

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

MINUTES

Date: Friday, August 7, 2015

Time: 8:30 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  
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

Guests: None.

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 8:30 a.m. by Chairperson Lau.

Additions/Revisions to Agenda: None.

Approval of Minutes of the July 10, 2015 Board Meeting: After discussion, it was moved by Mr. Komo, seconded by Mr. Lee, and unanimously carried to approve the minutes of the July 10, 2015 Board meeting as circulated.

Election of Board  
Chairperson and  
Vice-Chairperson:

Discussion ensued on the election of Board Chairperson and Vice-Chairperson. Mr. Williams nominated Mr. Lau for the position of Chairperson; and his motion was seconded by Mr. Lee. Mr. Hirai commented that he does not think it is appropriate for Mr. Lau to continue as the Board Chairperson since he is not a permanent member; Mr. Lau is currently a holdover. He further commented that this is his opinion and that he is not questioning the legality of the matter.

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

DAG Tam commented that HRS chapter 92, Hawaii's Sunshine Law, does not specifically address whether the Chairperson needs to be a permanent member; adding that in general, a Board may govern itself however they see fit, and that a holdover member is still a Board member.

After discussion, the motion to nominate and elect Mr. Lau as the Board Chairperson was carried by majority vote, with Mr. Hirai voting nay.

Mr. Williams made a motion to nominate Mr. Taketa for the position of Vice-Chairperson. The motion was seconded by Mr. Lee, and unanimously carried to nominate and elect Mr. Taketa for the position of Vice-Chairperson.

Executive  
Session:

At 8:39 a.m., it was moved by Mr. Punua, 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 10:12 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 10:16 a.m., the Board reconvened its scheduled meeting.

Mr. Hirai left the meeting at 10:16 a.m.

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. GENDREAU, Jeffrey J.
2. GIOIELLO, Nichole M.
3. GREENLEE, Edward W.
4. HANNER, Erik T.
5. LEE, Mark W.
6. L'HEUREUX, Dianna L.
7. OGATA, Justin M.
8. PARK, Hui Jin
9. RABER, Lawrence S.
10. SATO, Bryce Y.
11. SOLIDUM, Amber E.
12. URUU, Anne M.

Temporary Permit  
to Practice:

Discussion ensued on the Temporary Permit to Practice application received by the Board that did not meet the requirement that the application be received sixty (60) days prior to the proposed commencement of the engagement; thus, a request for a waiver of the filing deadline was received. It was noted that, pursuant to Hawaii Administrative Rules section 16-71-27, the filing deadline requirement could be waived by the Board for "good cause", and that Mr. Ross had provided a detailed explanation for the delay in the completion of his application.

After discussion, it was moved by Mr. Williams, seconded by Mr. Komo, and unanimously carried to approve the waiver request and the following application for Temporary Permit to Practice, for a term commencing on August 7, 2015 and extending through October 31, 2015, of:

1. ROSS, Gregory E.

Ratification of Individual CPA 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 individual CPA Permits to Practice:

1. ALLISON, Shannon M.
2. CALVEY, Raymond
3. DEMOS, Mark S.
4. HOLMES, David C.
5. RICE, Carolyn H.
6. TAKARA, Mano
7. VAN DUYN, Michael J.
8. WONG, Tiffany H.L.

Ratification of Issued Firm Permit to Practice:

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

1. MARIA LOWDER CPA INC

Chairperson's Report:

A. National and Industry Update

1. Inquiry Relating to the Provision of Accounting Services to Marijuana Businesses by Licensees

Chairperson Lau reported that the Board had received this inquiry from a Hawaii-licensed CPA, and commented that the Board recognizes the complexity of the matter and the inconsistency of federal and State laws. He suggested that it

would be prudent for the Board to defer any decision-making on the matter in order to further examine the details of the issue. After discussion, it was moved by Vice-Chairperson Taketa, seconded by Mr. Komo, and unanimously carried to defer this agenda item to a future meeting of the Board.

Standing Committee

A. Communications

Committee Chairperson Lee had no report.

B. Continuing Professional Education

Committee Chairperson Punua stated that an exposure draft of the *Statement of Standards for Continuing Professional Education (CPE) Programs* had been jointly issued by the American Institute of Certified Public Accountants ("AICPA") and the National Association of State Boards of Accountancy in April 2015. He further reported that comments on the exposure draft would be accepted until October 1, 2015.

C. Ethics

1. Inquiry Regarding Commissions, Referral Fees, and Contingency Fees

Due to Committee Chairperson Hirai leaving the meeting earlier, Chairperson Lau reported on his behalf. He stated that an inquiry had been received regarding commissions, referral fees, and contingency fees. After discussion, it was moved by Mr. Komo, seconded by Mr. Punua, and unanimously carried to defer this agenda item for further discussion.

