

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

MINUTES

Date: Friday, July 1, 2016

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
Terrence H. Aratani, Member
Darryl T. Komo, CPA, Member
Gabriel Lee, Member
Gary Y. Miyashiro, CPA, 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: Kathy Castillo, Hawaii Society of Certified Public
Accountants ("HSCPA")
Laken Durkee, Outreach Coordinator, Kapiolani
Community College ("KCC")
Cathy Nakahara, Outreach Coordinator, KCC

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.

Welcome and
Introduction of New
Board Members:
Terrence H. Aratani
and Gary Y.
Miyashiro, CPA:

Chairperson Lau introduced two (2) new Board members, Terrence H. Aratani and Gary Y. Miyashiro, CPA, to the Board. He welcomed them and commented that the Board now has its full complement of members to discuss and deliberate on Board matters.

Approval of
Minutes of the
May 6, 2016
Board Meeting:

After discussion, it was moved by Mr. Punua, seconded by Mr. Komo, and unanimously carried to approve the minutes of the May 6, 2016 Board meeting as circulated.

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

Executive Session:

At 8:35 a.m., it was moved by Vice-Chairperson Taketa, seconded by Mr. Lee, 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 9:15 a.m., it was moved by Vice-Chairperson Taketa, seconded by Mr. Aratani, and unanimously carried for the Board to move out of Executive Session.

The consensus of the Board was to take the following agenda items out of order to accommodate the schedules of the guests to the meeting.

Chairperson's
Report:

A. National and Industry Update

6) NASBA 2016 Regional Meetings

Chairperson Lau reported that one of the issues that had been discussed at length at the NASBA Regional Meetings was the AICPA Proposal regarding peer review administering entities, and asked Ms. Castillo, HSCPA Executive Director, for more information. Ms. Castillo commented that the HSCPA knows only what the Board knows and that the society has until the end of July to provide its comments to the AICPA. She summarized that the proposal recommends reducing the current number of forty-two (42) administering entities to eight (8) to ten (10), and that the minimum number of peer reviews administered per year would need to be a minimum of one thousand (1000), and that the administering entity would be required to have a dedicated staff, including a manager and administrative staff, in order to qualify. She further reported that state societies met with the AICPA on this issue and that many concerns had been raised. She stated that should the AICPA peer review program be regionalized (as is proposed), the fee for CPA firms for a peer review may double, resulting in financial impact on these firms. She further commented that many state-administered peer review programs are profit-making businesses; however, the HSCPA is not. She expressed her concern with the many unanswered questions and the time frame by which each administering entity needs to provide input on its position. She stated that HSCPA will need to provide its comments to AICPA by the end of this month.

Mr. Roberts commented the proposal is recommending what is being called a "National Administered Quality Control", and that there were opinions shared at the NASBA Eastern Regional Meeting that since it is not done by peers it cannot be called a peer review. Vice-Chairperson Taketa commented that although it is being proposed to cure inefficiencies and enhance audit quality, it appears that it is due to the incidence of sub-standard audits. He stated that he agrees that such a national program would not be a peer review if the peer reviewers were not familiar with public accounting in Hawaii. He further expressed concern that the already limited number of peer reviewers in Hawaii could be decreased even further, should the proposal be adopted, as it may cause peer reviewers to leave the program.

- 1) Global Learning & Development – Kapiolani Community College
Cathy Nakahara, Outreach Coordinator

Chairperson Lau welcomed Kapiolani Community College's ("KCC") Outreach Coordinators, Ms. Durkee and Ms. Nakahara, from the Office of Continuing Education and Training, to present KCC's Global Learning and Development program, a non-credit professional training program. The program is designed to address the gap in soft skills, such as verbal and written communication, that exists in many professions. KCC has formed a partnership with Proformative LLC, a continuing education provider that is registered and approved by the NASBA

National Registry to provide continuing professional education ("CPE") courses to CPAs. \$99 is the annual cost for a participant to access over 300 on-demand courses, as well as over 200 web-based courses for the CPA to fulfill the CPE requirements of licensure. This is substantially lower than the average of \$2000.00 that a CPA expends for CPE.

Chairperson Lau and Board Members thanked Ms. Durkee and Ms. Nakahara for their presentation.

