

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

MINUTES

Date: Friday, May 8, 2015

Time: 8:32 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
Craig K. Hirai, CPA, Member
Darryl T. Komo, CPA, Member
Gabriel Lee, Member
Edward L. Punua, CPA, Member
Keith A. Regan, Member
Rodney J. Tam, Deputy Attorney General ("DAG")
Laureen M. Kai, Executive Officer
Lori Nishimura, Secretary

Excused: Wendy M. Glaus, CPA, Member
Carleton L. Williams, CPA, Member

Guests: John ("Jack") Karbens, Ed.D., Associate Professor
Hawaii Pacific University ("HPU"), CPA

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: None.

Approval of
Minutes of the
April 10, 2015
Board Meeting:

After discussion, it was moved by Mr. Punua, seconded by Mr. Lee, and unanimously carried to approve the minutes of the April 10, 2015 Board Meeting as circulated.

Executive
Session:

At 8:33 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 8:55 a.m., it was moved by Mr. Regan, seconded by Vice-Chairperson Taketa, 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 STEPHEN E.A. CALLO; ACC-2013-2-L

DAG Tam provided a summary of the Hearings Officer's Findings of Fact, Conclusions of Law, and Recommended Order regarding the CPA license of Stephen E.A. Callo. He stated that Mr. Callo, whose CPA license expires on December 31, 2015, had entered into a plea agreement in the criminal case, *United States of America vs. Estrellita "Esther" Garo Miguel, et al., Cr. No. 10-00527 SOM*, which charged the defendants, including Mr. Callo, with knowingly conspiring and agreeing with others to commit federal offenses, conspiracy to commit wire fraud and making false

statements on loan applications, wire fraud, mortgage loan fraud, and money laundering. Mr. Callo entered a voluntary plea of guilty to the charge of knowingly transmitting or causing to be transmitted in interstate commerce writings, signs and signals by means of wire communications in furtherance of a scheme to defraud, and was sentenced to three (3) years' probation (during which Mr. Callo was also required to serve a total of thirty (30) days of intermittent confinement for fifteen (15) consecutive weekends at the Federal Detention Center), ordered to perform 300 hours of community service, and was assessed a fine of \$3,000.00. In the Hearings Officer's conclusions of law, it was stated that the preponderance of evidence proved and Mr. Callo readily acknowledged that by virtue of his conviction for wire fraud, he had violated HRS sections 466-9(b)(8),(9), and (10), and HRS sections 436B-19(12) and (14).

The Board considered the Recommended Order at length; but, could not reach agreement on the Hearing Officer's recommended order.

After further discussion, it was moved by Mr. Punua, seconded by Mr. Hirai, and unanimously carried to defer decision making on the Board's Final Order relating to the Matter of the Certified Public Accountant's License of Stephen E.A. Callo; ACC 2013-2-L.

At 10:25 a.m., the Board reconvened its scheduled meeting, and immediately recessed the meeting.

At 10:33 a.m., the Board reconvened its scheduled meeting.

Chairperson Lau acknowledged the departure of

Mr. Lee during the preceding recess to deliberate on adjudicatory matters pursuant to HRS chapter 91. He also noted that Mr. Regan stepped out of the meeting during the immediately preceding recess and had not yet returned.

Applications for
CPA Certification:

This agenda item was skipped due to Mr. Regan's temporary departure from the meeting, as his vote count was needed for decision making.

Ratification of
Individual CPA
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 individual CPA Permits to Practice:

1. COTE, Pamela J.
2. FISHER, Ellen S.
3. GATELY, Jill W.
4. GRIFFIN, Jennifer L.
5. KOESTNER, Daniel J.
6. WELP, Paul J.

Ratification of Issued
Firm Permits to
Practice:

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

1. FIRE & ICE ACCOUNTING INC
2. ABBI NAMOCOT CPA LLC
3. STOCKMAN KAST RYAN & COMPANY LLP
4. GRIFFIN WEALTH MANAGEMENT & TAX LLC

Chairperson's
Report:

A. National and Industry Update

Chairperson Lau reminded the Board that each member's *Disclosure of Financial Interests* is due to the Hawaii State Ethics Commission by the end of May; however, since May 31, 2015 is a Sunday, the due date is Monday, June 1, 2015.

