

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

MINUTES

Date: Friday, June 5, 2015

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
Keith A. Regan, Member
Carleton L. Williams, CPA, Member
Rodney J. Tam, Deputy Attorney General ("DAG")
Lauren M. Kai, Executive Officer
Lori Nishimura, Secretary

Guests: Gordon Tom, CPA, President, Hawaii Society of
Certified Public Accountants ("HSCPA")

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
May 8, 2015
Board Meeting:

Chairperson Lau proposed the following amendment to the minutes of the May 8, 2015 Board meeting:

Amend page 8, second bulleted item:

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

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

After discussion, it was moved by Mr. Regan, seconded by Mr. Lee, and unanimously carried to approve the minutes of the May 8, 2015 Board Meeting as circulated.

Executive
Session:

At 8:36 a.m., it was moved by Mr. Regan, 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 9:06 a.m., it was moved by Vice-Chairperson Taketa, seconded by Mr. Regan, 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 matter 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 reiterated 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 the Respondent, 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. The Respondent entered into a plea agreement in the case in which he entered a voluntary plea of guilty to one count of wire fraud, which was comprised of 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 the Respondent 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 the Respondent readily acknowledged that by virtue of his conviction for wire fraud, he had violated HRS sections 466-9(b)(8),(9), and (10), and 436B-19(12) and (14).

The Board again discussed the Hearings Officer's recommended decision at length, and voted, on a motion by Mr. Hirai, seconded by Mr. Lee, and unanimously carried (Mr. Williams recused himself from the vote), to accept and adopt all of the Hearings Officer's Findings of Fact. The Board also voted unanimously to accept and adopt all of the Hearing Officer's Conclusions of Law that the Respondent violated the provisions of HRS sections 466-9(b)(8),(9), and (10), and HRS sections 436B-19(12) and (14).

Based on the above, the Board voted unanimously to modify the Hearings Officer's recommended sanctions by:

- Revoking the Respondent's CPA license for at least five (5) years from the date of the Board's Final Order; provided that:
 - The revocation is stayed and the Respondent's license is suspended to August 19, 2016 (the date the Respondent's probation in *USA v. Miguel, Cr. No. 10-00527 SOM*, ends);
 - If the Respondent violates any of the terms and conditions of his probation in *USA v. Miguel, Cr. No. 10-00527 SOM*, and the probation is subsequently revoked or terminated prior to August 19, 2016, the stay shall be automatically lifted and the Respondent's CPA license shall be revoked for at least five (5) years from the date of the Board's Final Order; and
 - During the applicable period of suspension or revocation, the Respondent shall not engage in the practice of public accountancy, and shall immediately submit all indicia of his CPA

license to the Executive Officer of the Board.

- Fining the Respondent \$5,000.00; and
- Requiring the payment of the fine to be a precondition to any relicensure (after reapplication) of the Respondent after the expiration of the application period of suspension or revocation.

At 9:51 a.m., the Board reconvened its scheduled meeting, and immediately recessed the meeting.

At 10:00 a.m., the Board reconvened its scheduled meeting. It was noted that DAG Tam had stepped out of the meeting during the immediately preceding recess and had not yet returned.

Applications for
CPA Certification:

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

1. AMENT, Tifanie L.
2. DECAIRES, Cleo P.K.
3. MCMILLAN, David W.
4. PETERSON, Frederick J.
5. SULLIVAN, Lynette L.

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

1. MOFFIT, Sondra T.

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. COHEN, Kami B.
2. HARTKOPF, Elina V.
3. HORIE, Ian K.U.
4. KUNZE, Chad D.
5. LI, Daniel K.K.

After discussion, it was moved by Vice-Chairperson Taketa, 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. BONNER, Erika D.

Ratification of Issued Firm Permits to Practice:

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

1. JASON T YOSHIMI
2. S SATO LLC

Approval/Ratification of Firm Name Approvals:

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 approval:

1. Elina Hartkopf, CPA

DAG Tam returned to the meeting at 10:02 a.m.

Discussion ensued on the firm name approval request for a single member entity, from a CPA licensee whose legal last name is Lau-Oshiro:

1. LAU OSHIRO CPA LLC

Mr. Williams commented the above name includes the term "CPA", which makes it clear that the CPA firm is comprised of a single member; therefore, he

doesn't believe that the firm name would be misleading to the public. After discussion, it was moved by Vice-Chairperson Taketa, seconded by Mr. Lee, and carried with a majority vote, to deny the approval of the aforementioned firm name because without a hyphen in the last name, the name is not the CPA's legal name and therefore, may be misleading to the public. The majority vote was comprised of eight (8) ayes (Messrs. Lau, Taketa, Hirai, Komo, Lee, Punua, Regan and Ms. Glaus) and one (1) nay (Mr. Williams).

