

# SB 506, SD1

Measure Title: RELATING TO PROFESSIONAL AND VOCATIONAL LICENSING.

Report Title: Military; Service Members; Professional and Vocational Licensing; Military Education, Training, or Service; Licensure

Description: Clarifies that licensing authorities shall consider relevant education, training, or service completed by service members. Specifies which service members are subject to these provisions. Permits licensure by endorsement or licensure by reciprocity in certain situations for service members. Establishes procedures for service members to receive a license by endorsement or license by reciprocity. Permits issuance of a temporary license if certain requirements are met. Requires the licensing authority to expedite consideration of the application and issuance of a license by endorsement, license by reciprocity, or temporary license to a qualified service member. Takes effect 7/1/2020. (SD1)

Companion: [HB323](#)

Package: None

Current Referral: PSM, CPN

Introducer(s): BAKER, CHUN OAKLAND, GABBARD, NISHIHARA, Green, Ihara, Ruderman, Solomon

<u>Sort by Date</u>		<b>Status Text</b>
1/18/2013	S	Introduced.
1/22/2013	S	Passed First Reading.
1/22/2013	S	Referred to PSM, CPN.
1/24/2013	S	The committee(s) on PSM has scheduled a public hearing on 01-29-13 2:50PM in conference room 224.
1/29/2013	S	The committee(s) on PSM recommend(s) that the measure be PASSED, WITH AMENDMENTS. The votes in PSM were as follows: 3 Aye(s): Senator(s) Espero, Baker, Galuteria; Aye(s) with reservations: none ; 1 No(es): Senator(s) Green; and 1 Excused: Senator(s) Slom.
2/6/2013	S	Reported from PSM (Stand. Com. Rep. No. 88) with recommendation of passage on Second Reading, as amended (SD 1) and referral to CPN.
2/6/2013	S	Report adopted; Passed Second Reading, as amended (SD 1) and referred to CPN.
2/15/2013	S	The committee(s) on CPN has scheduled a public hearing on 02-21-13 10:30AM in conference room 229.



NEIL ABERCROMBIE  
GOVERNOR

SHAN S. TSUTSUI  
LT. GOVERNOR

STATE OF HAWAII  
OFFICE OF THE DIRECTOR  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

335 MERCHANT STREET, ROOM 310

P.O. Box 541

HONOLULU, HAWAII 96809

Phone Number: 586-2850

Fax Number: 586-2856

[www.hawaii.gov/dcca](http://www.hawaii.gov/dcca)

KEALI'I S. LOPEZ  
DIRECTOR

JO ANN M. UCHIDA TAKEUCHI  
DEPUTY DIRECTOR

**PRESENTATION OF THE PROFESSIONAL AND  
VOCATIONAL LICENSING DIVISION**

TO THE SENATE COMMITTEE ON  
COMMERCE AND CONSUMER PROTECTION

TWENTY-SEVENTH LEGISLATURE  
Regular Session of 2013

Thursday, February 21, 2013  
10:30 a.m.

**TESTIMONY ON SENATE BILL NO. 506, S.D. 1, PROPOSED S.D. 2, RELATING TO  
PROFESSIONAL AND VOCATIONAL LICENSING.**

THE HONORABLE ROSALYN H. BAKER, CHAIR,  
AND MEMBERS OF THE COMMITTEE:

My name is Celia Suzuki, Licensing Administrator for the Professional and Vocational Licensing Division, Department of Commerce and Consumer Affairs ("Department"). The Department appreciates the opportunity to submit testimony on Senate Bill No. 506, S.D. 1, Proposed S.D. 2, Relating to Professional and Vocational Licensing.

The purpose of Senate Bill No. 506, S.D.1, Proposed S.D. 2, is to amend Act 248, Session Laws of Hawaii 2012, to clarify the requirements for service member licensure in Hawaii. While the Department supports the intent of the bill, we would like to add clarification that if the service member had already taken and passed a national

Testimony for Senate Bill No. 506, S.D. 1,  
Proposed S.D. 2  
Thursday, February 21, 2013  
Page Two

or regional exam in another state, the Department would then accept the results of the passage of that national or regional exam. We suggest that the proposal be amended on page 3, lines 7-8 of the proposed S.D. 2, to read, "licensing authority shall ~~not require the applicant to take a national or regional exam~~ accept the results of the passage of a national or regional exam. A certificate or other evidence satisfactory to the licensing authority of having passed a national or regional exam must be provided."

Thank you for the opportunity to provide testimony with suggested amendments on Senate Bill No. 506, S.D. 1, Proposed S.D. 2.



Hawaii State Legislature  
State Senate  
Committee on Commerce and Consumer Protection

State Senator Rosalyn H. Baker, Chair  
State Senator Brickwood Galuteria, Vice Chair  
Committee on Commerce and Consumer Protection

Thursday, February 21, 2013, 10:30 a.m. Room 229  
Senate Bill 506 Relating to Professional and Vocational Licensing

Honorable Chair Rosalyn H. Baker, Vice Chair Brickwood Galuteria and  
members of the Senate Committee on Commerce and Consumer Protection,

My name is Russel Yamashita and I am the legislative representative for the Hawaii Dental Association (HDA) and its 960 member dentists. I appreciate the opportunity to testify in opposition of the proposed version of Senate Bill 506 Relating to Professional and Vocational Licensing. The bill appears to merely restate the provisions of Act 248 of 2012, which essentially provides for the boards and commissions to first determine whether an applicant before them is even basically qualified. If the applicant is not qualified, licensing board or commission then would be obligated to provide, for the safety of the public, to require that the applicant fulfill the basic licensing requirements that all applicants must complete.

The language in the proposed draft states that the boards and commissions cannot require the applicant to take a “national or regional exam”. Such a licensing standard then puts the boards and commissions, and consequently the State of Hawaii, open to accusations of the “good old boy” protectionist licensing as seen in jurisdictions with corrupt or lax licensing standards. National and regional licensing examinations were set up to ensure that basic and uniform standards for various professions were maintained to provide the public with confidence that licensees met minimum standards of competency and professional ethics. Therefore, the Hawaii Dental Association opposes the passage of this legislation and desires that it be held by this committee.



The language in the bill that states “the licensing authority shall not require the applicant to take a national or regional exam” undermines the DCCA’s ability to protect public safety. Using one statement to address the licensing issues of 48 different professions and vocations eliminates professional standards necessary to protect Hawaii’s residents from unqualified individuals. Lumping termite inspectors, nail technicians, boxers, time share agents and a myriad of others with medical surgeons, doctors of dental surgery, CPA’s, and engineers is a disservice to the public. There are huge safety issues involved in professions requiring college degrees plus professional schools or 4 or more years of experience before receiving their full professional licenses.

Passage of national and or regional exams are only part of the minimum requirements needed for professionals to even apply for their Hawaii license. The previous statement of not requiring the applicant to take a national or regional exam is in direct conflict of the first part of the statement “the applicant meets or exceeds the requirements for licensure in Hawaii.” This will probably open up the DCCA to more lawsuits that were stopped when Hawaii adopted the ADEX as the standard for dental licensure in our state.



21 February 2013

**Before the Committee on Commerce and Consumer Protection  
Testimony of Hawaii Society of Professional Engineers  
Thursday, February 21, 2013 at 10:30 a.m.  
Conference Room 229  
Re: SB 506, Proposed SD2**

Chair Rosalyn H. Baker, Vice Chair Brickwood Galuteria, and Committee Members:

On behalf of the Hawaii Society of Professional Engineers (HSPE), we understand the intent of the proposed Bill SB506, Proposed SD2 and agree with helping our returning veterans that have honorably served our country, by considering military experience as part of the qualifications to expedite the application for licensure. However, we strongly oppose the statement that exempts the veteran applicant from taking a national or regional exam for licensure. For engineers, the Professional Engineer (PE) exam is one of the standard requirements that the Hawaii Board of Professional Engineers, Architects, Surveyors and Landscape Architects uses to determine the candidacy for licensure.

Per the National Society of Professional Engineers (NSPE) stance on the examination requirement, "A licensure examination tests more than technical knowledge, although that is a large part of it. It also involves an understanding of ethics, professional concepts, and the application of principles to practice. Finally, an examination prescribes the same standard for all, regardless of educational background, extent of schooling, and experience." We strongly feel that all applicants should still be required to take and pass the PE exam to get licensed. Bypassing this standard requirement for licensure could jeopardize the standards for engineering licensure and potentially compromise the health, safety, and welfare of the public.

Thank you for the opportunity to provide testimony on this draft bill and please feel free to contact our organization if you have any questions.

Sincerely,

Darren K. Okimoto, P.E.  
HSPE State Vice President

# AMERICAN INSTITUTE OF ARCHITECTS

CPN  
10:30 am

February 21, 2013

Honorable Rosalyn Baker, Chair  
Senate Committee on Commerce & Consumer Protection

Re: **Senate Bill 506 SD2 (proposed)**  
**Relating to Professional & Vocational Licensing**

Dear Chair Baker and Members of the Committee,

My name is Daniel Chun, President of the American Institute of Architects (AIA) Hawaii State Council, sending **COMMENTS** on SB 506 proposed SD2. The AIA Board of Directors has not yet voted a position on SB 506 and its drafts, but we have questions relating to the licensing process and its effect on both licensees and Hawaii consumers.