This year, Board members may file the short form of the *Disclosure*, unless it is the initial filing (a new Board member), a member has more than ten (10) amendments or changes to the information reported for the preceding disclosure period, or the Board member is leaving Board service. In these situations, the long form of the *Disclosure* is required.

He also reminded the Board that the *Gifts Disclosures Statement* must be filed by Board members who have received any gift or gifts valued singly or in the aggregate in excess of \$200, whether the gift is in the form of money, service, or goods. The deadline for filing is June 30, 2015 for the period June 1, 2014 to June 1, 2015. Mr. Lau mentioned that the reimbursements received from NASBA relating to scholarships provided to Board members to participate in NASBA meetings would be considered gifts that should be reported. Chairperson Lau stated that he, Mr. Punua, and Executive Officer Kai will be attending the NASBA Western Regional meeting in San Diego, California on June 17-19, 2015. NASBA has offered scholarships for them and has also provided a scholarship for an additional day for Mr. Punua who will be attending the New Board Member Orientation, held one day prior to the start of the regional meeting.

At 10:38 a.m., Mr. Regan stepped back to the meeting. Discussion then proceeded on the following agenda item, which had been pending Mr. Regan's return.

Applications for
CPA Certification:

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

1. HORIE, Ian K.U.
2. KUNZE, Chad D.
3. LI, Daniel K.K.
4. NGUYEN, Thuy Linh M.
5. OKADA, Rodney J.

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

1. BONNER, Erika D.

Standing Committee

A. Communications

Due to Committee Chairperson Lee's early departure from the meeting, this agenda item was deferred to the next meeting.

B. Continuing Professional Education

Due to Committee Chairperson Glaus' excused absence, this agenda item was deferred to the next meeting.

C. Ethics

1. Re-codified AICPA Code of Professional Conduct

Committee Chairperson Hirai had no report.

D. Legislation and Rules

Due to Committee Chairperson Williams' excused absence, this agenda item was deferred to the next meeting.

E. Mobility

Committee Chairperson Taketa had no report.

F. Peer Review

1. Operating Agreement with HSCPA as Sponsoring Organization

Committee Chairperson Taketa reported that the draft Operating Agreement between the Board and the Hawaii Society of Certified Public Accountants ("HSCPA") as the sponsoring organization of the Board's peer review program was circulated to members of the Board and the Peer Review Oversight Committee ("PROC") for review and comments. He stated that no comments were received thus the Operating Agreement will be finalized and forwarded to HSCPA. It was moved by Committee Chairperson Taketa, seconded by Mr. Komo, and unanimously carried to transmit the Operating Agreement to HSCPA for its review and acceptance, upon finalization of the agreement by DAG Tam.

2. Peer Review Forms

Chairperson Lau stated that he has the following comments/suggestions related to the draft forms of: (1) Notice of Peer Review Enrollment December 31, 2014; (2) Notice of Peer Review Enrollment Post 2014; and (3) Notice of Performing Hawaii Attest Work, as follows:

- Add a requirement for the Firm Permit to Practice license numbers on all forms;
- Print the CPA firm name (below signature line); and
- Add verbiage for some level of assurance/certification to acknowledge the firm's responsibilities under HRS chapter 466.

Mr. Punua suggested the following:

- Stating HSCPA as the sponsoring organization instead of leaving it blank for the applicant to fill in, as HSCPA is currently the only approved sponsor organization.

Comments from DAG Tam and the rest of the Board have not yet been received.

Executive Officer Kai stated that HSCPA provided a listing of the 190 CPA firms that have already registered with the HSCPA's peer review program. Those registered firms would not be mailed the postcard notification that will soon be mailed to CPA firms with current firm permits to practice, to notify them of the deadline date of December 31, 2015 by which to register with HSCPA. Ms. Kai stated that with the exclusion of the 190 firms, the notification would be sent to approximately 500 CPA firms, as the current number of firms with Hawaii firm permits to practice is nearly 700.

