

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

MINUTES

Date: Friday, October 2, 2015

Time: 8:35 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  
Carleton L. Williams, CPA, Member  
James C. Paige, Deputy Attorney General ("DAG")  
Laureen M. Kai, Executive Officer  
Lori Nishimura, Secretary

Excused: Edward L. Punua, CPA, Member  
Rodney J. Tam, DAG

Guests: Edwin G. Jolicoeur, CPA, Pacific Region Director,  
National Association of State Boards of  
Accountancy ("NASBA")

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 8:35 a.m. by Chairperson Lau.

Additions/Revisions  
to Agenda: None.

Approval of  
Minutes of the  
September 4, 2015  
Board Meeting:

After discussion, it was moved by Vice-Chairperson Taketa, seconded by Mr. Williams, and unanimously carried to approve the minutes of the September 4, 2015 Board meeting as circulated.

Mr. Lee arrived to the meeting at 8:36 a.m.

Executive  
Session:

At 8:36 a.m., it was moved by Vice-Chairperson, Taketa, seconded by Mr. Komo, 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 9:16 a.m., it was moved by Vice-Chairperson Taketa, seconded by Mr. Komo, and unanimously carried for the Board to move out of Executive Session and to immediately recess the meeting.

At 9:25 a.m., the Board reconvened its scheduled meeting.

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. CHEN, Bryan Shih-Fong
2. CHO, Stephen Y.
3. JOHNSON, Monika
4. KONO, Travis M.
5. SCHENK, Cristina A.
6. SHIMABUKURO, Kyle T.
7. SMITH, Lance J.
8. STANLEY, Ryan M.
9. SVOBODA, Jill M.
10. TONJES, Jason L.

11. YAMAMOTO, Evan N.

After discussion, it was moved by Vice-Chairperson Taketa, seconded by Mr. Lee, and unanimously carried (Chairperson Lau recused himself from the vote) to ratify the approval of the following application for certification:

1. GENETTI, Michael R.
2. OSCARSON, Steven J.

Ratification of  
Individual CPA  
Permits to Practice:

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

1. GENDREAU, Jeffrey L.
2. MA, Eugene C.W.
3. OBRERO, Ryan M.
4. O'SHAUGHNESSY, Kelly P.
5. WAKANA, Masayuki

After discussion, it was moved by Vice-Chairperson Taketa, 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. KAUFMAN, Joseph L.

Ratification of Issued  
Firm Permit to  
Practice:

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

1. FUMIE MAEDA
2. THUY LINH MARY NGUYEN
3. MUN-HEE SONG CPA INC
4. KING SHORES & PRESTON CPAS
5. PROPP CHRISTENSEN CANIGLIA LLP
6. BAKER TILLY VIRCHOW KRAUSE LLP

Ratification of  
Approval of  
Firm Names:

After discussion, it was moved by Vice-Chairperson Taketa, seconded by Mr. Lee, and unanimously carried to ratify the approval of the following firm names:

1. Edward W. Greenlee, C.P.A., P.C.
2. Egdamin, Hu CPA Inc.
3. Fumie Maeda CPA Firm

Chairperson's  
Report:

A. National and Industry Update

Chairperson Lau welcomed Edwin G. Jolicouer, Pacific Region Director of the National Association of State Boards of Accountancy ("NASBA"). As Hawaii is one of the states in the Pacific Region, Mr. Jolicouer's visit is to interface with members and provide updated information and support to the Board in understanding how NASBA would be able to assist the Board in facilitating its regulatory mission. Mr. Lau added that Mr. Jolicouer has had an extensive professional 40-year career working with a wide variety of business, nonprofit and governmental audit clients, and has performed over 300 peer reviews.

Mr. Jolicouer thanked the Board for allowing him to visit and for the time during the meeting to address the Board. He then provided the following update:

- NASBA's ALD (Accountancy Licensee Database) is a tool to provide states access to a national licensing database; Hawaii is one of the last five jurisdictions that are not participating. The ALD provides participating boards of accountancy with current and accurate licensing and disciplinary information on individual accountants and firms; this is information that can assist boards with their regulatory mission.