**Candidates for Hawaii architect licenses already have flexibility with respect to qualifications that involve formal education and internship. So why is this bill necessary?**

HRS 464 allows candidates that lack a formal degree from an accredited school of architecture to apply for Hawaii licensure. This is atypical of most states, but AIA has defended this **Hawaii state "waiver"** because some individuals lack an accredited degree due to life circumstances; such as personal finances or having immigrated to the United States. Our state replaces this with 11 years of internship. Our understanding is that each year 1 or 2 persons use the accredited degree waiver to become a candidate. This is not a large number of persons, but it makes for empathetic accessibility to the architectural profession.

HRS 464-8(b) requires internship for a number of years in a nationally organized program of the National Council of Architectural Registration Boards NCARB. However AIA lobbied this legislature to allow alternate intern development programs that may be approved by our DCCA EASLA Board. When AIA lobbied the amended language it was understood that the US military had some kind of intern program that warranted recognition. This acceptable **"bright light" alternative is in HRS 464-8(b)**, so this bill seems unnecessary for the architectural profession.

**Why is the class of beneficiaries of this bill so potentially large?**

Drafts of SB 506 have included veterans of every level of military unit from very active duty to members of the National Guard resident in their various home states. The drafts have not seemed to differentiate between long-term veterans and those with far fewer years of service. If this is the intent of SB 506,



the class of beneficiaries can become very large and may include out-of-state residents applying for Hawaii architect licenses without any intention of residing in our community.

**What is the effect on architect licensing reciprocity agreements among the various states? What is the effect on current Hawaii licensees?**

Our nationally organized regulator, the NCARB, operates a reciprocity program among the 52 jurisdictions where there are architect licensing boards. An architect initially licensed in any one NCARB jurisdiction [the 50 states, Puerto Rico and Guam] can apply for, and likely receive, an architect license in another NCARB jurisdiction through NCARB reciprocity. If you pass a bill like SB 506 SD2 that requires waiving the national examination, Hawaii's reciprocity agreement with other jurisdictions will be called into extremely serious question, thus imperiling all current Hawaii architect licensees.

**Why are the DCCA licensing boards to use local Hawaii-based qualification criteria to assess candidates only to have the national examination waived?**

SD2 seems like topsy-turvy thinking. The justification for SB 506 is that veterans have served our country and thus had to reside other than in Hawaii during their military tour of duty. So they are unable to demonstrate Hawaii-based local experience. Okay. But why does SD2 require waiving a national examination when such knowledge to be tested is nationally based knowledge? AIA has supported and had passed Hawaii-based exemptions to national degree and internship standards, while holding fast on the national examination.

**Is the purpose of SB 506 economic opportunity or consumer protection?**

The language of various drafts of SB 506 and the supporting testimony read like economic opportunity for veterans. AIA understanding is that our licenses are regulated by the DCCA solely for public consumer protection and not for private financial gain or personal elevation of a special class of persons. There are federal programs, such as design contract set-asides, with veteran preferences that AIA has not taken issue with.

**Why has the bill resulted in individual member discomfort?**

Although the AIA Board has not yet voted a position, members have contacted us with the comments presented here. A large percentage of the contacts have come from Maui-based members. Characterizing the discomfort ... SB 506 seems like a great "watering down" from current requirements focused on public consumer protection. We hope that any standing committee report can answer our questions. If you must pass this bill, please consider exempting certain professions that already provide for proper balance between accessibility for candidates and the consuming public in their respective licensing statutes. Thank you for this opportunity to COMMENT on SB 506 SD2.



## HAWAII ASSOCIATION OF PUBLIC ACCOUNTANTS

Organized August 7, 1943  
P.O. BOX 61043  
HONOLULU, HAWAII 96839



**Before the Senate Committee on Commerce and Consumer Protection**

**Testimony of John W. Roberts on Behalf of the  
Hawaii Association of Public Accountants**

**Thursday, February 21, 2013 at 10:30 a.m.**

**Conference Room 229**

**Re: Opposition to SB 506, Proposed SD 2**

Chair Rosalyn H. Baker, Vice Chair Brickwood Galuteria, and Committee Members:

I am the State President of the Hawaii Association of Public Accountants (HAPA). HAPA is a state-wide organization with chapters in all of Hawaii's counties. I am also a licensed Certified Public Accountant (CPA) and a principal in the firm Niwao & Roberts, Certified Public Accountants, a Professional Corporation, located on Maui.

This is the fourth time in this legislative session that HAPA has submitted testimony on proposed legislation to exempt military veterans from certain portions of the professional licensing standards of Hawaii. HAPA hears the message of Hawaii's legislature that it wants to help the latest generation of heroes transition into civilian life, find gainful employment, and pursue the happy and prosperous lives they deserve following their service to our country. HAPA shares this goal, but strongly opposes the manner in which Senate Bill 506, Proposed Senate Draft 2 (SB 506, Proposed SD2) attempts to achieve this end.

**Context:** HAPA wants this committee to know the context in which HAPA opposes this draft legislation. HAPA's membership includes licensed professionals who previously served in the United States Military, the Foreign Service, and other agencies in the United States Intelligence Community. Some received commendations and citations in recognition of their service while in harm's way overseas. Following military service, many of those who were eligible received tuition and other college assistance as well as other benefits under the G.I. Bill to launch them into their present careers and civilian lives. None who served either sought or received special accommodation or relief from the Hawaii Department of Commerce and Consumer Affairs or the Board of Public Accountancy when they eventually applied for and obtained a Hawaii CPA license or permit to practice.



In a non-statistical telephone sample of HAPA members who previously performed national service, those queried expressed the opinion that their national service was a privilege and a reward in itself, regardless of whether they were drafted or volunteered. They also shared the opinion that Hawaii's laws and administrative rules governing the licensure and practice of public accounting were enacted for the protection of the public for good reason and should not be compromised, regardless of how noble the related intentions are. Our system of governance, which includes the processes for developing the laws and rules for regulating the CPA profession in Hawaii, are part of what they worked to protect through their national service. To make exceptions or lower the standards for professional licensing for any special class of citizens degrades their own sacrifices made in national service.

**Three Pillars to CPA Licensure:** There are three time-tested pillars to CPA licensure across the nation: Education, Examination, and Experience. All are equally important for the public's protection. Take away any one of these pillars, and the framework on which the profession is based will collapse. SB 506, Proposed SD 2 would waive the national Uniform CPA Examination for certain veterans with substantially equivalent education and experience.

The Uniform CPA Examination is the only pillar that is an absolute constant from state to state. Administered by the National Association of State Boards of Accountancy (NASBA), it tests the core knowledge that every CPA must have before practicing before the public. The pass rate for this four-part examination is not high. Passing it is more than a rite of passage or badge of honor. It demonstrates to all state licensing boards and all consumers that the work product of any CPA in any state (who also obtained the necessary education and experience) meets minimum standards. Remove the requirement for any one of these three licensing standards and the credibility and acceptability of all CPAs licensed in Hawaii will be questioned. The consequences of lowering the licensing standards in Hawaii relative to other states are expected to be severe. Simply put, if this Bill becomes law, any Hawaii CPA practicing before the Internal Revenue Service and any Hawaii CPA performing audits of recipients of federal grants and contracts could expect to lose his or her livelihood.

The process of carving out exceptions to professional licensing standards is a slippery slope similar, by analogy, to granting the now voluminous exceptions to the Hawaii General Excise Tax. Once Hawaii starts down this road, it will be near impossible to not make exceptions for others, all at the expense of consumer protection.



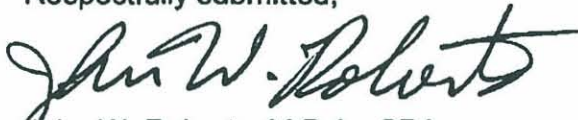
**Other Options:** The benefits available to military veterans to facilitate their transition to prosperous civilian careers are summarized at <http://www.todaysmilitary.com/military-benefits?intcmp=a15> . If Hawaii's legislature believes that the benefits offered by the Federal Post-9/11 GI Bill combined with Federal Tax Credits offered to employers for hiring veterans are insufficient, then HAPA recommends that the legislature consider offering additional incentives to employers to make hiring veterans more attractive, rather than less attractive by lowering professional licensing standards for veterans. Such incentives could include State employment tax credits and reimbursement of employers' training/retraining costs.

In conclusion, HAPA's members include veterans who have made the transition to civilian life and became licensed professionals. They are proud of the latest generation's service to our country and welcome them back to civilian life and careers. From experience, however, our members know that there is no short cut to becoming a Certified Public Accountant. The time-tested licensing standards of Education, Examination, and Experience are necessary for the protection of Hawaii's consumers. These standards remain just as valid today as they were when HAPA's veterans hung up their own uniforms for the last time and started down the path to becoming CPAs themselves.