At 9:43 a.m., the Board recessed the meeting to discuss and deliberate on the following adjudicatory matter pursuant to HRS chapter 91:

Chapter 91, HRS,
Adjudicatory
Matters:

A. In the Matter of the Certified Public Accountant's License of Brian W. Smith; ACC 2016-4-L

DAG Tam provided a summary of the Settlement Agreement Prior to Filing of Petition for Disciplinary Action and Board's Final Order; Exhibit "1". He stated that the Respondent, whose license was issued on June 20, 2011, disclosed information on a December 30, 2015 renewal application about disciplinary action taken by the Alabama State Board of Accountancy. The Respondent had provided a copy of an Order (Exhibit "1") issued against the Respondent, based on allegations that Respondent failed to attend a hearing to show cause why Respondent had failed to respond in writing to a request from the Alabama Board for information relating to Respondent's alleged failure to register as a public accountant for the 2012-2013 licensing period; Respondent's license was revoked and a \$2,000.00 fine imposed.

RICO alleges that the Respondent was disciplined by the State of Alabama and that the Respondent failed to report the disciplinary action within thirty days as required by Hawaii law.

Terms of the Settlement Agreement:

- Administrative fine in the amount of one thousand (\$1,000.00) dollars; and
- Failure to fully and timely comply with the terms of the Settlement Agreement shall result in the automatic revocation of Respondent's permit.

After discussion, it was moved by Mr. Aratani, seconded by Mr. Komo, and unanimously carried to approve the Settlement Agreement relating to the Matter of the Certified Public Accountant's License of Brian W. Smith; ACC 2016-4-L.

At 9:45 a.m., the Board reconvened its scheduled meeting, and immediately recessed the meeting.

At 9:50 a.m., the Board reconvened its meeting.

Applications for
CPA Certification:

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

1. BAYSA, Michael E.
2. CHEN, Tingzi
3. CLEVENGER, Dustin K. E.
4. DONNELLY, Shaye E.
5. DUNLEAVY, Robert E.
6. HELLRUNG, Scott A.
7. KERBER, Karen K.
8. KIMURA, Tyler M.
9. KOO, Raymond W. M.

10. RAINEAULT, Nicole N. A.
11. RENIO, Ryan N. M.
12. SHIMIZU, Eryn K.
13. TERRY, Madelaine J.
14. TERRY, Wendy Y.
15. WRIGHT, Candace E.

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

1. RUSSELL, Brandon S.

Ratification of
Individual CPA
Permits to Practice:

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

1. BLUHM, Brian
2. BUSCHERT, Jason L.
3. DAROGA, Raiyomand K.
4. ENG, Andrea H.
5. GOMES, Kaniale E.
6. HURLEY, Michael B.
7. KAGAWA, Matthew A.
8. KUSTERER, Nicolle P.
9. LIU, Shi-Er
10. MORITA, Brysson D. H.
11. NYSTUL, Roderick D.
12. PAPARELLI, Kesia P. B.
13. PIERI, Andrew
14. ROCHA, Rebecca K.
15. SILBERFELD, Michael

After discussion, it was moved by Vice-Chairperson Taketa, seconded by Mr. Aratani, and unanimously carried (Chairperson Lau recused himself from the vote) to ratify the following individual CPA Permit to Practice:

- 1) CAHALAN, Patrick J.

Ratification of Issued
Firm Permits to
Practice:

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

1. TAX ADVISORS GROUP LIMITED LIABILITY COMPANY
2. CHRISTIAN W SCHIERECK
3. BERT M WAGATSUMA CPA LLC
4. KAREN K HOWARD
5. FARBER HASS HURLEY LLP
6. ANDREW PIERI CPA PC
7. MARIO P CASTRO
8. CASHUK WISEMAN GOLDBERG BIRNBAUM & SALEM LLP
9. DEON E. FITCH
10. HENRY S LEONARD
11. DMT CONSULTING LIMITED LIABILITY COMPANY

Ratification of
Approved Firm
Name:

After discussion, it was moved by Vice-Chairperson Taketa, seconded by Mr. Roberts, and unanimously carried (Mr. Punua recused himself from the vote) to ratify the approval of the following firm name:

- 1) Paul T. Kuramoto, CPA Inc.

Chairperson's
Report:

A. National and Industry Update

- 1) Global Learning & Development – Kapiolani Community College
Cathy Nakahara, Outreach Coordinator

This agenda item was discussed earlier.