G. Uniform CPA Examination

1. Ratification of Examination Scores from the January/February (1st Quarter) 2015 Testing Window

Committee Chairperson Regan presented the statistics for this testing window as follows:

EXAMINATION RESULTS (BY SCORES)

	Number of Scores	Percentage
Credit	53	39.55
No Credit	81	60.45
Lost Credit	0	0
Voided	0	0
TOTAL	134	100.00

TOTALS BY EXAM PARTS (BY CANDIDATES)

	AUD	BEC	FAR	REG	TOTAL
# Attended	36	29	27	42	134
# Passed	16	9	6	22	53
% Passed	44.44	31.04	22.22	52.38	39.55

SUCCESSFUL CANDIDATES SUMMARY

# of Passing First Time Candidates	3
# of Passing Re-Exam Candidates	7
# of International Candidates	0
# of Passing Candidates	10

After discussion, it was moved by Vice-Chairperson Taketa, seconded by Mr. Punua, and unanimously carried to ratify the examination scores from the January/February 2015 testing window.

Committee Chairperson Regan reported that Hawaii's passing rate was 48th out of 53 jurisdictions, and further that it ranked 38th for scores. Chairperson Lau invited Dr. Karbens to comment on these statistics, in his capacity as an associate professor in the Department of Finance, Economics and Information Science at HPU. Dr. Karbens stated that "CPA exams do not simulate practice". He commented that there seems to be much fluctuation as prior statistics stated that 17% of Hawaii candidates passed the audit section, while current statistics reflect that 44% passed. He stated that live CPA Examination review courses are needed in Hawaii. He also commented that an often-used strategy to take the exam is to take and pass the hardest section first (usually audit) so that the eighteen (18) month rolling period during which to pass the remaining sections could be used most effectively.

Committee Chairperson Regan provided an update on his progress in possibly securing a test site for the administration of the Uniform CPA Exam at University of Hawaii ("UH") Maui College. As he reported at the Board's last meeting, Dr. Lori Teragawachi of UH Maui College had contacted Prometric and had been informed that it was not looking to expand at this time, but would put UH

Maui College on its list of prospective sites. He suggested that a letter to Prometric from the Board may help to convey the Board's interest in having the exam administered or given at UH Maui College, perhaps on an intermittent rather than a regular basis.

Vice-Chairperson Taketa stated that as a result of meeting with the test site coordinator and other representatives of UH Hilo, the discussion had restarted on establishing a test site at UH Hilo. He mentioned that he had sent contact information for Prometric representative Kimberly Farace to Mr. Regan. After further discussion, it was suggested that Mr. Regan provide this contact information to UH Maui College in order to start a line of communication with the testing service. Chairperson Lau offered to reach out to Prometric as well to convey the Board's belief that test sites on the Neighbor Islands are necessary.

Open Forum:

Mr. Karbens commented on the educational transcripts submitted by CPA license applicants who may have attended a community college after receiving their degree. Discussion ensued on the definition of "educational institution" which means a four-year degree-granting college, school, or university accredited by a regional or national accrediting agency or association. Dr. Karbens also inquired about license application review procedures and training of staff to improve these review procedures. Executive Officer Kai provided Dr. Karbens with an overview of these procedures and assured him that staff has been and will continue to be updated and trained to more effectively review and process applications.

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Next Board Meeting: Friday, June 5, 2015
8:30 a.m.
King Kalakaua Conference Room
King Kalakaua Building
335 Merchant Street, 1st Floor
Honolulu, Hawaii 96813

Announcements: None.

Adjournment: Messrs. Hirai and Regan left the meeting at 11:05 a.m.
With their departure, quorum was lost, and the
meeting was adjourned.

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

05/27/15

[] Minutes approved as is.

[X] Minutes approved with changes. See Minutes of June 5, 2015.