

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

MINUTES

Date: Friday, March 4, 2016

Time: 8:37 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
Darryl T. Komo, CPA, Member
Gabriel Lee, Member
Edward L. Punua, CPA, Member
John W. Roberts, 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 8:37 a.m. by Chairperson Lau.

Additions/Revisions to Agenda: None.

Approval of Minutes of the February 5, 2016 Board Meeting: After discussion, it was moved by Vice-Chairperson Taketa, seconded by Mr. Lee, and unanimously carried to approve the minutes of the February 5, 2016 Board meetings as circulated.

Executive Session: At 8:38 a.m., it was moved by Vice-Chairperson Taketa, seconded by Mr. Punua, and unanimously carried 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 9:54 a.m., it was moved by Vice-Chairperson Taketa, seconded by Mr. Lee, 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 HRS chapter 91:

Chapter 91, HRS,
Adjudicatory
Matters:

A. In the Matter of the Certified Public
Accountant's License of Mark Duane Black;
ACC 2014-18-L

DAG Tam provided a summary of the Settlement Agreement Prior to Filing of Petition for Disciplinary Action and Board's Final Order regarding Mark Duane Black. He stated that Mr. Black submitted a CPA renewal application to the Board in which he attested to have earned a minimum of four (4) continuing professional education hours, required for the renewal period. Following a random audit by the Board, Mr. Black was unable to obtain proof of two (2) hours of continuing professional education hours from the professional education vendor. The Regulated Industries Complaints Office ("RICO") alleges that Mr. Black failed to complete the required

continuing education credits as required by HRS section 466-7(b)(2).

Terms of the Settlement Agreement:

- Complete continuing education credits.
- \$500.00 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. Lee, seconded by Mr. Punua and unanimously carried to approve the Settlement Agreement Prior to Filing of Petition for Disciplinary Action and Board's Final Order relating to the Matter of the Certified Public Accountant's License of Mark Duane Black; ACC 2014-18-L.

At 9:55 a.m., the Board reconvened its scheduled meeting and immediately recessed the meeting.

At 10:02 a.m., the Board reconvened its scheduled meeting.

Applications for
CPA Certification:

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

1. BOSSART, Todd L.
2. FORD, Terrence E.
3. GOTO, Jonathan T.M.
4. KOZERSKI, Randy A.
5. MARTH, Richard D.
6. PELTZ, Julia L.
7. SCARBOROUGH, James S., V
8. TEGUH, Randy M.

Ratification of
Individual CPA
Permit to Practice
for 2014-2015:

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

1. HAMDY, Jenna L.

Ratification of
Individual CPA
Permits to Practice:
for 2016-2017:

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

1. DUMAR, Matthew A.
2. GOMES, Melissa A.
3. ICHIKAWA, Lara N.
4. JOHNSON, Samuel E.
5. MATSUBARA, Tad T.
6. OKAMOTO, Erika
7. PINKERTON, Richard E.
8. PORTER, Suzette E.
9. RATICA, Casey D.
10. ROBERTS, David A.
11. SCHAFER, Gary W. II

Ratification of Issued
Firm Permits to
Practice:

After discussion, it was moved by Mr. Lee, seconded by Vice-Chairperson Taketa, and unanimously carried to ratify the approval of issued Firm Permits to Practice and to amend the typographical error on the agenda for applicant # 8:

1. LENORA D C FISHER
2. LOUIS A CAIRES
3. BROWN SMITH WALLACE L L C
4. BRANDON L ASUNCION
5. RONNIE M KEBBAS-VEZIA
6. DAVID A HOURDE CPA PC
7. JESSEYLN T C OKETANI
8. ANGELO J DIFUSCO CPA AN [~~ACCOUNTACNY~~]
ACCOUNTANCY CORPORATION
9. BRYCE K K NOMURA CPA INC

10. ELIZABETH D SAMUYA
11. TRUE SOLUTION LLC
12. O'SHAUGHNESSY GROUP LLC
13. MELISSA A GOMES
14. CHERRY BEKAERT LLP
15. RICHARD E PINKERTON P C
16. CASEY D RATICA
17. RONALD H B KIM
18. HIROKO DEWITZ
19. JILL M TAKAHASHI LLC
20. STEPHANIE K NISHIMURA CPA LLC
21. BAS PARTNERS LLC

Ratification of
Approved Firm
Name:

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:

1. Keri H.N. Taoka CPA, LLC

Chairperson's
Report:

A. National and Industry Update

1. Report on NASBA Pacific Region Conference Call of February 18, 2016

Chairperson Lau provided a brief summary of his participation in a NASBA Pacific Region conference call on February 18, 2016. Mr. Lau stated that he had inquired about the California Mobility Project, which involves a review of enforcement practices nationwide to determine their substantial equivalency to the California Board's processes. Chairperson Lau further stated that he had subsequently discussed Hawaii's enforcement processes with Stacey Grooms, NASBA Manager of Regulatory Affairs, who is assisting the California Board on this project.