For the protection of Hawaii's consumers and to insure that our veterans are thoroughly prepared for rewarding civilian careers, HAPA strongly opposes SB 506, Proposed SD2.

Thank you for the opportunity to submit testimony for your consideration.

Respectfully submitted,

  
John W. Roberts, M.B.A., CPA  
HAPA State President



**Taketa, Iwata, Hara & Associates, LLC**

Certified Public Accountants & Consultants  
101 Aupuni Street, Suite 139  
Hilo, Hawaii 96720-4260

**Before the Senate Committee on Commerce and Consumer Protection**

**Thursday, February 21, 2013 at 10:30 a.m.  
Conference Room 229  
State Capitol**

**Re: Opposition To SB 506, Proposed SD2**  
Relating to Professional and Vocational Licensing

**Testimony of Gregg M. Taketa, CPA**

**Chair Baker, Vice Chair Galuteria and committee members:**

**I respectfully ask that you vote NO on SB 506, Proposed SD2.**

I am a partner in the CPA firm of Taketa, Iwata, Hara & Associates, LLC in Hilo and the immediate past State President of the Hawaii Association of Public Accountants (HAPA). I am also a member of the Hawaii Society of Certified Public Accountants (HSCPA) and the American Institute of Certified Public Accountants (AICPA).

While I applaud your committee's attempt to assist veterans who have served our nation honorably in finding post-service employment, I believe such efforts should not be at the expense of compromising the State's responsibility to protect the public.

SB 506, Proposed SD2 will allow veterans to obtain a license for a vocation or profession that the individual may not be qualified. The successful passing of required national or regional exams is a key criterion in determining whether an individual is qualified to serve the public.

I urge the committee to oppose SB 506, Proposed SD2 for these reasons.

Thank you for this opportunity to testify.

Respectfully submitted,

  
Gregg M. Taketa, CPA





## Taketa, Iwata, Hara & Associates, LLC

Certified Public Accountants & Consultants

101 Aupuni Street, Suite 139

Hilo, Hawaii 96720-4260

Before the Committee on Commerce and Consumer Protection

Testimony of Janet W. Hara

Thursday, February 21, 2013 at 10:30 a.m.

Conference Room 229

Re Opposition to SB 506, Proposed SD2

Chair Rosalyn H. Baker, Vice Chair Brickwood Galuteria and Committee Members:

My name is Janet W. Hara. I am a practicing CPA and a member of the firm Taketa, Iwata, Hara & Associates, LLC on the Big Island. I have been practicing for 30 years. My husband served in the military and I have a lot of respect for the people who do so. But that does not make them CPA's.

I strongly oppose SB506, Proposed SD2 because the Uniformed CPA Exam was established to insure that persons licensed as CPA's in fact proved that they had a level of knowledge to be able to begin to practice public accounting. And that level is really only a beginner level. I believe most CPA's would agree that it takes some years to become truly competent at what they do.

Substantial equivalency is not an easily determined standard. Generally a standard implies that most people would agree on the answer to the question "Is this person qualified to practice in public accounting?". Substantial equivalency does not set a bar specific enough that a large majority of people would give the same answer to that question. The CPA exam requires a passing grade of 75%. I doubt that substantial equivalency would result in 75% of people agreeing on an answer to the question of qualifications.

A uniform test treats all applicants to the field in the same way. You pass the test and have the required education and experience; you can get a license to practice public accounting. Experience alone has never been enough.

I have practiced in both the audit and tax area as well as business consulting. The rules and standards in these areas are complex and difficult. How will the boards making the decision about substantial equivalency be able to determine whether a candidate for a license in fact knows the rules well enough not to cause harm to his/her client? Our professional ethics require that we put our client's wellbeing before our own. This bill puts the military member's wellbeing before the general public.

Therefore I ask that you do not pass this bill.

Thank you for the opportunity to testify.

  
Janet W. Hara, CPA

Gregg M. Taketa, CPA • Brian M. Iwata, CPA • Janet W. Hara, CPA

Tel (808) 935-5404 Fax (808) 969-1499 E-mail: info@tihcpa.com Website: www.tihcpa.com



***GERALD M. TASHIMA***

***Certified Public Accountant***

*Central Pacific Plaza*

*220 South King Street Suite 888*

*Honolulu, Hawaii 96813*

*Phone: (808) 521-2421 Fax: (808) 521-2953*

February 19, 2013

**Before the Committee on Commerce and Consumer Protection**

**Testimony of Gerald M. Tashima, C.P.A.**

**Thursday, February 21, 2013 at 10:30 a.m.**

**Conference Room 229**

**Re: Opposition to SB 506, Proposed SD2**

Chair Rosalyn H. Baker, Vice Chair Brickwood Galuteria, and Committee Members:

I am a Certified Public Accountant and the owner of public accounting practice on Oahu, Hawaii.

I strongly oppose SB506, Proposed SD2 because allowing individuals to become licensed as CPAs without taking the Uniform CPA exam would lower Hawaii's licensing standards for CPAs and hurt Hawaii consumers, who expect that a Hawaii CPA to be reasonably competent and knowledgeable about matters concerning financial statements, taxes, and business. The knowledge and competency of CPAs is especially important in these current economic times when the financial well-being of businesses and individuals rest on being given competent advice. Education and experience alone are not sufficient to insure the competency of newly-licensed CPAs, especially given the past problems with the Board of Public Accountancy not carefully scrutinizing the experience of new CPA candidates.

The Uniform CPA examination has been developed and used as a screening tool for the protection of the public for good reason. It represents decades of ongoing work to protect the public. SB 506, Proposed SD2 will allow CPA candidates with substituted military experience and education to become licensed without passing a national or regional examination.

In addition, due to CPA mobility laws enacted in other states, eliminating the CPA exam requirement would mean that Hawaii CPAs would no longer be automatically accepted when they apply for CPA licenses in other states because other states require CPAs to pass the Uniform CPA exam. In other words, Hawaii CPA licenses would go from being among the top-ranked professional CPA licenses in the nation to being sub-standard for CPA licensing purposes (and

not recognized for CPA mobility purposes by other states). This would also draw into question the work product by Hawaii CPAs by various financial institutions, businesses, and the federal government. For federal purposes, audits of organizations receiving federal grants and contracts would be drawn into question due to the competency of Hawaii CPAs, and the IRS may no longer recognize the Hawaii CPA license. This would destroy the livelihoods of current CPA licensees in Hawaii.

Military veterans currently receive Post-9/11 GI Bill college education and other benefits, including federal jobs tax credits for the hiring of veterans. Licensing for the protection of the public should not be compromised in order to encourage the hiring of veterans.

Please hold SB506, Proposed SD2. Thank you for this opportunity to testify.  
Respectfully submitted,

Gerald M. Tashima, C.P.A.



I am very much opposed to the granting of a CPA license to anyone who does not have the required education and has not passed the CPA exam.

There is a quality issue here that can only be harmed by legislation of this sort.

This is degrading the professional standards and can only result in lower quality of service to the public.

If this issue is about helping veterans, then why not provide assistance with exam prep courses for properly educated personnel? This would be a win-win for everyone.

*Nancy*

Nancy Jean Kramer MBA, CPA  
15-2984 Pahoia Village Rd  
PO Box 1519  
Pahoia, HI 96778  
(808)965-2729  
(808)930-6835 - fax

**Before the Committee on Commerce and Consumer Protection**

**Testimony of Nathan Colgrove**

**Thursday, February 21, 2013 at 10:30 a.m.**

**Conference Room 229**

**Re: Opposition to SB 506, Proposed SD2**

Chair Rosalyn H. Baker, Vice Chair Brickwood Galuteria, and Committee Members:

I am an accountant in the practice of public accounting.

I am one who is very appreciative of the sacrifices made by the members of our military and their families.

I am opposed to SB506, Proposed SD2. Allowing individuals to become licensed CPA's without taking the Uniform CPA exam would lower Hawaii's licensing standards for CPA's and thereby have potential to hurt Hawaii. Accounting is a technical field. Across America passing "the test" is every CPA's rite of passage into CPA-hood. An exemption to passing the exam would serve to create a second class of CPA. On one hand you would have the countless stories of youthful endeavoring CPA candidates toiling away night after night to earn the coveted "CPA" after their name, and on the other hand there would be those that were exempted from the exam.

In addition, there would be potential for the rest of the nation to look on CPA's produced in Hawaii as a lesser professional because not all of their licensees were required to pass the exam.

I would be in favor of helping members of our military and their families in ways that would help bring them up to the standards required to become a CPA, but not by bringing down those standards to the detriment of Hawaii's public, not to mention the many who have already passed the exam, and those would continue to be required to pass the exam.

Please do not pass SB506, Proposed SD2.

