mr. Wong submitted a renewal application to the Board in which he attested to having earned a minimum of four (4) CPE credits in ethics. Mr. Wong's license had been selected in the Board's random audit, which found that although Mr. Wong completed five (5) CPE credits, he did not complete two (2) of the required four (4) CPE credits in ethics. Mr. Wong subsequently completed four (4) credits in ethics CPE on April 22, 2014 and submitted proof of completion to the Board. Mr. Wong failed to comply with the provisions of HRS section 466-9(b)(3).

Terms of Settlement Agreement:

- \$500 administrative fine.
- Failure to fully and timely comply with terms of the Settlement Agreement shall result in the automatic revocation of Respondent's license.

After discussion, it was moved by Mr. Williams, seconded by Mr. Punua, and unanimously carried to approve the Settlement Agreement relating to the Matter of the Certified Public Accountant's License of Kelvin Wong; ACC 2014-12-L.

At 9:52 a.m., the Board reconvened its scheduled meeting, and immediately recessed the meeting.

At 10:00 a.m., the Board reconvened its scheduled meeting.

Chairperson Lau acknowledged the arrival of Ms. Glaus during the Executive Session.

Applications for  
CPA Certification:

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

1. GATELY, Robert A.
2. LAUE, Vonna
3. MELENDEZ-MAKIMOTO, Victoria M.

Ratification of  
Individual CPA  
Permits to Practice:

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

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

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

1. DUNNE, Aidan M.

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. ANSARI INC
2. VIVIAN K JOHNSON
3. NICK HONG VA CHU
4. JOHN RICHARD CANDON
5. WEAVER AND TIDWELL LLP
6. MAUI TAX LLC
7. DOUGHERTY & COMPANY
8. LESLEY THOMAS SCHWARTZ & POSTMA INC
9. JEANNA L THACKER
10. HOLTHOUSE CARLIN & VAN TRIGHT LLP

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

1. ROBERT H FUKUHARA JR CPA LLC

Ratification of Firm  
Name Approval:

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

1. Alexander Arndt CPA

Chairperson's  
Report:

- A. National Update
- B. Industry Update

Chairperson Lau commented that his update correlates with the standing committee reports; thus had no report at this time.

Standing Committee Reports:

A. Communications

Committee Chairperson Lee had no report but did comment that he has reached out to the respective committee chairpersons for their input by providing articles for the upcoming Board newsletter which will be published in the near future.

B. Continuing Professional Education

Committee Chairperson Glaus had no report.

C. Ethics

1. Re-codified AICPA Code of Professional Conduct

Due to Committee Chairperson Hirai's absence, this agenda item was tabled to the next meeting.

D. Legislation and Rules

Committee Chairperson Williams informed the Board that he is continuing to work on a spreadsheet to provide a cross referencing guide identifying gaps or differences between the Uniform Accountancy Act and the Board's current laws.

E. Mobility

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

Committee Chairperson Taketa reversed the order of the following agenda item.

b. Feedback from the Regulated Industries Complaints Office ("RICO")



Committee Chairperson Taketa stated that RICO had stated that it would support the Board's position in regards to the mobility bill.

- a. Feedback from the National Association of State Boards of Accountancy ("NASBA")

Committee Chairperson Taketa summarized a letter from Dan Dustin, CPA, Vice-President, State Board Relations, NASBA, in response to the Board's request for information to supplement discussion on individual and firm mobility. Mr. Taketa expressed his appreciation for NASBA's comprehensive report and support to the Board.

Mr. Taketa then stated that he wanted to correct his comment from the last meeting that "no other state has adopted both individual and firm mobility in the same piece of legislation". NASBA reported that both Alabama and North Carolina had adopted individual and firm mobility in the same legislation. Mr. Dustin's response was that the revenue impact on the financial status of a regulatory board lessens as the economy improves, as these types of external factors may mitigate these types of concerns.