Ms. Grooms had been referred earlier to RICO Complaints and Enforcement Officer Daria Loy-Goto; however, there appeared to be some issues that needed clarification. After explaining Hawaii's enforcement and disciplinary processes and demonstrating (via RICO's website) how these processes were implemented, Chairperson Lau stated that Ms. Grooms expressed that she did not foresee any issues; however, in the course of the study, her analysis would be subject to further review.

2. Referral of Independent Qualified Public Accountant ("IQPA") G. Ushijima CPA LLC & Gregory Ushijima to the AICPA Professional Ethics Division by the U.S. Department of Labor, Employee Benefits Security Administration

After discussion, the Board's consensus was to refer the matter to RICO for investigation. In addition, the Board instructed the Executive Officer to send a request to the American Institute of Certified Public Accountants ("AICPA") for an update on their investigation and response to the Department of Labor.

3. RICO Public Accountancy Advisory Committee

After discussion, it was moved by Vice-Chairperson Taketa, seconded by Mr. Komo, and unanimously carried to approve the RICO Public Accountancy Advisory Committee list, effective immediately.

4. Committee Assignments

Chairperson Lau stated that the following appointments have been made to the Board's standing committees:

- Examination:
 - Mr. Punua (Chairperson)
- Legislation and Rules:
 - Mr. Roberts (Vice-Chairperson)

5. Audits of Permits to Practice and CPA License Renewals

After discussion, the consensus of the Board was to send (via standard postal mail) the random audit selection notifications on April 25, 2016, with a deadline to comply by May 31, 2016. It was also noted that deficiency letter(s) would be sent via certified mail.

Standing Committee A. Peer Review

1. Request to the Peer Review Oversight Committee to Perform an Assessment of the Process to Conduct an Attestation Engagement in Order to Issue a Hawaii Supplement to the Peer Review - Update

Chairperson Lau reported that he attended the Peer Review Oversight Committee ("PROC") meeting on February 25, 2016, at which the PROC considered the Board's request to perform an assessment of the process to conduct an attestation engagement in order to issue a Hawaii Supplement to the Peer Review in accordance with HRS section 466-36. He stated that he had explained to the PROC that this "walk

through” of the process of complying with the requirements of a Hawaii supplement would be an effective way to identify potential issues that may arise in implementation. Chairperson Lau stated that the PROC agreed to accept the Board’s request and to tentatively schedule a meeting on April 22, 2016, which would provide the PROC members with enough time to develop illustrative attestation procedures to be performed for firms that are required to submit the Hawaii Supplement to the Peer Review. Thereafter, the PROC may be able to report its findings to the Board at the Board’s May 6, 2016 meeting.

It was suggested that the following agenda item be taken out of order to accommodate DAG Tam’s schedule; there were no objections.

E. Continuing Professional Education

1. Continuing Professional Education (“CPE”) Credit for Passing the Uniform CPA Examination

Committee Chairperson Punua reported that an applicant for a CPA license and individual permit to practice (“PTP”) claimed forty (40) CPE credits for passing the Uniform CPA Examination, pursuant to Hawaii Administrative Rules section 16-71-34(11), which reads in pertinent part as follows:

“§ 16-71-34 Hours which qualify.

* * *

(11) An applicant for a permit to practice shall be allowed eighty hours of

continuing professional education credit for passing the AICPA examination for the two years following the date the applicant is notified of passing the examination. If an applicant has not taken credit in the two years following notification, the applicant shall be allowed to take credit for forty hours of continuing professional education during the third year following notification. Credit for passing the AICPA examination shall not be taken more than once.”

Committee Chairperson Punua stated that the applicant was notified of passing the Uniform CPA Examination on November 22, 2012 and applied for a CPA license and PTP on October 25, 2015; the date of the application is within the three (3) year period. However, the CPA application was deficient and the deficiencies were cured and application made complete on January 25, 2016 (after the three (3) year period). The applicant claims that since both his license and PTP applications were dated within the three (3) year period, his right to use the CPE is preserved and he should be able to use the forty (40) CPE for his PTP.