Respectfully submitted,

Nathan

Nathan Colgrove  
Taketa, Iwata, Hara & Associates, LLC  
101 Aupuni Street, Suite 139  
Hilo, HI 96720  
Phone: 808-935-5404  
Fax: 808-969-1499  
[nathan@tihcpa.com](mailto:nathan@tihcpa.com)  
[www.tihcpa.com](http://www.tihcpa.com)



**CLYDE T. OSHIRO**

Certified Public Accountant

319 Kinoole Street

Hilo, Hawaii 96720

Phone: (808) 935-0885 Fax: (808) 961-5881 e-mail: [oshirocpa@hawaiiintel.net](mailto:oshirocpa@hawaiiintel.net)

February 19, 2013

**Before the Committee on Commerce and Consumer Protection**

**Testimony of Clyde T. Oshiro, CPA**

**Thursday, February 21, 2013 at 10:30 a.m.**

**Conference Room 229**

**Re: Opposition to SB 506, Proposed SD2**

Chair Rosalyn H. Baker, Vice Chair Brickwood Galuteria, and Committee Members:

I am a Certified Public Accountant in Hilo, Hawaii and have been in the practice of public accountancy for more than 35 years.

I strongly oppose SB506, Proposed SD2 because allowing individuals to become licensed as CPAs without taking the Uniform CPA exam would lower Hawaii's licensing standards for CPAs and hurt Hawaii consumers, who expect that a Hawaii CPA to be reasonably competent and knowledgeable about matters concerning financial statements, taxes, and business. The knowledge and competency of CPAs is especially important in these current economic times when the financial well-being of businesses and individuals rest on being given competent advice. Education and experience alone are not sufficient to insure the competency of newly-licensed CPAs, especially given the past problems with the Board of Public Accountancy not carefully scrutinizing the experience of new CPA candidates.

The Uniform CPA examination has been developed and used as a screening tool for the protection of the public for good reason. It represents decades of ongoing work to protect the public. SB 506, Proposed SD2 will allow CPA candidates with substituted military experience and education to become licensed without passing a national or regional examination.

In addition, due to CPA mobility laws enacted in other states, eliminating the CPA exam requirement would mean that Hawaii CPAs would no longer be automatically accepted when they apply for CPA licenses in other states because other states require CPAs to pass the Uniform CPA exam. In other words, Hawaii CPA licenses would go from being among the top-ranked professional CPA licenses in the nation to being sub-standard for CPA licensing purposes (and not recognized for CPA mobility purposes by other states). This would also draw into question the work product by Hawaii CPAs by various financial institutions, businesses, and the federal government. For federal purposes, audits of organizations receiving federal grants and contracts would be drawn into question due to the competency of Hawaii CPAs, and the IRS may no longer recognize the Hawaii CPA license. This would destroy the livelihoods of current CPA licensees in Hawaii.

Military veterans currently receive Post-9/11 GI Bill college education and other benefits, including federal jobs tax credits for the hiring of veterans. Licensing for the protection of the public should not be compromised in order to encourage the hiring of veterans.

Please hold SB506, Proposed SD2. Thank you for this opportunity to testify.  
Respectfully submitted,



# Deborah Daniells & Associates, CPAs, JNC.

*Certified Public Accountants*

106 Central Avenue  
Wailuku, Hawaii 96793

## HAWAII ASSOCIATION OF PUBLIC ACCOUNTANTS

*Organized August 7, 1943*  
P.O. BOX 61043  
HONOLULU, HAWAII 96839

Before the Senate Committee on Public Safety,  
Intergovernmental and Military Affairs

Tuesday, January 29, 2013 at 2:50 p.m.

Conference Room 224

Re: Opposition to SB 506

Chair Will Espero, Vice Chair Rosalyn H. Baker, and Committee Members:  
I am a member of the Hawaii Association of Public Accountants (HAPA).  
HAPA is a state-wide organization with chapters in all of Hawaii's counties. I am  
also a licensed CPA and the owner of Deborah Daniells & Associates CPA's, Inc.,  
a Professional Corporation, located on Maui.

HAPA opposes SB 506 as it applies to the licenses pertaining to certified public accountants for the reasons described below. By way of background, HAPA's membership includes licensed professionals who previously served in the United States military and in the foreign service. Some received commendations and citations in recognition of their service while in harm's way overseas. None who served either sought or received special accommodation or relief from the Hawaii Department of Commerce and Consumer Affairs or the Board of Public Accountancy when they completed their national service, transitioned to Hawaii's civilian workforce, and applied for a Hawaii CPA license or permit to practice.

In a non-statistical telephone sample of HAPA members who previously performed national service, those queried expressed the opinion that their national service was a privilege and a reward in itself, regardless of whether they were drafted or volunteered. They also shared the opinion that Hawaii's laws and administrative rules governing the licensure and practice of public accounting were enacted for the protection of the public for good reason and should not be compromised, regardless of how noble the related intentions are. Our system of governance, which includes the processes for developing the laws and rules for regulating the CPA profession in Hawaii, are part of what they worked to protect through their national service. To make exceptions or lower the standards for professional



The CPA. Never Underestimate The Value.™

licensing for any special class of citizens degrades their own sacrifices made in national service.

HAPA's opposition to SB 506 stems from three primary concerns: Substantial Equivalency and CPA Mobility; Self-Certification and Abdication of Jurisdiction; and Failure to Recognize Non-Military National Service.

**Substantial Equivalency and CPA Mobility:** Together with other Hawaii and national stakeholders, HAPA has labored for approximately 15 years with the definition and application of the concept of Substantial Equivalency in CPA licensing as part of our efforts to reach a mutually agreeable compromise for CPA mobility legislation in Hawaii. The heart of the matter is that the education and experience requirements for CPA licensure can vary greatly from state to state. If great care is not used in defining and applying Substantial Equivalency in the CPA context, the end result will be to lower Hawaii's time-tested licensing standards to the lowest common denominator in the nation. The unintended consequence of this would be to needlessly put Hawaii's consumers at risk. Furthermore, it would create two classes of CPAs in Hawaii: those with military backgrounds who became licensed in Hawaii under the lowest standards available in other states and those without military backgrounds who became licensed under Hawaii's high standards developed for consumer protection.

Over the last few months, the CPA mobility stakeholders in Hawaii came very close to reaching agreement on CPA mobility legislation. For the first time, we can now see the finish line in the distance. The negotiations collapsed primarily over other issues just before the start of this legislative session. Nonetheless, HAPA remains optimistic that the stakeholders will resume work in a cooperative spirit and finally complete draft legislation after this legislative session if no outside influences muddy the waters. Unfortunately, through its broad use of the term and concept of Substantial Equivalency, SB 506 oversimplifies a very complex issue for the CPA community and threatens to derail our efforts to reach consensus on CPA mobility legislation.

Self-Certification and Abdication of Jurisdiction: HAPA is concerned that the Licensure by Endorsement and Licensure by Reciprocity provisions of SB 506 will be essentially equivalent in practice to self-certification by the applicant that they meet the requirements for a CPA license and permit to practice in Hawaii, resulting in a de facto abdication of jurisdiction by the Hawaii Department of Commerce and Consumer Affairs and the Board of Public Accountancy. Coupled with the requirement that the licensing authority "shall expedite consideration" again creates a two-class CPA licensing regime resulting in those with military service receiving preferential treatment above those without military service. Those without prior military service will continue to have to undergo full, licensing credentials and "good standing" verifications with other states by the Hawaii Board of Public



Accountancy. The wording of SB 506 suggests that those with military backgrounds will not. Because of the nature of public accounting, it is very difficult for CPA applicants to self-assess the adequacy of their experience for the reason that they do not know what they do not know. Therefore, we do not believe that self-certification is adequate for the protection of the public.

Failure to Recognize Non-military National Service: SB 506 only recognizes Military service. It is silent about those who serve in equally dangerous nonmilitary or civil service positions in the national intelligence community, foreign service, and other branches of the U.S. Government. In fairness to all who have performed national service, any relaxing of the licensing standards should recognize their competencies gained while serving their country as well.

The process of carving out exceptions to professional licensing standards is a slippery slope similar, by analogy, to granting the now voluminous exceptions to the Hawaii General Excise Tax. Once Hawaii starts down this road, it will be near impossible to not make exceptions for others, all at the expense of consumer protection. Although appreciative and proud of the military service of this latest generation who are now joining the ranks of veterans, it is for the greater good of Hawaii's citizens that HAPA opposes SB 506 for the reasons described above.

Thank you for your consideration.

Respectfully submitted,

DEBORAH DANIALLS & ASSOCIATES CPA's, INC.

A handwritten signature in black ink, appearing to read 'Deborah Lee-Daniells', written over a horizontal line.

Deborah Lee-Daniells, MBA, CPA



140 N. MARKET STREET, SUITE 200  
WAILUKU, HAWAII 96793-173  
(808) 242-9100 MAIN  
(808) 244-1375 FAX

**Before the Committee on Commerce and Consumer Protection**

**Testimony of Ross Fusato**

**Thursday, February 21, 2013 at 10:30 a.m.**

**Conference Room 229**

**Re: Opposition to SB 506, Proposed SD2**

Chair Rosalyn H. Baker, Vice Chair Brickwood Galuteria, and Committee Members:

I am a CPA and practice public accounting on the island of Maui. I am the principal of Fusato CPA Inc. and have been in public accounting for 10 years.