- 2) *Contractors Financial Statement* –
Contractors License Board

Mr. Williams reminded Board members of the April 25, 2016 communication from a Hawaii-licensed CPA asking for the Board's determination of whether the signing of a financial statement is considered to be an audit/attestation function. He reported that he attended the Contractors License Board ("CLB") meeting on May 20, 2016 to discuss financial statements. He stated that he informed the CLB that he was acting as an individual CPA and was not representing the Board. He had provided CLB members with copies of an AICPA brochure relating to audits, reviews, compilations, and with a sample compilation report. He also provided proposed language changes to the CLB form, specifically the reference to "financial interest". He informed the Board that it would be up to the CLB to decide on action (if any) to be taken on this matter. DAG Tam stated that he will check with the CLB on a suggestion by Mr. Roberts to disseminate information about any changes to CPAs through the HSCPA and the Hawaii Association of Public Accountants ("HAPA"), as well as being posted on the Board's website.

3) Inquiry Regarding Lichter, Yu & Associates

Chairperson Lau reported that the Board had been provided with information that a Hawaii-based entity had been audited by the CPA firm Lichter, Yu & Associates. It was then found that the firm does not hold a current and valid firm permit to practice in Hawaii. It was moved by Vice-Chairperson Taketa, seconded by Mr. Aratani (Mr. Lee recused himself from the vote), and unanimously carried for the

matter to be referred to the Regulated Industries Complaints Office ("RICO") for investigation.

4) Enhancement to AICPA Disciplinary and Peer Review Notice to State Boards

Chairperson Lau reported that the AICPA will be providing boards of accountancy with better and more timely information about licensees in its continued efforts to enhance audit quality. Beginning in July, the AICPA will be directing a monthly communication via email to the Board chairperson and Board administrator that will contain all individual disciplinary actions and all firm Peer Review Program drops and terminations for the previous month, regardless of the state of licensure or registration. The AICPA sees value in boards having this information even if some of it may not be related directly to an individual state.

5) Inquiry From MGO CPAs & Advisors Regarding Peer Review of Hawaii CPA Firm

Discussion ensued on an inquiry from MGO CPAs & Advisors relating to the type of information that will be required that would document the firm's compliance with the Board's peer review requirements. The firm's Hawaii client is a registrant with the U.S. Securities and Exchange Commission and therefore the firm and its Hawaii attest engagement are subject to the inspection process of the Public Accounting Oversight Board ("PCAOB"). The firm was concerned because the PCAOB had informed the firm that it would not disclose information

related to the engagements that had been selected for inspection.

After discussion, the consensus of the Board was that the firm will need to attest on its permit renewal application that the PCAOB inspection included a Hawaii attest engagement, and that the Board will accept the firm's attestation as verification.

6) NASBA 2016 Regional Meetings

Chairperson Lau briefly went over matters discussed at the NASBA 2016 Regional Meeting: (1) NASBA's concern with the Chartered Global Management Accountant ("CGMA") designation; (2) The "California Initiative" which is revisiting the enforcement capabilities of states and jurisdictions to determine substantial equivalency to California's enforcement program; this is designed to follow up on mobility legislation; (3) The North Carolina dental case and its potential for an antitrust perception of state boards by the public; (4) The April 1, 2017 launch of a new CPA examination which will increase the allocated time to a total of sixteen (16) hours; and (5) The peer review oversight proposal which had been discussed earlier with Ms. Castillo.

7) Board Officer Elections Scheduled for August 5, 2016 Board Meeting

Chairperson Lau announced that the Board will hold its elections for Chairperson and Vice-Chairperson at the next scheduled Board meeting on August 5, 2016.

Standing Committee
Reports:

A. Peer Review

- 1) Peer Review Oversight Committee's Proposed Draft, entitled *Independent Accountants Report on Applying Agreed-Upon Procedures*

Committee Chairperson Taketa reiterated that the Peer Review Oversight Committee ("PROC") had submitted a proposed draft as requested by the Board 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. At the Board's last meeting, this PROC proposed assessment document was disseminated to all Board members and DAG Tam.