- The U.S. Department of Labor (“DOL”) has raised issues with the quality of audits performed by CPAs, and more specifically the audits of employee benefit plans covered under the Employee Retirement Income Security Act of 1974 (“ERISA”). Mr. Jolicouer mentioned that 21% of firms that were required to have a peer review done had not, or did not tell their peer reviewer that they had done one or more ERISA audits. He stated that the American Institute of Certified Public Accountants (“AICPA”) and NASBA are providing tools and activities to help boards deal with this issue. If a state board needs technical assistance and support, the AICPA and NASBA could, with the consent of the firm, provide AICPA’s technical staff or volunteers to gather information to assist boards in decision-making.
- The Uniform Accountancy Act (“UAA”) has undergone changes and may be undergoing further changes in the near future. Mr. Jolicouer said that NASBA again offers its assistance in the mobility initiative during Hawaii’s legislative session. He also mentioned that UAA’s amended definition of “attest” to include additional attestation services has currently been adopted by ten (10) jurisdictions. In addition, a task force is seeking to develop a standardized definition of “inactive/retired” status of licensure; this continues to be a work in progress. Another issue that may impact the UAA is the international pathway to licensure as a CPA in the United States. Mr. Jolicouer informed the Board that many countries (e.g., South Africa, the five countries in the Eurasian Economic Union) feel that the U.S. standards for licensure are too low and are wary of allowing U.S. CPAs to practice in their country.

- Changes to the Uniform CPA Examination are being considered by the AICPA and will be discussed at the NASBA Annual Meeting. The AICPA has released an *Exposure Draft: Maintaining the Relevance of the Uniform CPA Exam*, for public comment until November 30, 2015. Mr. Jolicouer noted that the comment period allows time for stakeholders to identify any critical issues that may not have been addressed in the draft. This is an AICPA project with major NASBA involvement, with NASBA Chief Operating Officer Colleen Conrad leading the effort. Changes being considered include: (1) total exam testing time to increase from 14 to 16 hours – four sections of four hours each; (2) there will be more task-based simulations (“TBSs”) in the examination and will be added to the Business Environment and Concepts section for the first time (TBSs are designed to test a combination of content knowledge and higher order skills); and (3) overall, the exam will be designed to enhance the testing of higher-order cognitive skills such as critical thinking and problem solving.
- When asked about Washington State Board’s thought process when releasing its guidance to CPAs relating to the marijuana issue, Mr. Jolicouer commented that, at this point, NASBA does not have an official position, except to state that it understands that every state is different and that each state board needs to heed the advice of their legal counsel. He added that most state boards have not taken any position on the issue. He described the “Rick Sweeney policy” (Mr. Sweeney is the Executive Director of the Washington State Board) which is that the board does not consider providing accounting services to a business involved in the marijuana industry to be a

violation as long as the Federal Government does not change its policy on enforcement of the federal marijuana law and as long as the CPA is compliant with the statutes and regulations of the Washington State Board and with Washington State law. He commented that Noel Allen, NASBA's legal counsel, will be discussing this issue at the upcoming NASBA Annual Meeting and may have a draft of a position paper then.

Mr. Jolicouer was thanked by the Board for attending today's meeting and providing a comprehensive update on NASBA activities.

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. Boards have received questionnaires from the AICPA Professional Ethics Executive Committee related to how closely the state's Code of Conduct relates to the AICPA's. This is part of a joint NASBA/AICPA effort to arrive at a uniform Code of Conduct throughout the U.S. by focusing on differences and reaching interpretations acceptable to all. Does your Code presently differ from the AICPA's in any significant way and, if so, in what way?

Response: Yes, Hawaii's code differs from the AICPA's Code of Conduct in that it is applicable to a broader spectrum of CPAs – the Board's licensees in public accountancy as well

as in industry, government, and academia. The Board notes that the AICPA Code includes provisions for members in industry as well as for members in public practice.

2. Has your Board discussed the U.S. Supreme Court's 2015 decision in *Federal Trade Commission v. North Carolina State Board of Dental Examiners*? If so, on the basis of such discussion, has your Board determined it needs to change its policies in any way? Please explain.

Response: Yes, the Hawaii Board has discussed the Supreme Court's 2015 decision, and notes the fact that the Board's disciplinary process and enforcement activities are under the jurisdiction of the Office of Administrative Hearings and the Regulated Industries Complaints Office. These two entities are separate from the Board and would appear to provide some measure of assurance that the Board's actions (specifically related to enforcement and disciplinary actions) are subject to sufficient oversight.