I strongly oppose SB506, Proposed SD2 because allowing individuals to become licensed as CPAs without taking the Uniform CPA exam would lower Hawaii's licensing standards for CPAs and hurt Hawaii consumers, who expect that a Hawaii CPA be reasonably competent and knowledgeable about matters concerning financial statements, taxes, and business. The knowledge and competency of CPAs is especially important in these current economic times when the financial well-being of businesses and individuals rest on being given competent advice. Education and experience alone are not sufficient to insure the competency of newly-licensed CPAs, especially given the past problems with the Board of Public Accountancy not carefully scrutinizing the experience of new CPA candidates.

The Uniform CPA examination has been developed and used as a screening tool for the protection of the public for good reason. It represents decades of ongoing work to protect the public. SB 506, Proposed SD2 will allow CPA candidates with substituted military experience and education to become licensed without passing a national or regional examination.

In addition, due to CPA mobility laws enacted in other states, eliminating the CPA exam requirement would mean that Hawaii CPAs would no longer be automatically accepted when they apply for CPA licenses in other states because other states require CPAs to pass the Uniform CPA exam. In other words, Hawaii CPA licenses would go from being among the top-ranked professional CPA licenses in the nation to being sub-standard for CPA licensing purposes (and not recognized for CPA mobility purposes by other states). This would also draw into question the work product by Hawaii CPAs by various financial institutions, businesses, and the federal government. For federal purposes, audits of organizations receiving federal grants and contracts would be drawn



into question due to the competency of Hawaii CPAs, and the IRS may no longer recognize the Hawaii CPA license. This would destroy the livelihoods of current CPA licensees in Hawaii.

Military veterans currently receive Post-9/11 GI Bill college education and other benefits, including federal jobs tax credits for the hiring of veterans. Licensing for the protection of the public should not be compromised in order to encourage the hiring of veterans.

Please hold SB506, Proposed SD2. Thank you for this opportunity to testify.  
Respectfully submitted,  
Ross Fusato, CPA

Senate Committee:

I respectfully and strongly oppose SB 506, Proposed SD2, as it applies to Certified Public Accountants (CPA's). I have been a CPA in public practice on the Island of Oahu for approximately 34 years. My views and opinions are as follows:

1. Our industry (both nationally and locally) currently has in place many requirements to help self regulate our industry and to help ensure the quality of our services to the consumer. The proposed bill will create a lot of confusion for both the profession and the consumer.
2. The proposed bill has the effect of making a Hawaii CPA sub-standard to that of other States.
3. Any new legislation should be done in a coordinated manner with the American Institute of CPA's (AICPA) and the Hawaii Society of CPA's (HSCPA).
4. The allowance of endorsements as to the qualifications of a candidate is not a good idea because there will be too much room for manipulation. The passing of a standard national exam takes away the ability to manipulate the system.
5. I am not opposed to military service and experience qualifying for the educational requirements to be able to sit for the CPA exam. However, I feel passing the CPA exam should remain a requirement.
6. While the intent of the proposed bill is good, I don't think it was well thought out, especially with the quality controls in place to help protect the consumer.

Thank you for considering my view and comments.

Randy Y. Hamasaki

Dean Miyamoto, CPA, Inc.  
1600 Kapiolani Blvd, Suite 1670  
Honolulu, HI 96814

(808) 973-9300 x 60  
(808) 973-9301 (fax)  
[randy@dmcpainc.com](mailto:randy@dmcpainc.com)  
[www.dmcpainc.com](http://www.dmcpainc.com)



Chair Rosalyn H. Baker, Vice Chair Brickwood Galuteria, and Committee Members,

I am A CPA and practice in public accounting for an international ( in the past) ,as well as, local cpa firm (present)on Oahu since 1977. I am also the senior principal member in my firm and fully understand what is needed to be a competent and dedicated CPA especially in this uncertain and fragile economic environment.

I strongly oppose SB506, Proposed SD2 because allowing individuals to become licensed as CPAs without taking the Uniform CPA exam would lower Hawaii's licensing standards for CPAs and hurt Hawaii consumers, who expect that a Hawaii CPA to be reasonably competent and knowledgeable about matters concerning financial statements, taxes, and business. The knowledge and competency of CPAs is especially important in these current economic times when the financial well-being of businesses and individuals rest on being given competent advice. Education and experience alone are not sufficient to insure the competency of newly-licensed CPAs, especially given the past problems with the Board of Public Accountancy not carefully scrutinizing the experience of new CPA candidates.

The Uniform CPA examination has been developed and used as a screening tool for the protection of the public for good reason. It represents decades of ongoing work to protect the public. SB 506, Proposed SD2 will allow CPA candidates with substituted military experience and education to become licensed without passing a national or regional examination.

In addition, due to CPA mobility laws enacted in other states, eliminating the CPA exam requirement would mean that Hawaii CPAs would no longer be automatically accepted when they apply for CPA licenses in other states because other states require CPAs to pass the Uniform CPA exam. In other words, Hawaii CPA licenses would go from being among the top-ranked professional CPA licenses in the nation to being sub-standard for CPA licensing purposes (and not recognized for CPA mobility purposes by other states). This would also draw into question the work product by Hawaii CPAs by various financial institutions, businesses, and the federal government.

For federal purposes, audits of organizations receiving federal grants and contracts would be drawn into question due to the competency of Hawaii CPAs, and the IRS may no longer recognize the Hawaii CPA license. This would destroy the livelihoods of current CPA licensees in Hawaii.

Military veterans currently receive Post-9/11 GI Bill college education and other benefits, including federal jobs tax credits for the hiring of veterans. Licensing for the protection of the public should not be compromised in order to encourage the hiring of veterans.

Please hold SB506, Proposed SD2. Thank you for this opportunity to testify.  
Respectfully submitted,

Dean Miyamoto

Dean Miyamoto, CPA, Inc.  
1600 Kapiolani Boulevard, Suite 1670  
Honolulu, Hawaii 96814  
[www.dmcpainc.com](http://www.dmcpainc.com)  
PH: (808) 973-9300

**Before the Committee on Commerce and Consumer Protection**

**Testimony of Darryl T. Komo**

**Thursday, February 21, 2013 at 10:30 a.m.**

**Conference Room 229**

**Re: Opposition to SB 506, Proposed SD2**

Chair Rosalyn H. Baker, Vice Chair Brickwood Galuteria, and Committee Members:

I am a CPA and practice public accounting on Oahu. I strongly oppose SB506, Proposed SD2 because allowing individuals to become licensed as CPAs without taking the Uniform CPA exam would lower Hawaii's licensing standards for CPAs and hurt Hawaii consumers, who expect that a Hawaii CPA to be reasonably competent and knowledgeable about matters concerning financial statements, taxes and business. The knowledge and competency of CPAs is especially important in these economic times when the financial wellbeing of businesses and individuals rest on being given competent advice. Education and experience alone are not sufficient to insure the competency of newly-licensed CPAs.

The Uniform CPA examination has been developed and used as a screening tool for the protection of the public for good reason. It represents decades of ongoing work to protect the public. SB 506, Proposed SD2 will allow candidates with substituted military experience and education to become licensed without passing a national or regional examination.

I am not opposed to providing benefits to military veterans, however I do not agree with allowing full CPA licensure without passing the CPA examination. The passage of the exam is an objective measure of knowledge, rather than allowing individuals to determine substantial equivalency which is a subjective measure.

Please hold SB506, Proposed SD2. Thank you for this opportunity to testify.

Respectfully submitted,

Darryl T. Komo, CPA



**Before the Committee on Commerce and Consumer Protection**

**Testimony of Yvonne A Egdamin**

**Thursday, February 21, 2013 at 10:30 a.m.**

**Conference Room 229**

**Re: Opposition to SB 506, Proposed SD2**

Chair Rosalyn H. Baker, Vice Chair Brickwood Galuteria, and Committee Members:

I am a CPA and Senior Manager with a firm that is in the practice of public accounting on the Big Island of Hawaii. I have been in this field for over 20 years. I have just passed the Uniform CPA exam after many years of trying. Even with over 20 years of experience it was very difficult. I understand from experience that this license puts you at a very high standard. It is very important to all CPA's and to the public that this not be overlooked. Every CPA needs to be at their best. We cannot afford to drop these requirements, this would lower the confidence of consumers as well as reduce the profession to sub standard. We as professionals did not work this hard to achieve this goal and maintain our reputation by doing continued education to make it easier for others to get into the field. We have a reputation to uphold and a professional responsibility to the public to make sure that this is always maintained.

I strongly oppose SB506, Proposed SD2 because allowing individuals to become licensed as CPAs without taking the Uniform CPA exam would lower Hawaii's licensing standards for CPAs and hurt Hawaii consumers, who expect that a Hawaii CPA to be reasonably competent and knowledgeable about matters concerning financial statements, taxes, and business. The knowledge and competency of CPAs is especially important in these current economic times when the financial well-being of businesses and individuals rest on being given competent advice. Education and experience alone are not sufficient to insure the competency of newly-licensed CPAs, especially given the past problems with the Board of Public Accountancy not carefully scrutinizing the experience of new CPA candidates.