D. Peer Review

1. NASBA Peer Review Oversight Committee  
("PROC") Summit Meeting

Committee Chairperson Taketa provided a brief summary of his attendance at the NASBA PROC summit meeting in July. He stated that it was a good opportunity to gain insight of the peer review programs of other states that have established PROCS, by learning of the best practices that many have implemented. He stated that some of these best practices are: (1) implement staggered terms of PROC members; (2) how to deal with failed peer review reports, including considerations for allowing a firm to "re-do" its peer review; and (3) continuing to emphasize the importance of PROC members attending review acceptance board meetings and reporting periodically to the board. He commented that there was significant disparity in the states' peer review programs, such as: (1) some state boards have no PROC; (2) some neighboring states share the same PROC; (3) the level of activity of the PROC – some PROCS are inactive; some members of PROCS (such as the PROC in Oklahoma) are paid for their service; (4) some state boards are prohibited from reviewing peer review reports due to confidentiality laws; (5) some state boards allow board members to also serve on the PROC (Ohio) as no conflict of interest is found; and (6) some boards use other states' societies/ associations to serve as administering entity, such as Arizona that uses the California Society's peer review

program. Mr. Taketa concluded his report by stating his belief that the Hawaii Board is in a good position with an active PROC. He also noted that the HSCPA should allow PROC members to attend its peer review seminar at no charge, as there may be significant changes to the peer review program in the future. Mr. Komo mentioned that there is a seminar coming up in November.

2. Peer Review Forms

Chairperson Lau reported that the forms relating to enrollment in a peer review program (a requirement for CPA firms by December 31, 2015) are now posted on the Board's website and from the Board office. He mentioned that the online forms are "fillable" forms which can be completed online and printed out for submittal to the Board.

3. Postcard Notification

Chairperson Lau reported that the printing of the postcard notification is currently with the printers and may take four (4) weeks.

4. Questions from the American Institute of Certified Public Accountants

Chairperson Lau reported that, as stated at the Board's July 10, 2015 meeting when the questions were referred to the Peer Review Standing Committee, the committee had met to discuss the issue and is requesting that the Board seek further clarification of the definitions and implementation procedures of direct

inspections, piggyback inspections, and supplant inspections. Mr. Lau then offered to reach out to the AICPA for this clarification in order for the Board to be better able to respond to these questions.

5. Operating Agreement with HSCPA as Sponsoring Organization

Chairperson Lau stated that because HSCPA had declined to sign the Operating Agreement, that he has asked the Legislation and Rules Committee to consider proposals to amend HRS chapter 466 in order to legislatively address the concern of immunity for PROC members.

F. Legislation and Rules

1. Proposed Amendments to HRS Chapter 466

a. Immunity for Members of the Peer Review Oversight Committee

Discussion ensued on proposed amendments to HRS chapter 466, to provide immunity for PROC members. It was noted that the language in HRS section 466-15(d), relating to the provision of immunity for advisory committee members, could be used in drafting a similar amendment to HRS section 466-42, relating to the peer review oversight committee. Committee Chairperson Williams was tasked with drafting the language, keeping it plain and simple, and to forward the draft to



the Executive Officer to format it for inclusion in the Administrative Bill package introduced for the next Legislative Session from the Department of Commerce and Consumer Affairs.

b. Other

None.

F. Uniform CPA Examination

1. Ratification of Examination Scores from the April/May 2015 Testing Window

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

EXAMINATION RESULTS (BY SCORES)

	Number of Scores	Percentage
Credit	82	45
No Credit	100	55
Lost Credit	0	0
Voided	0	0
TOTAL	182	100.00

TOTALS BY EXAM PARTS (BY CANDIDATES)

	AUD	BEC	FAR	REG	TOTAL
# Attended	50	43	44	45	182
# Passed	24	19	18	21	82
% Passed	48.00	44.19	40.91	46.66	45.05

#### SUCCESSFUL CANDIDATES SUMMARY

# of Passing First Time Candidates	9 (42.86%)
# of Passing Re-Exam Candidates	12 (57.14%)
# of International Candidates	1
# of Passing Candidates	21

After discussion, it was moved by Committee Chairperson Williams, seconded by Vice-Chairperson Taketa, and unanimously carried to ratify the examination scores from the April/May 2015 testing window.

Committee Chairperson Williams provided the Board with an update concerning the University of Hawaii at Manoa, School of Accountancy, offering free CPA review and governmental accounting programs for eligible candidates of the Uniform CPA Examination. He reiterated that the CPA review would include courses on Financial Accounting and Reporting, Business Environment and Concepts, Regulations, and Auditing and Attestation. He stated that the University is not offering these free CPA review programs on the Neighbor Islands. He also stated that there are currently eighty (80) candidates who have already signed up for the first class. He commented that government and construction accounting classes may be held in the near future.

G. Mobility

Committee Chairperson Taketa had no report.

Open Forum: None.

Next Board Meeting: Friday, September 4, 2015  
8:30 a.m.  
King Kalakaua Conference Room  
King Kalakaua Building  
335 Merchant Street, 1<sup>st</sup> Floor  
Honolulu, Hawaii 96813

Announcements: Executive Officer Kai announced that the contract between the Board and CPA Examination Services of NASBA, to be the Board's agent for the administration of the Uniform CPA Examination, has been signed by both parties.

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

08/31/15

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