Committee Chairperson Taketa noted that corrections need to be made in items #1 and #2 to delete the word "with" regarding preparation engagements. Mr. Roberts commented that the term "findings" in items #1 and #2 has a different meaning as "findings" in item #3, and this will need to be clarified. Mr. Williams remarked that the form may be asking for too much information; however, Mr. Komo commented that the form is consistent with the requirements in the statutes. There were other comments noted.

DAG Tam requested for the document to be sent to him for his review and comparison with the provisions of HRS section 466-36; thus, the Board reached

consensus to table discussion of this agenda item to the next meeting.

Discussion continued on the AICPA proposal regarding peer review administering entities, which had been discussed earlier with Ms. Castillo. Board members were asked whether the Board wished to provide comments to the AICPA.

Committee Chairperson Taketa expressed his concern whether the Board would be able to adequately administer Hawaii's peer review law if the proposed regional administering entities will administer peer reviews for CPA firms from different states that may have different peer review laws. He asked how a regional administering entity would address the inconsistency of whether the intent of the peer review is punitive or remedial/educational, the difference in fees for non-AICPA member firms, geographical considerations, the time difference between areas that may create barriers for firms to comply with the Board's peer review requirements, and the potential effect on the Peer Review Oversight Committee's ("PROC") ability to oversee all sponsoring organizations.

Committee Chairperson Taketa commented that the PROC should be invited to comment.

After discussion, it was moved by Mr. Roberts, seconded by Mr. Komo, and unanimously carried for the Board to send a letter to the AICPA (with a copy to NASBA) stating that: (1) Today's meeting is the first opportunity for the Board to discuss the matter; (2) It is a disappointment that state boards were not asked for input earlier; (3) The earliest that the Board can discuss the matter and formulate a position is the August 5, 2016 meeting; and (4)

The Board will communicate its position to the AICPA after the August meeting.

B. Legislation and Rules

- 1) House Bill No. 1669, House Draft 2, Senate Draft 1, Relating to Public Accountancy - Update

Committee Chairperson Williams reiterated that the House had accepted Senate Draft 1 of House Bill No. 1669, which proposes to redefine "peer review" to include reviews done by out-of-State public accountancy licensees; to increase deadlines for filing of peer review compliance reporting forms and appealing certain ratings from ten (10) days to thirty (30) calendar days; allows members of the public accountancy peer review oversight committee to be reimbursed for expenses and protects the members from civil liability for actions done in furtherance of the purposes of the committee; and clarifies that a peer reviewer performing the Hawaii supplement could select one or more engagements from the list obtained from the reviewed firm. The bill was submitted to the Governor on May 5, 2016 and it has not been included on the Governor's veto list.

- 2) Uniform Accountancy Act ("UAA") Exposure Draft Relating to Amendments to the UAA and UAA Model Rules

Discussion ensued on the exposure draft relating to amendments to the UAA and UAA Model Rules. It was noted that the proposed changes seem "benign";

however, these changes may be facilitating an international pathway to CPA licensure.

C. Ethics

Committee Chairperson Komo had no report.

D. Communications

Committee Chairperson Lee had no report.

E. Continuing Professional Education

Committee Chairperson Punua had no report.

F. Mobility

Committee Chairperson Taketa had no report.

G. Uniform CPA Examination

Committee Chairperson Punua had no report.

Open Forum: None.

Next Board Meeting: Friday, August 5, 2016
8:30 a.m.
King Kalakaua Conference Room
King Kalakaua Building
335 Merchant Street, 1st Floor
Honolulu, Hawaii 96813

Announcements: The Professional and Vocational Licensing Division is planning an orientation for board and commission members who were appointed in 2015 and 2016, to be held on Tuesday August 30, 2016 at the State Capitol auditorium. Possible topics to be presented include *Ethics in Government*, the *Sunshine Law*, *Contested Case Hearings*, *Administrative Procedures*, *Handling Complaints*, and the *Role of a Board*

Member. Interested eligible Board members were asked to contact the Executive Officer via email before August 15, 2016.

Adjournment: There being no further discussion, the meeting adjourned at 10:52 a.m.

Taken and recorded by:

/s/ Lori Nishimura

Lori Nishimura, Secretary

Reviewed and Approved by:

/s/ Laureen M. Kai

Laureen M. Kai, Executive Officer

LMK:ln

07/29/16

[X] Minutes approved as is.

[] Minutes approved with changes. See Minutes of _____.