The Uniform CPA examination has been developed and used as a screening tool for the protection of the public for good reason. It represents decades of ongoing work to protect the public. SB 506, Proposed SD2 will allow CPA candidates with substituted military experience and education to become licensed without passing a national or regional examination.

In addition, due to CPA mobility laws enacted in other states, eliminating the CPA exam requirement would mean that Hawaii CPAs would no longer be automatically accepted when they apply for CPA licenses in other states because other states require CPAs to pass the Uniform CPA exam. In other words,

Hawaii CPA licenses would go from being among the top-ranked professional CPA licenses in the nation to being sub-standard for CPA licensing purposes (and not recognized for CPA mobility purposes by other states). This would also draw into question the work product by Hawaii CPAs by various financial institutions, businesses, and the federal government. For federal purposes, audits of organizations receiving federal grants and contracts would be drawn into question due to the competency of Hawaii CPAs, and the IRS may no longer recognize the Hawaii CPA license. This would destroy the livelihoods of current CPA licensees in Hawaii.

Military veterans currently receive Post-9/11 GI Bill college education and other benefits, including federal jobs tax credits for the hiring of veterans. Licensing for the protection of the public should not be compromised in order to encourage the hiring of veterans.

Please hold SB506, Proposed SD2. Thank you for this opportunity to testify.  
Respectfully submitted,

Yvonne A Egdamin, Senior Manager, CPA



# **FUJIEKI FUKUHARA & CO., CPA, INC.**

1585 Kapiolani Blvd., Suite 1218  
Honolulu, Hawaii 96814

**Before the Committee on Commerce and Consumer Protection**

**Testimony of Robert H. Fukuhara Jr.**

**Thursday, February 21, 2013 at 10:30 a.m.**

**Conference Room 229**

**Re: Opposition to SB 506, Proposed SD2**

Chair Rosalyn H. Baker, Vice Chair Brickwood Galuteria, and Committee Members:

I am an Certified Public Accountant and practice public accounting on Oahu since 1979

I strongly oppose SB506, Proposed SD2 because allowing individuals to become licensed as CPAs without taking the Uniform CPA exam would lower Hawaii's licensing standards for CPAs and hurt Hawaii consumers, who expect that a Hawaii CPA to be reasonably competent and knowledgeable about matters concerning financial statements, taxes, and business. The knowledge and competency of CPAs is especially important in these current economic times when the financial well-being of businesses and individuals rest on being given competent advice. Education and experience alone are not sufficient to insure the competency of newly-licensed CPAs, especially given the past problems with the Board of Public Accountancy not carefully scrutinizing the experience of new CPA candidates.

The Uniform CPA examination has been developed and used as a screening tool for the protection of the public for good reason. It represents decades of ongoing work to protect the public. SB 506, Proposed SD2 will allow CPA candidates with substituted military experience and education to become licensed without passing a national or regional examination.

In addition, due to CPA mobility laws enacted in other states, eliminating the CPA exam requirement would mean that Hawaii CPAs would no longer be automatically accepted when they apply for CPA licenses in other states because other states require CPAs to pass the Uniform CPA exam. In other words, Hawaii

CPA licenses would go from being among the top-ranked professional CPA licenses in the nation to being sub-standard for CPA licensing purposes (and not recognized for CPA mobility purposes by other states). This would also draw into question the work product by Hawaii CPAs by various financial institutions, businesses, and the federal government. For federal purposes, audits of organizations receiving federal grants and contracts would be drawn into question due to the competency of Hawaii CPAs, and the IRS may no longer recognize the Hawaii CPA license. This would destroy the livelihoods of current CPA licensees in Hawaii.

Military veterans currently receive Post-9/11 GI Bill college education and other benefits, including federal jobs tax credits for the hiring of veterans. Licensing for the protection of the public should not be compromised in order to encourage the hiring of veterans. Our profession currently has a number of members who have used the GI bill for college education and now are practicing CPAs and are proud of it. They feel that if they can do it so can others.

Please hold SB506, Proposed SD2. Thank you for this opportunity to testify.

Respectfully submitted,



Robert H. Fukuhara Jr., CPA, ATA, ABA





**Before the Committee on Commerce and Consumer Protection**

**Testimony of Gary Miyashiro, CPA  
Thursday, February 21, 2013 at 10:30 a.m.  
Conference Room 229  
Re: Opposition to SB 506, Proposed SD2**

Chair Rosalyn H. Baker, Vice Chair Brickwood Galuteria, and Committee Members:

I am a Certified Public Accountant (CPA) and have been involved in the practice of public accounting for 25 years on Oahu. I am president of MC Group Hawaii, Inc., a public accounting firm licensed by the State of Hawaii Board of Accountancy.

I strongly oppose SB506, Proposed SD2 because allowing individuals to become licensed as CPAs without taking the Uniform CPA exam would lower Hawaii's licensing standards for CPAs and hurt Hawaii consumers, who expect that a Hawaii CPA to be reasonably competent and knowledgeable about matters concerning financial statements, taxes, and business. The knowledge and competency of CPAs is especially important in these current economic times when the financial well-being of businesses and individuals rest on being given competent advice. Education and experience alone are not sufficient to insure the competency of newly-licensed CPAs, especially given the past problems with the Board of Public Accountancy not carefully scrutinizing the experience of new CPA candidates.

The Uniform CPA examination has been developed and used as a screening tool for the protection of the public for good reason. It represents decades of ongoing work to protect the public. SB 506, Proposed SD2 will allow CPA candidates with substituted military experience and education to become licensed without passing a national or regional examination.

Military veterans currently receive Post-9/11 GI Bill college education and other benefits, including federal jobs tax credits for the hiring of veterans. Licensing for the protection of the public should not be compromised in order to encourage the hiring of veterans.

Please hold SB506, Proposed SD2. Thank you for this opportunity to testify.

Respectfully submitted,

Gary Miyashiro, CPA

**DAVID B. RAMOS, CPA & ASSOCIATES**  
**Before the Committee on Commerce and Consumer Protection**  
**Testimony of DAVID B. RAMOS, CPA**  
**Thursday, February 21, 2013 at 10:30 a.m.**  
**Conference Room 229**  
**Re: Opposition to SB 506, Proposed SD2**

Chair Rosalyn H. Baker, Vice Chair Brickwood Galuteria, and Committee Members:

I am a CPA and practice public accounting on Hawaii Island. I am the owner of DAVID B. RAMOS, CPA & ASSOCIATES. I have been a CPA in Hawaii since 1974 active in the practice of public accountancy from 1970 to 1976 and from 2003 to the present time.

I strongly oppose SB506, Proposed SD2 because allowing individuals to become licensed as CPAs without taking the Uniform CPA exam would lower Hawaii's licensing standards for CPAs and hurt Hawaii consumers, who expect that a Hawaii CPA to be reasonably competent and knowledgeable about matters concerning financial statements, taxes, and business. The knowledge and competency of CPAs is especially important in these current economic times when the financial well-being of businesses and individuals rest on being given competent advice. Education and experience alone are not sufficient to insure the competency of newly-licensed CPAs, especially given the past problems with the Board of Public Accountancy not carefully scrutinizing the experience of new CPA candidates.

The Uniform CPA examination has been developed and used as a screening tool for the protection of the public for good reason. It represents decades of ongoing work to protect the public. SB 506, Proposed SD2 will allow CPA candidates with substituted military experience and education to become licensed without passing a national or regional examination.

In addition, due to CPA mobility laws enacted in other states, eliminating the CPA exam requirement would mean that Hawaii CPAs would no longer be automatically accepted when they apply for CPA licenses in other states because other states require CPAs to pass the Uniform CPA exam. In other words, Hawaii CPA licenses would go from being among the top-ranked professional CPA licenses in the nation to being sub-standard for CPA licensing purposes (and not recognized for CPA mobility purposes by other states). This would also draw into question the work product by Hawaii CPAs by various financial institutions, businesses, and the federal government. For federal purposes, audits of organizations receiving federal grants and contracts would be drawn into question due to the competency of Hawaii CPAs, and the IRS may no longer recognize the Hawaii CPA license. This would destroy the livelihoods of current CPA licensees in Hawaii.

Military veterans currently receive Post-9/11 GI Bill college education and other benefits, including federal jobs tax credits for the hiring of veterans. Licensing for the protection of the public should not be compromised in order to encourage the hiring of veterans.

Please hold SB506, Proposed SD2. Thank you for this opportunity to testify.

Mahalo,  
David Ramos, Owner  
David B. Ramos, CPA & Associates  
Ph 808.887.2100  
Fx 808.887.2107



# Shaun Thayer, CPA

Certified Public Accountant

---

## Before the Committee on Commerce and Consumer Protection

Testimony of Shaun Thayer, CPA

Thursday, February 21, 2013 at 10:30 a.m.