After discussion, the Board reached consensus on the following position:

Because the application for CPA license was not complete until after the three (3) year period, the applicant did not hold a license, which is the basis upon which the PTP is granted. Therefore, the applicant was not a licensed CPA within the three

(3) year period and did not qualify to be granted a PTP.

Mr. Lee left the meeting at 10:30 a.m.

At this point, the Board resumed the order of the meeting in accordance with the filed meeting agenda.

DAG Tam left the meeting at 10:32 a.m.

B. Legislation and Rules

1. Proposals to Redefine "Peer Review" and to Increase Filing Deadlines
 - a. House Bill No. 1669, Relating to Public Accountancy

Committee Chairperson Williams reiterated that House Bill No. 1669, which proposes to redefine "peer review" to include reviews done by out-of-State public accountancy licensees, and to increase deadlines for filing of peer review compliance reporting forms and appealing certain ratings from ten (10) days to thirty (30) calendar days, was passed with amendments (House Draft 1) by the House Consumer Protection & Commerce Committee ("CPC") on February 10, 2016, which incorporated House Bill No. 1670 and House Bill No. 2651, and also made technical, non-substantive amendments for clarify, consistency, and style.

He further stated that the Board's testimony at that CPC hearing requested the addition of the words

“one or more” to HRS section 466-36(2) to clarify that a peer reviewer performing the Hawaii supplement could select one or more engagements from the list obtained from the reviewed firm; however, House Draft 1 did not include this requested addition.

House Bill No. 1669, House Draft 1 was then heard by the House Finance Committee (“FIN”) on March 3, 2016, and once again, the Board’s testimony requested the addition of the words “one or more”. The FIN committee passed the bill with amendments; however, to date, the FIN committee report has not been issued and it is unclear whether the Board’s proposed amendment has been adopted.

b. Senate Bill No. 2407, Relating to Public Accountancy

Committee Chairperson Williams reiterated that Senate Bill No. 2407, the companion bill to House Bill No. 1669, with a single referral to the Senate Commerce and Consumer Protection, and Health Committee, had not yet been scheduled for a hearing.

2. Proposals Relating to Immunity for Members of the Peer Review Oversight Committee

a. House Bill No. 1670, Relating to Public Accountancy

Committee Chairperson Williams reiterated that House Bill No. 1670,

which proposes to allow members of the PROC to be reimbursed for appropriate expenses and to protect them from civil liability for actions done in furtherance of the purposes of the committee, had passed unamended by the House Economic Development & Business Committee on February 2, 2016. He stated that subsequently, the House CPC had incorporated this bill into House Bill No. 1669 HD1.

b. Senate Bill No. 2769, Relating to Public Accountancy

Committee Chairperson Williams reiterated that Senate Bill No. 2769, the companion bill to House Bill No. 1670, with referrals to the Senate Commerce and Consumer Protection, and Health Committee, the Judiciary and Labor Committee, and the Ways and Means Committee, had not yet been scheduled for a hearing.

3. Proposals to Define "Hawaii Attest Work"

a. House Bill No. 2651, Relating to Public Accountancy

Committee Chairperson Williams reiterated that House Bill No. 2651, which proposes to define "Hawaii attest work", has been incorporated to House Bill No. 1669, HD1, by the House CPC.

b. Senate Bill No. 3118, Relating to Public Accountancy

Committee Chairperson Williams reiterated that Senate Bill No. 3118, the companion bill to House Bill No. 2651, with a single referral to the Senate Committee on Commerce and Consumer Protection, and Health, had not yet been scheduled for a hearing.

C. Ethics

Committee Chairperson Komo had no report.

D. Communications

Due to Committee Chairperson Lee's departure from the meeting, there was no report.

E. Continuing Professional Education

1. Continuing Professional Education ("CPE")
Credit for Passing the Uniform CPA
Examination

This matter was taken up earlier.

F. Mobility

Committee Chairperson Taketa had no report.

G. Uniform CPA Examination

Committee Chairperson Punua reported that the AICPA fee will increase from \$90.00 to \$100.00 per examination section, beginning in 2018.

Open Forum: None.

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Next Board Meeting: Friday, April 1, 2016
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 10:38 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

03/23/16

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