3. NASBA's Regional Directors have expressed concern over the length of time it takes to remove substandard firms from practice. How quickly and under what circumstances does your Board become aware of a firm in your state having failed or passed with deficiencies its peer review? Does your Board monitor remediation measures prescribed and how effective they have been in improving the firm's practice?

Response: In Hawaii, CPA firms that perform attest work are subject to peer review beginning with the firm permit renewal of December 31, 2017; therefore, the Board has no experience with the necessity of removing substandard firms from practice due to a failed or passed with deficiencies rating on its peer review. However, in general, if the Board is made aware of any violation, the current protocol is to refer the matter to the Regulated Industries Complaints Office ("RICO") for investigation and final disposition either through RICO or through the Administrative Hearings Office. The Board has experienced varying response times to these referrals and has requested more timely responses and dispositions.

4. What is happening in your jurisdiction that is important for other State Boards and NASBA to know about?

Response: (1) consideration of the medical/recreational marijuana issue and the Board's position and guidance to its licensees; (2) successful implementation of its peer review program; and (3) continued efforts to adopt mobility.

5. Can NASBA be of any assistance to your Board at this time?

Response: Yes, NASBA can continue to assist the Hawaii Board with implementing its participation in the ALD and other services, and continue to support the Board with scholarships

and other assistance to attend NASBA meetings and conferences.

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 some Board Members and the Executive Officer.

2. Academic Credit for CPA Examination Review Courses

Discussion ensued on CPA examination review courses offered by educational institutions for credit as part of normal accounting curriculum and whether these courses qualify as academic credit in fulfillment of the educational requirement to sit for the Uniform CPA Examination or for CPA licensure.

Executive Officer Kai reported that, based on the limited number of responses she received from state boards, the South Carolina, Illinois, and Texas boards do not accept these credits because they are considered to be duplicative of courses that have already been taken.

Chairperson Lau commented that the Board relies upon the official transcripts of accredited educational institutions to determine the number of academic credits granted to the student. Mr. Williams commented that some accredited universities offer courses that teach students to prepare for the exam. Vice-Chairperson Taketa commented that NASBA is scheduling meetings with accrediting bodies to discuss this matter.

Executive Officer Kai stated that the Board's current stated position is that CPA Examination review courses cannot be counted toward the fulfillment of the education requirement (general or accounting/auditing or business-related) for examination or licensure. Chairperson Lau commented that the Board may need to re-visit this position in light of the fact that academic credit for these review courses are being granted by accredited institutions.

3. Provision of Accounting Services to Marijuana Businesses

Additional materials relating to legal aspects of the matter were distributed for Board members to review for further discussion at a subsequent meeting.

4. Letter from U.S. Department of Labor Relating to Quality of Audits of Employee Benefit Plans

Discussion ensued on the letter from the U.S. Department of Labor's ("DOL") Office of the Chief Accountant relating to its recently completed assessment of the quality of audit work performed by CPAs with respect to employee benefit plans covered under the Employee Retirement Income Security Act of 1974 ("ERISA").

The study results were alarming in that "nearly 40% of plan audits failed to comply with generally accepted auditing standards (GAAS), affecting the protection of \$653 billion in benefits promised to 22.5 million plan participants and beneficiaries". Board members were informed that the DOL believes that it is imperative that state boards of public accountancy make it clear

that only CPAs who possess the technical expertise to audit employee benefit plans be permitted to perform these services. The DOL will be continuing its vigorous review of these types of audits by using enhanced targeting that identifies CPA firms that need the most attention; however, it requests the support of all state boards to "take appropriate action to discipline those CPAs whose work tarnish the profession and violate the public trust".

Chairperson Lau stated that this matter is being brought to the Board's attention to sensitize members to the issue and to the realization that they may see an increase in referrals and inquiries to the Board.

5. NASBA Annual Meeting

Chairperson Lau stated the 108th NASBA Annual Meeting will be held October 25-28, 2015 at Dana Point, California. He further stated that Vice-Chairperson Taketa and the Executive Officer will be attending that meeting as recipients of NASBA scholarships. After discussion, it was moved by Mr. Lee, seconded by Mr. Williams, and unanimously carried to approve Vice-Chairperson Taketa as the Board's voting representative at the 108th NASBA Annual Meeting. Mr. Williams mentioned that he would also attend the meeting.