Conference Room 229

Re: Opposition to SB 506, Proposed SD2

Chair Rosalyn H. Baker, Vice Chair Brickwood Galuteria, and Committee Members:

I am a CPA and practice public accounting on the island of Maui. I have owned and operated my firm on Maui since 2006.

I strongly oppose SB506, Proposed SD2 because allowing individuals to become licensed as CPAs without taking the Uniform CPA exam would lower Hawaii's licensing standards for CPAs and hurt Hawaii consumers, who expect a Hawaii CPA to be reasonably competent and knowledgeable about matters concerning financial statements, taxes, and business. The knowledge and competency of CPAs is especially important in these current economic times when the financial well-being of businesses and individuals rest on being given competent advice. Education and experience alone are not sufficient to insure the competency of newly-licensed CPAs.

The Uniform CPA examination has been developed and used as a screening tool for the protection of the public for good reason. It represents decades of ongoing work to protect the public. SB 506, Proposed SD2 will allow CPA candidates with substituted military experience and education to become licensed without passing a national or regional examination. All of the other states require a license candidate to pass the national exam for good and compelling reasons; we should not circumvent this requirement.

In addition, due to CPA mobility laws enacted in other states, eliminating the CPA exam requirement would mean that Hawaii CPAs would no longer be automatically accepted when they apply for CPA licenses in other states because other states require CPAs to pass the Uniform CPA exam. In other words, Hawaii CPA licenses would go from being among the top-ranked professional CPA licenses in the nation to being sub-standard for CPA licensing purposes (and not recognized for CPA mobility purposes by other states). This would also draw into question the work product by Hawaii CPAs by various financial institutions, businesses, and the federal government. For federal purposes, audits of organizations receiving federal grants and contracts would be drawn into question due to the competency of Hawaii CPAs, and the IRS may no longer recognize the Hawaii CPA license. This would destroy the livelihoods of current CPA licensees in Hawaii.

Military veterans currently receive Post-9/11 GI Bill college education and other benefits, including federal jobs tax credits for the hiring of veterans. I fully support efforts and initiatives to hire veterans, but protection of the public should be paramount.

Please hold SB506, Proposed SD2. Thank you for this opportunity to testify.

Respectfully submitted,

*Shaun Thayer*

Shaun Thayer, CPA, MAcc



February 19, 2013

Before the Committee on Commerce and Consumer Protection

Testimony of Gilbert J Matsumoto

Thursday, February 21, 2013 at 10:30 a.m.

Conference Room 229

Re: Opposition to SB 506, Proposed SD2

Chair: Rosalyn H. Baker  
Vice Chair: Brickwood Galuteria,  
Committee Members

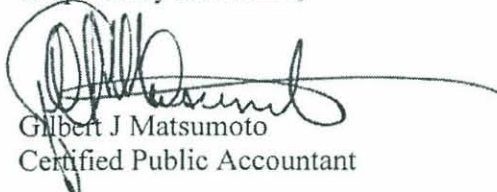
I am a Certified Public Accountant a Hawaii Licensed and practicing public accounting as The Matsumoto Group CPA's, Inc, Honolulu, Hawaii.

I am a Vietnam Veteran and went to University of Hawaii on the then GI Educational Bill, I studied, sat for the CPA exam and have been licensed since 1971. I was not given any special assistance to attain my license. I would personally like to know how being a veteran distinguishes one's self over any other potential CPA candidate.

I am totally opposed to SB506, Proposed SD2, which would allow individuals just because they had military service to become a licensed CPA without taking the Uniform CPA exam, and what is deemed to be substituted military experience. Back in the "old days" the prior 1954 law allowed qualified accountants to call themselves Registered Public Accountants. This proposed bill will put general public at risk. With all of the technicalities of modern day society, we need qualified persons who hold themselves out as practicing Certified Public Accountants.

This is a totally frivolous bill.

Respectfully submitted,



Gilbert J Matsumoto  
Certified Public Accountant



Before the Committee on Commerce and Consumer Protection

Testimony of Peggy A. McGee, CPA

Thursday, February 21, 2013 at 10:30. a.m.

Conference Room 229

Re: Opposition to SB 506, Proposed SD2

Chair Rosalyn H. Baker, Vice Chair Brickwood Galuteria, and Committee Members:

I am a CPA and practice public accounting on Maui. I have been a CPA for over thirty years and have been practicing in Hawaii for seven years.

I strongly oppose SB506, Proposed SD2 because allowing individuals to become licensed as CPAs without taking the Uniform CPA exam would lower Hawaii's licensing standards for CPAs and hurt Hawaii consumers, who expect a Hawaii CPA to be reasonably competent and knowledgeable about matters concerning financial statements, taxes, and business. The knowledge and competency of CPAs is especially important in these current economic times when the financial well-being of businesses and individuals rest on being given competent advice. Education and experience alone are not sufficient to insure the competency of newly-licensed CPAs.

The Uniform CPA examination has been developed and used as a screening tool for the protection of the public for good reason. It represents decades of ongoing work to protect the public. SB506, Proposed SD2 will allow CPA candidates with substituted military experience and education to become licensed without passing a national or regional examination.

In addition, due to CPA mobility laws enacted in other states, eliminating the CPA exam requirement would mean that Hawaii CPAs would no longer be automatically accepted when they apply for CPA licenses in other states because other states require CPAs to pass the Uniform CPA exam. In other words, Hawaii CPA licenses would go from being among the top-ranked professional CPA licenses in the nation to being substandard for CPA licensing purposes (and not recognized for CPA mobility purposes by other states). This would also draw into question the work product of Hawaii CPAs by various financial institutions, businesses, and the federal government. For federal purposes, audits of organizations receiving federal grants and contracts would be drawn into question due to the competency of Hawaii CPAs, and the IRS may no longer recognize the Hawaii CPA license.

Please hold SB506, Proposed SD2. Thank you for this opportunity to testify.

Respectfully submitted,

Peggy A. McGee, CPA

# SHEA & CO., CPA'S, INC.

1585 KAPIOLANI BOULEVARD  
SUITE 1240  
HONOLULU, HAWAII 96814-4527

(808) 949-4209  
FAX (808) 942-9576  
E-MAIL shea\_and\_co@hawaiiantel.net

## **Before the Committee on Commerce and Consumer Protection**

### **Testimony of Reynold Lum, CPA**

**Thursday, February 21, 2013 at 10:30 a.m.**

**Conference Room 229**

**Re: Opposition to SB 506, Proposed SD2**

Chair Rosalyn H. Baker, Vice Chair Brickwood Galuteria, and Committee Members:

I am a certified public accountant and practice public accounting on the island of Oahu. I have been in practice for more than thirty years.

I strongly oppose SB506, Proposed SD2 because allowing individuals to become licensed as CPAs without taking the Uniform CPA exam would lower Hawaii's licensing standards for CPAs and hurt Hawaii consumers, who expect that a Hawaii CPA to be reasonably competent and knowledgeable about matters concerning financial statements, taxes, and business. The knowledge and competency of CPAs is especially important in these current economic times when the financial well-being of businesses and individuals rest on being given competent advice. Education and experience alone are not sufficient to insure the competency of newly-licensed CPAs, especially given the past problems with the Board of Public Accountancy not carefully scrutinizing the experience of new CPA candidates.

The Uniform CPA examination has been developed and used as a screening tool for the protection of the public for good reason. It represents decades of ongoing work to protect the public. SB 506, Proposed SD2 will allow CPA candidates with substituted military experience and education to become licensed without passing a national or regional examination.

In addition, due to CPA mobility laws enacted in other states, eliminating the CPA exam requirement would mean that Hawaii CPAs would no longer be automatically accepted when they apply for CPA licenses in other states because other states require CPAs to pass the Uniform CPA exam. In other words, Hawaii CPA licenses would go from being among the top-ranked professional CPA licenses in the nation to being sub-standard for CPA licensing purposes (and not recognized for CPA mobility purposes by other states). This would also draw into question the work product by Hawaii CPAs by various financial institutions, businesses, and the federal government. For federal purposes, audits of organizations receiving federal grants and contracts would be drawn into question due to the competency of Hawaii CPAs, and the IRS may no longer



SHEA & CO., CPA'S, INC.

recognize the Hawaii CPA license. This would destroy the livelihoods of current CPA licensees in Hawaii.

Military veterans currently receive Post-9/11 GI Bill college education and other benefits, including federal jobs tax credits for the hiring of veterans. Licensing for the protection of the public should not be compromised in order to encourage the hiring of veterans.

Please hold SB506, Proposed SD2. Thank you for this opportunity to testify.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Reynold Lum". The signature is fluid and cursive, with a long horizontal stroke at the end.

Reynold Lum  
Certified Public Accountant

**Before the Committee on Commerce and Consumer Protection**  
**Testimony of John Rolf A. Roth**  
**Thursday, February 21, 2013 at 10:30 a.m.**  
**Conference Room 229**  
**Re: Opposition to SB 506, Proposed SD2**

Chair Rosalyn H. Baker, Vice Chair Brickwood Galuteria, and Committee Members:

I am a CPA and practice public accounting on the Big Island.