Of the concerns relating to mobility's impact on peer review and firm oversight by boards of

accountancy, Mr. Dustin responded that this is not an issue according to NASBA. He mentioned that Delaware is the only state that does not require peer review for the renewal of a CPA firm's license. NASBA acknowledges that there may be a perception of reduced board oversight; but, NASBA has found that there has been no significant adverse impact on regulation by boards after adopting firm mobility, nor has there been any significant increase in regulatory violations subsequent to the implementation of firm mobility provisions. Mr. Dustin responded that these concerns were mitigated once it was determined that the state boards' oversight of out-of-state firms actually increased with the adoption of the firm mobility provisions. Mr. Taketa stated that Mr. Dustin did not elaborate in his letter on how the state boards' oversight increased.

Committee Chairperson Taketa questioned how the Board would be able to enforce the compliance of peer reviews of out-of-State CPA firms with Hawaii's peer review law since these peer reviews may not have included the review of a Hawaii attest engagement. NASBA acknowledges that this is a unique situation as only Hawaii law has this type of requirement; therefore, there is no information from other boards of accountancy that is pertinent to this concern. Mr. Dustin suggested

in his letter that the Board require through rule that out-of-State firms allow the Board to view their peer review reports on the AICPA's Facilitated State Board Access website. Mr. Taketa stated that Mr. Dustin's suggestion would not work because the peer review reports do not disclose the engagements selected by the peer reviewer. With respect to Committee Chairperson Taketa's concern that HSCPA's mobility bill does not address substantial equivalency at the firm level, including the firm ownership issue, Mr. Dustin acknowledged in his letter that removing a firm registration requirement for out-of-State firms that only require a majority of owners to be CPAs may present unique compliance challenges in jurisdictions like Hawaii that do not have a majority ownership law. Delaware and New York have similar requirements like Hawaii. Mr. Dustin suggested in his letter that perhaps the Board should consider revising its rules to allow for majority ownership. Mr. Taketa suggested that Hawaii should change its ownership rules to majority ownership before adopting firm mobility to avoid discrimination against Hawaii firms.

Mr. Dustin reported in his letter that a majority of jurisdictions do not require that a licensed CPA or CPA firm possess a wallet-sized license/permit card.

Mr. Williams commented that although NASBA's response provided a lot of information, it did not identify problems experienced by other state boards of accountancy relating to enforcement and oversight issues.

Committee Chairperson Taketa then reported on a summary of a NASBA survey of eight (8) jurisdictions, including Arizona, California, Colorado, Florida, Michigan, Nevada Texas, and Washington, all except Nevada with much larger licensee pools than Hawaii. Discussion ensued on the ample funding that these other state boards may enjoy due to these large numbers of licensees. Mr. Taketa reported that the annual enforcement budget of these states range from California's budget of \$4.5 million with 96,000 licensees and Texas' budget of \$1.2 million with 80,000 licensees, down to Colorado's budget of \$100,000 with 15,000 licensees. Such enforcement funding allows these states to have in-house investigators who handle accountancy board investigations exclusively. Six (6) of these eight (8) states have dedicated investigative staff, with the California board having eleven (11) investigators. Five (5) of the eight (8) states offer training for investigators and several have CPAs as investigators. Mr. Williams commented that all eight (8) states take appropriate action relating to the practice privilege of mobility and

treat these matters the same as any other matter before the state boards.

Committee Chairperson Taketa concluded that there continue to be issues relating to firm mobility but not individual mobility, including: (1) How does the Board enforce the compliance of an out-of-State CPA firm to the requirement that a Hawaii engagement be included in the firm's peer review; (2) How to deal with the differences between Hawaii's firm ownership requirement and that of the vast majority of states and the UAA; and (3) the absence of tangible evidence of deemed privileges due to individual and firm mobility, such as wallet-sized license/permit cards.

DAG Tam suggested that the Board address the ownership issue by adding a provision to the mobility bill, allowing for majority ownership of CPA firms.

Due to the unresolved concerns and issues, Committee Chairperson Taketa stated that, in terms of an all or nothing approval of the proposed mobility legislation by the Board, he recommends not supporting the mobility bill. He could recommend the Board's support of the provisions relating to individual mobility; however, he could not recommend that the Board support the provisions relating to firm mobility.