6. Change in December Board Meeting Date

Chairperson Lau reminded Board members that the scheduled December 11, 2015 meeting date was changed to December 18, 2015. He further reminded members that the next scheduled Board meeting is Tuesday, November 3, 2015.

Standing Committee

A. Communications

Committee Chairperson Lee had no report.

B. Continuing Professional Education

Due to Committee Chairperson Punua's excused absence, there was no report.

C. Ethics

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

Mr. Komo distributed his draft of responses to questions received by the Board, and went over the "talking points" for discussion. After discussion, it was the consensus of the Board to refer the draft on the matter to DAG Tam for review.

D. Peer Review

1. Notification to CPA Firms - Update

Committee Chairperson Taketa stated that the postcard notification to currently licensed CPA firms should be mailed out within the next two weeks. The postcard reminds firms that perform Hawaii attest engagements of the requirement to enroll before December 31, 2014 with the Hawaii Society of Certified Public Accountants, the Board's approved peer review sponsoring organization.

Mr. Taketa also stated that another postcard may be sent out early next year reminding CPA firms of the peer review requirement for the renewal of a firm permit to practice by December 31, 2017, and that their peer reviewer must

be properly licensed. The timing of this second mail-out would be determined by the Board in the near future. The Executive Officer was instructed to have a draft of this second reminder ready for review at the Board's meeting on November 3, 2015.

Committee Chairperson Taketa stated that he and Mr. Williams will be meeting with Representative Isaac Choy to discuss proposed refinements of the peer review statute, including a new definition of "Hawaii attest engagement".

E. Legislation and Rules

1. Proposed Amendments to HRS Chapter 466, Relating to Immunity for Members of the Peer Review Oversight Committee

Committee Chairperson Williams read the proposed amendments to HRS section 466-42, that provide for the reimbursement of applicable expenses and for immunity from civil liability for members of the Peer Review Oversight Committee ("PROC"), and explained that he had used language in existing HRS section 466-15 relating to advisory committee members in drafting the proposal. Executive Officer Kai described the process of requesting the inclusion of this measure in the Department of Commerce and Consumer Affairs' administrative bill package and noted there may be some stylistic changes made, but that the bill will be kept as simple and as specific as possible.

F. Mobility

Committee Chairperson Taketa had no report.

Mr. Williams reported that the NASBA Enforcement Resources Committee is assisting the California Board of Accountancy with surveying all boards in order to evaluate the enforcement practices of each jurisdiction. This evaluation was a caveat of the CPA mobility bill adopted in California in 2012, to ensure that CPAs entering California through mobility could be appropriately disciplined by their home board, if needed. Mr. Williams commented that the California mobility law requires that other jurisdictions' enforcement practices be substantially equivalent to either California's enforcement practices or enforcement guidelines established by NASBA. This requirement ensures a level playing field for its CPAs and those who enter the state through mobility.

G. Uniform CPA Examination

Committee Chairperson Williams provided an update on the free CPA review class on the Auditing and Attesting ("AUD") section of the Uniform CPA Examination that the University of Hawaii at Manoa School of Accountancy recently held, reporting that 120 individuals registered but only 54 were eligible to attend (as they held a Notice to Schedule with NASBA). He further reported that of those 54 eligible individuals, less than 35 attended the class. Mr. Williams commented the next free CPA review class may be on BEC (Business Environment and Concepts) in January 2016.

1. Candidate Concerns 15Q2 (April 1 – May 31, 2015)

Committee Chairperson Williams summarized the candidate concerns received for the second quarter testing window of 2015:

- The highest number of candidate concerns (74) were regarding confirmation of attendance;
- The second highest number (67) were regarding candidate error;
- Other concerns related to exam content, use of onscreen calculators, and unfamiliarity with the computer program utilized. He noted that the total number of concerns raised was 393, which was very low considering that there were over 56,000 total testing events during this testing period.

2. Exposure Draft: Maintaining the Relevance of the Uniform CPA Examination

Committee Chairperson Williams stated that comments for this exposure draft are due on or before November 30, 2015, and further that comments may be sent to the Executive Officer for transmittal to the AICPA.

Open Forum: None.

Next Board Meeting: Tuesday, November 3, 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.

