

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

MINUTES

Date: Wednesday, August 20, 2014

Time: 8:35 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
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")
Laureen M. Kai, Executive Officer
Lori Nishimura, Secretary

Excused: Wendy M. Glaus, CPA, Member

Guests: Hamid Pourjalali, Ph.D., Donald A. Corbin Distinguished
Professor of Accounting, Shidler College of
Business, School of Accountancy, University of
Hawaii at Manoa

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
July 18, 2014
Board Meeting:

After discussion, it was moved by Vice-Chairperson Taketa, seconded by Mr. Punua, and unanimously carried to approve the minutes of the July 18, 2014 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 Mr. Punua, seconded by Mr. Williams, 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 9:44 a.m., it was moved by Mr. Regan, seconded by Vice-Chairperson Taketa, and unanimously carried for the Board to move out of Executive Session and immediately recess the meeting.

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

Chairperson Lau acknowledged the arrival of Messrs. Komo and Regan during the Executive Session.

Applications for
CPA Certification:

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

1. BARR, Sean C.

2. ELLIS, Raynard H. Jr.
3. IGE, Kristi M.Y.H.
4. KEATING, Lihua Y.
5. RAFAEL, Carlene R.
6. SAITO, David H.
7. TODD, Jennifer M.W.

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

1. OGITANI, Harris H.

Ratification of
Individual CPA
Permits to Practice:

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

1. KANEKO, Yayoi
2. LAU, Edison Y.
3. MINRATH, Megan B.
4. RODRIGUEZ, Isabella M.
5. WANG, Lawrence S. H.

After discussion, it was moved by Mr. Lee, seconded by Mr. Regan, and unanimously carried (Chairperson Lau recused himself from the vote) to ratify the approval of the following individual CPA Permits to Practice:

1. CHO, Courtney P.
2. LEE, Kenny

Ratification of Issued
Firm 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 issued Firm Permits to Practice:

1. KYLE K YONESHIGE

2. GCY LLC

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 issued Firm Permit to Practice:

1. COURTNEY P CHO

Approval of Firm Name:

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

1. A+ TAX LLC
2. KKDLY LLC

Ratification of Firm Name:

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

1. Ueno & Hoe CPAs, LLC

Chairperson's Report:

A. National Update

1. National Association of State Boards of Accountancy ("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. At the Regional Meetings, Melanie Thompson reported the Pathways

Commission is working to have the College Board accept an Advanced Placement Accounting Course, to have students become interested in accounting while still in high school. Would your Board accept college credit awarded for an AP accounting course?

Response: Yes, as long as the credit is reflected on the official transcript from an acceptable regionally or nationally accredited U.S. college or university, as an earned credit.

2. Is your State Board, Society or Government doing anything to encourage people to enter the accounting profession?

Response: No action at the Board level; but, the accounting society(ies) in the State and some CPA firms may have made efforts to reach out to students at local high schools.

3. Are there significant differences between your state's Accountancy Act and Rules and those of neighboring states? Are there any significant differences between your state's Act and Rules and the Uniform Accountancy Act and Model Rules? Please specify major divergences.

Response: Yes, the following are two significant differences between Hawaii's accountancy laws and rules and those of other states as well as those of the UAA and Model Rules:

(1) Hawaii's laws and rules have no CPA mobility provisions; and (2) Hawaii's experience requirement for CPA licensure remains at two years of professional experience.

4. Having learned that several firms performing employee benefit plan audits are not being properly peer reviewed, is your state considering any changes to the way it monitors peer review?

Response: Not at this time, and not until Hawaii's peer review program is implemented effective December 31, 2017.

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

Response: The lack of mobility results in all CPAs who engage in the practice of public accountancy in the State must get licensed and obtain a permit; this is true for all out-of-State CPAs who engage in peer review services and all other accountancy services.

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

Response: Continuing to assist the Hawaii Board with its participation in the ALD and other services and initiatives, and to support us 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 all Board Members and the Executive Officer.

B. Industry Update

Board members were provided with a copy of the exposure draft of the *Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Review*, dated August 18, 2014. Chairperson Lau provided a brief summary stating that the AICPA Peer Review Board had approved issuance of the exposure draft, which proposes to completely exclude financial statement preparation services performed under SSARS (including those with disclaimer reports) from the scope of peer review. He noted that comments were due to the AICPA Peer Review Program by October 31, 2014.

Standing Committee Reports:

A. Communications

Committee Chairperson Lee had no report.

B. Continuing Professional Education

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

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

Chairperson Lau reported that the Peer Review Oversight Committee ("PROC") met on August 7, 2014 to discuss the revised Hawaii Society of Certified Public Accountants ("HSCPA") Plan of Administration ("Plan"). All members of PROC (Messrs. Dwayne Takeno, Gordon Ciano, and Wilcox Choy), Ms. Kathy Castillo and Mr. Rodney Harano of HSCPA, Executive Officer Kai, Mr. Williams, and himself were in attendance. He commented that it was a "good working meeting" in which they discussed and addressed a number of issues and concerns, including whether the Plan met all statutory requirements and the responsibilities assigned to the PROC and the Board. The PROC conditionally approved the revised Plan contingent upon the revisions discussed at that meeting and is presenting the revised Plan to the Board with the PROC's recommendation for approval.