Chairperson Lau commented that the proposed bill tracks the provisions in the UAA's 5<sup>th</sup> edition wherein attest services are separated into audit services requiring that a firm be peer reviewed, and compilations and reviews where no peer review is required.

Mr. Williams commented that the Board has been supportive of the concept of individual mobility in the past. It was then moved by Mr. Williams to support the proposed mobility bill in concept relating to firm and individual mobility. Board members questioned whether an out-of-State firm would be required to hold a Hawaii firm permit to practice ("FPTP"). Further discussion clarified that the proposed legislation is consistent with the following: (1) there will be no firm mobility for a firm doing audit work and an FPTP is required; and (2) should an out-of-State firm perform only compilations and reviews but has a physical presence in the State, an FPTP is required.

DAG Tam left the meeting at 10:30 a.m.

Chairperson Lau noted that Mr. Williams' motion remained on the floor. He reiterated that the motion is for the Board to support the mobility bill in concept, relating to individual and firm mobility. The motion was seconded by Mr. Regan. As the vote was six (6) ayes and two (2) nays, the motion carried. A roll

call vote was called for and recorded as follows:

Chairperson Lau: Aye;  
Vice-Chairperson Taketa: Nay;  
Ms. Glaus: Aye;  
Mr. Komo: Nay;  
Mr. Lee: Aye;  
Mr. Punua: Aye;  
Mr. Regan: Aye; and  
Mr. Williams: Aye.

F. Peer Review

1. Operating Agreement with HSCPA as Sponsoring Organization

Committee Chairperson Taketa reported that the minutes of the December 3, 2014 meeting of the Peer Review Oversight Committee ("PROC") referred to the operating agreement of the Mississippi Board of Public Accountancy which was provided to the PROC as a sample. It was questioned at that meeting whether an operating agreement would be necessary being that an agreement would recite the statute; however, the PROC had agreed to recommend that an operational agreement be made with the HSCPA and the Board. Mr. Williams commented that an operating agreement would define the steps, provide guidance, and mandate compliance by the HSCPA. Mr. Komo, who mentioned that he was at that PROC meeting, commented that the operating agreement would provide more detailed information on the role of the PROC in the peer review process.

After discussion, it was moved by Committee Chairperson Taketa, seconded by Mr. Williams, and unanimously carried to table this agenda item until DAG Tam provides his input for the Board's consideration. It was noted that in the past DAG Tam has recommended that the Board enter into an operating agreement with the HSCPA.

G. Uniform CPA Examination

Committee Chairperson Regan had no report.

Open Forum: None.

Next Board Meeting: Friday, February 6, 2015  
8:30 a.m.  
King Kalakaua Conference Room  
King Kalakaua Building  
335 Merchant Street, 1<sup>st</sup> Floor  
Honolulu, Hawaii 96813

Announcements: Dr. Pourjalali commented that the University of Hawaii's School of Accountancy takes very seriously the low percentage rate of passing scores on the Uniform CPA Examination. The School of Accountancy hopes to address these concerns with changes to its curriculum, shifting the focus to skills and a capstone course and project which will bring together the major aspects of the academic discipline, which students will be required to complete in order to graduate. With these changes, Dr. Pourjalali expects to see better examination results by 2016. He further stated that students need a passing grade of C+ in the ACC 201 and ACC 202 introductory classes, before admittance to the accountancy program.

He announced that on April 17, 2015, the School of Accountancy will be hosting an anniversary



celebration, and that he will provide more information as it becomes available.

Adjournment: There being no further discussion, the meeting adjourned at 10:44 a.m.

Taken and recorded by:

/s/ Lori Nishimura

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Lori Nishimura, Secretary

Reviewed and accepted by:

/s/ Lauren M. Kai

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Lauren M. Kai, Executive Officer

LMK:ln

02/03/15

Minutes approved as is.

Minutes approved with changes. See Minutes of \_\_\_\_\_.