Chairperson's Report:

Chairperson Lau expressed the Board's appreciation to Messrs. Hirai and Regan, and Ms. Glaus for serving on the Board. It was noted that Mr. Hirai declined applying for a second term but will continue as a holdover, Mr. Regan served the maximum two (2) terms allowed by law, and Ms. Glaus declined applying for a second term or staying on as a holdover.

Mr. Hirai left the meeting at 10:08 a.m.

A. Committee Assignments

Chairperson Lau stated that the following changes to the standing committee assignments have been made due to the impending departures of three (3) Board members:

- Continuing Professional Education: Mr. Punua
- Ethics: Mr. Komo
- Examination: Mr. Williams

B. Hawaii Ethics Commission Gifts Disclosure Statements

Chairperson Lau reiterated that each Board member's *Disclosure of Financial Interests* had been due to the Hawaii State Ethics Commission

on June 1, 2015; and that if they have not filed yet, to do so immediately.

He then reminded the Board that the *Gifts Disclosure Statement* must be filed by Board members who have received any gift or gifts valued singly or in the aggregate in excess of \$200.00, whether the gift is in the form of money, service, or goods. The deadline for filing the *Gifts Disclosure Statement* is June 30, 2015 for the period June 1, 2014 to June 1, 2015.

C. National and Industry Update

Chairperson Lau reported that he had received an email from NASBA President Ken Bishop, related to the Department of Labor's ("DOL") release of a report on the quality of audits of employee benefit plans performed by CPAs. The report, entitled *Assessing the Quality of Employee Benefit Plan Audits*, reveals serious issues with the current peer review system.

According to the report, more than 7,300 licensed CPAs nationwide audit more than 81,000 employee benefit plans. The DOL review found that 61% of audits fully complied with professional auditing standards or had only minor deficiencies under professional standards. The remaining 39% of the audits contained major deficiencies, a statistic that is of significant concern as it represents a marked decline in audit quality.

The DOL report outlines eleven (11) recommendations, three (3) of which pertain to NASBA and state boards of accountancy. These specific recommendations are:

1. Work with NASBA and the American Institute of Certified Public Accountants ("AICPA") to improve the investigation and sanctioning process for CPAs who perform significantly deficient audit work;
2. Work with NASBA to encourage state boards to require specific licensing requirements for CPAs who perform employee benefit plan audits, including specific training and experience in such audits; and
3. Communicate with each state board of accountancy regarding the results of the DOL study and the need to ensure that only competent CPAs are performing employee benefit plan audits.

Chairperson Lau further reported that NASBA's Compliance Assurance Committee has released a white paper for boards entitled, *Dealing with Failed Reports Guidance,* which contains recommendations for how state boards could deal with "pass with deficiencies" and "fail" peer review reports.

Standing Committee A. Communications

Committee Chairperson Lee had no report.

B. Continuing Professional Education

Chairperson Lau reported that the proposed *Statement on Standards for Continuing Professional Education Programs* has been released for exposure, with comments due by October 1, 2015.

C. Ethics

Committee Chairperson Hirai had no report.

D. Legislation and Rules

Committee Chairperson Williams had no report.

E. Mobility

Committee Chairperson Taketa had no report.

F. Peer Review

1. HSCPA Plan of Administration - Final

Committee Chairperson Taketa reported that the final Plans of Administration were received from the HSCPA and had been forwarded to all Board members and DAG Tam for review.

After discussion, it was moved by Vice-Chairperson Taketa, seconded by Mr. Punua, and unanimously carried to approve the HSCPA Plans of Administration.

2. Operating Agreement with HSCPA as Sponsoring Organization

Committee Chairperson Taketa reported that HSCPA has declined to sign the Operating Agreement. The Board will ask HSCPA to reconsider its position.

3. Peer Review Forms - Final

Chairperson Lau stated that the suggestions from the Board relating to

the Peer Review forms have been incorporated in the latest drafts, which are pending possible further revisions from DAG Tam.

G. Uniform CPA Examination

Committee Chairperson Regan informed the Board that effective January 2016, there will be a nominal increase to the testing fees that reflect a cost-of-living adjustment. The Prometric testing and security fees will increase from \$5.95 to \$6.05, and the hourly testing fee will increase from \$19.52 to \$19.85. He also briefly commented that the number of candidate concerns received in 2014's fourth quarter had doubled in first quarter of 2015, with 248 concerns to 565 concerns respectively. Concerns included on-screen calculators, note boards, markers, and keyboard noise. He noted that the monitors have recently been upgraded to address the visibility issue.

Mr. Williams commented that the University of Hawaii at Manoa may be conducting a CPA review class, to address its concerns relating to the current examination passing rate.

Open Forum:

Chairperson Lau asked Mr. Tom, HSCPA President, whether HSCPA would consider a revised Operating Agreement with amendments that would address the HSCPA's concerns. Mr. Tom stated that he would forward the Board's inquiry to the HSCPA.

Next Board Meeting:

Friday, July 10, 2015
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 10:22 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

07/02/15

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