It was then moved by Vice-Chairperson Taketa to approve the revised Plan, contingent on completion of the agreed-upon changes by the HSCPA. There was no second to the motion.

Mr. Komo questioned whether the term "administering entity" in the Plan was the same as "sponsoring organization". He suggested that all references to the HSPCA be changed to comply with the statute and that the term be defined in the Plan as the HSCPA. DAG Tam commented that if the terms are interchangeable then every effort should be made for consistency in the Plan.

Peer Review Committee Chairperson Taketa then noted a typographical error in the year for the timing of the reviews, stating that it should be "2018" instead of "2017" in both Plans.

Discussion ensued on the scheduling of peer reviews of CPAs that are not members of the AICPA or HSCPA. Peer Review Committee Chairperson Taketa commented that the Plan calls for the Board to become involved if the sponsoring organization is not able to resolve, after three (3) mailings, a situation wherein it has determined that either the peer reviewer or peer reviewed firm is non-compliant with the standards of the peer review program. According to the Plan, the Board would be expected to send, via certified mail, a fourth letter to the party advising that non-compliance may result in being dropped from the program. Executive Officer Kai commented that her understanding was that the sponsoring organization would be fully involved in these types of situations where CPA firms were determined by the HSCPA to be non-compliant. Chairperson Lau commented that the question was at what point does the Board intervene, and whether the Board should be proactive in resolving these types of adversarial situations. Messrs. Williams and Punua both commented that "a head's up" to

these CPA firms may be beneficial in the resolution of conflicts.

After further discussion, it was moved by Mr. Williams, seconded by Committee Chairperson Taketa, and unanimously carried to defer decision making on the approval of the Plan, pending further discussion by the PROC and HSCPA to address these Board concerns as well as any others that may be identified. Board members were asked to review the Plan and to email their comments to the Executive Officer, who was instructed to schedule a meeting of the PROC for consideration of all comments.

Committee Chairperson Taketa also commented it may be necessary to have an agreement between the Board and the sponsoring organization (at this time, this would be the HSCPA); DAG Tam agreed that this is a good idea to clarify the duties and responsibilities of the parties, and to indemnify the Board. He will work on a draft agreement.

G. Uniform CPA Examination

1. Ratification of Examination Scores from the April/May (2nd Quarter) 2014 Testing Window

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

EXAMINATION RESULTS (BY SCORES)

	Number of Scores	Percentage
Initial Credit	10	5.88
Added Credit	36	21.17
No New Credit	39	22.94
Failed	60	35.29
Passed Exam	25	14.7
TOTAL	170	100.00%

TOTALS BY EXAM PARTS (BY CANDIDATES)

	AUD	BEC	FAR	REG	TOTAL
# Attended	42	47	45	36	170
# Passed	20	23	13	15	71
% Passed	47.61	48.93	28.88	41.66	41.76

SUCCESSFUL CANDIDATES SUMMARY

# of Passing First-Time Candidates	1
# of Passing Re-Exam Candidates	24
# of Passing Candidates	25

After discussion, it was moved by Committee Chairperson Regan, seconded by Mr. Komo, and unanimously carried to ratify the examination scores from the 2nd quarter 2014 testing window.

Committee Chairperson Regan informed the Board of the AICPA Board of Examiners' ("BOE") decision regarding the testing of IFRS (International Financial Reporting Standards) 15, Revenue from Contracts with Customers, which, under the *CPA Exam Policy on New Pronouncements*, would be eligible for testing on January 1, 2015, in the Financial Accounting and Reporting ("FAR") section of the Uniform CPA Examination. Given the scope and significance of IFRS 15, the BOE has decided that the standard will not be tested prior to January 1, 2016, and that it will re-evaluate its decision during the second quarter of 2015 to determine if an additional deferral of testing on IFRS 15 is necessary.

Committee Chairperson Regan then summarized information in NASBA's *Candidate Concerns* from the 2014 second quarter (April 1 – May 31, 2014), stating that the report included mostly technical concerns such as computer crashes, power lost, and other types of technical glitches. However, the most complaints were received from candidates who were unable to access the confirmation of acceptance that is typically received by the candidate immediately after completing the exam. Mr. Regan also commented that there were only six (6) reported complaints on test content, out of about eight hundred (800) test takers.

Investigative
Committee Reports:

A. Investigative Committee on Peer Review

Investigative Committee on Peer Review
Chairperson Taketa had no report.

B. Investigative Committee on Mobility

Investigative Committee on Mobility
Chairperson Taketa had no report.

Open Forum:

Mr. Regan suggested the Board may want to consider developing a monthly or quarterly newsletter providing updates and information to licensees and other interested parties. Mr. Williams commented that NASBA's Communications Department assists State Boards with complimentary design and editorial services for newsletters provided that the Board provides the state-specific content. Communication Committee Chairperson Lee stated that he will further research this matter.

Next Board Meeting:

Friday, September 5, 2014
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 10:46 a.m.

Taken and recorded by:

/s/ Lori Nishimura

Lori Nishimura, Secretary

Board of Public Accountancy
Minutes of the August 20, 2014 Meeting
Page 14

Reviewed and accepted by:

/s/ Lauren M. Kai

Lauren M. Kai, Executive Officer

LMK:ln

09/03/14

- Minutes approved as is.
 Minutes approved with changes. See Minutes of _____.