I strongly oppose SB506, Proposed SD2 because allowing individuals to become licensed as CPAs without taking the Uniform CPA exam would lower Hawaii's licensing standards for CPAs and hurt Hawaii consumers, who expect that a Hawaii CPA to be reasonably competent and knowledgeable about matters concerning financial statements, taxes, and business. The knowledge and competency of CPAs is especially important in these current economic times when the financial well-being of businesses and individuals rest on being given competent advice. Education and experience alone are not sufficient to insure the competency of newly-licensed CPAs, especially given the past problems with the Board of Public Accountancy not carefully scrutinizing the experience of new CPA candidates.

The Uniform CPA examination has been developed and used as a screening tool for the protection of the public for good reason. It represents decades of ongoing work to protect the public. SB 506, Proposed SD2 will allow CPA candidates with substituted military experience and education to become licensed without passing a national or regional examination.

In addition, due to CPA mobility laws enacted in other states, eliminating the CPA exam requirement would mean that Hawaii CPAs would no longer be automatically accepted when they apply for CPA licenses in other states because other states require CPAs to pass the Uniform CPA exam. In other words, Hawaii CPA licenses would go from being among the top-ranked professional CPA licenses in the nation to being sub-standard for CPA licensing purposes (and not recognized for CPA mobility purposes by other states). This would also draw into question the work product by Hawaii CPAs by various financial institutions, businesses, and the federal government. For federal purposes, audits of organizations receiving federal grants and contracts would be drawn into question due to the competency of Hawaii CPAs, and the IRS may no longer recognize the Hawaii CPA license. This would destroy the livelihoods of current CPA licensees in Hawaii.

Military veterans currently receive Post-9/11 GI Bill college education and other benefits, including federal jobs tax credits for the hiring of veterans. I am in favor of helping veterans to help them transition into civilian life. However, the Licensing for the protection of the public should not be compromised in order to encourage the hiring of veterans.

Please hold SB506, Proposed SD2. Thank you for this opportunity to testify.

Respectfully submitted,  
John Rolf A. Roth, CPA  
Assurance Specialist  
Taketa, Iwata, Hara & Associates, LLC  
101 Aupuni Street, Suite 139  
Hilo, Hawaii 96720  
Phone: (808) 935-5404



**Noel Ann Catugal, CPA  
106 Central Avenue  
Wailuku, HI 96793**

\*\*\*\*\*

**Before the Committee on Commerce and Consumer Protection**

**Testimony of Noel Ann Catugal, CPA**

**Thursday, February 21, 2013 at 10:30 a.m.**

**Conference Room 229**

**Re: Opposition to SB 506, Proposed SD2**

Chair Rosalyn H. Baker, Vice Chair Brickwood Galuteria, and Committee Members:

I am a CPA and practice public accounting on Maui.

I strongly oppose SB506, Proposed SD2 because allowing individuals to become licensed as CPAs without taking the Uniform CPA exam would lower Hawaii's licensing standards for CPAs and hurt Hawaii consumers, who expect that a Hawaii CPA to be reasonably competent and knowledgeable about matters concerning financial statements, taxes, and business. The knowledge and competency of CPAs is especially important in these current economic times when the financial well-being of businesses and individuals rest on being given competent advice. Education and experience alone are not sufficient to insure the competency of newly-licensed CPAs, especially given the past problems with the Board of Public Accountancy not carefully scrutinizing the experience of new CPA candidates.

The Uniform CPA examination has been developed and used as a screening tool for the protection of the public for good reason. It represents decades of ongoing work to protect the public. SB 506, Proposed SD2 will allow CPA candidates with substituted military experience and education to become licensed without passing a national or regional examination.

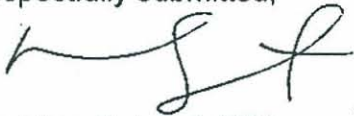
In addition, due to CPA mobility laws enacted in other states, eliminating the CPA exam requirement would mean that Hawaii CPAs would no longer be automatically accepted when they apply for CPA licenses in other states because other states require CPAs to pass the Uniform CPA exam. In other words, Hawaii CPA licenses would go from being among the top-ranked professional CPA licenses in the nation to being sub-standard for CPA licensing purposes (and not recognized for CPA mobility purposes by other states). This would also draw into question the work product by Hawaii CPAs by various financial institutions, businesses, and the federal government. For federal purposes, audits of organizations receiving federal grants and contracts would be drawn into question due to the competency of Hawaii CPAs, and the IRS may no longer

recognize the Hawaii CPA license. This would destroy the livelihoods of current CPA licensees in Hawaii.

Military veterans currently receive Post-9/11 GI Bill college education and other benefits, including federal jobs tax credits for the hiring of veterans. Licensing for the protection of the public should not be compromised in order to encourage the hiring of veterans.

Please hold SB506, Proposed SD2. Thank you for this opportunity to testify.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Noel Ann Catugal', written in a cursive style.

Noel Ann Catugal, CPA



**Niwao & Roberts, CPAs, a Professional Corporation  
2145 Wells Street, Suite 402  
Wailuku, Hawaii 96793**

**Before the Senate Committee on Commerce and Consumer Protection**

**Testimony of Marilyn M. Niwao, J.D., CPA**

Thursday, February 21, 2013 at 10:30 a.m.  
Conference Room 229

**Re: Opposition to SB 506, Proposed SD2**

Chair Rosalyn H. Baker, Vice Chair Brickwood Galuteria, and Committee Members:

I am a CPA and attorney in the State of Hawaii and a principal of the firm Niwao & Roberts, CPAs, a P.C. located on Maui. I have practiced public accounting for over 34 years, and I have trained many new Hawaii CPAs in the course of my career. I am very familiar with Hawaii CPA licensing requirements as I have been involved with various professional organizations representing CPAs for many years, and I have attended dozens of Board of Public Accountancy meetings.

**My firm and I strongly oppose SB506, Proposed SD2, and the elimination of the exam requirement for military veterans for state licensing purposes.** State licensing laws are enacted around the country for the protection of the public (i.e., the consumer). For the CPA profession, much thought by those familiar with the profession went into establishing standards that would insure that only qualified individuals become licensed as CPAs.

For Hawaii, the standards include 1) taking the Uniform CPA **exam**, 2) **education** (150 semester hours of college credits), and 3) **experience** (2 year of **public accounting experience** or its equivalent in private industry or government).

The Uniform CPA exam is a critical component in insuring the competency of CPAs, and the exam is accepted in all fifty states for CPA licensing. Meeting the education and experience standards for CPA licensing purposes is not sufficient to protect the public, and SB 506, Proposed SD2 would require the Hawaii Board of Public Accountancy to exempt military veterans from having to pass the Uniform CPA exam in order to become licensed as CPAs. If enacted, this proposed legislation would be a huge mistake and would place the Hawaii consumer at risk for licensees who would not meet minimum competency standards.

Passing of the Uniform CPA exam is also a critical piece for CPA mobility legislation. All other states require that out-of-state CPAs pass the Uniform CPA exam in order to practice as CPAs in their state. Allowing military veterans to obtain Hawaii CPA licenses without having to take the Uniform CPA exam would mean that all Hawaii CPA

licensees could not easily or automatically practice as CPAs in other states. Furthermore, military veterans obtaining the Hawaii CPA license without passing the Uniform CPA exam would not be able to practice in other states as CPAs.

The Uniform CPA examination has been developed and used as a screening tool for the protection of the public for good reason. The national exam represents decades of extensive work to include testing on four topics:

- 1) auditing and attestation,
- 2) financial accounting and reporting,
- 3) regulation (taxation, business law and professional responsibilities), and
- 4) business environment and concepts (i.e., business structures, economic concepts, financial management, information technology, and planning and measurement).

The fourteen hour exam is very comprehensive and tests more than a candidate would normally obtain in college.

If all Hawaii CPAs did not meet the minimum testing requirement for CPA licensing, it would draw into question the work product by Hawaii CPAs by various financial institutions, businesses, and the federal government. For federal purposes, audits of organizations receiving federal grants and contracts would be drawn into question due to the competency of Hawaii CPAs, and the IRS may not recognize the Hawaii CPA license. This would destroy the livelihoods of current CPA licensees in Hawaii and diminish the value of the CPA license.

#### Jobs for military veterans in Hawaii?

Recently, our firm advertised for an accounting professional and was surprised to see the quantity of out-of-work applicants, many with substantial credentials. The comment I heard most from job applicants was that it is very difficult to find an accounting job in today's economy. Although the Hawaii visitor industry may have recovered, other parts of Hawaii's economy have not recovered from the Great Recession. Many small businesses have gone out of business in the last few years, eliminating many local accounting jobs. Many, if not most, of the big-box stores and large hotels use out-of-state accountants; many other accounting jobs have been lost due to outsourcing to other countries with lower wages. With so many Hawaii residents still struggling to find accounting jobs, is now the time to lower CPA licensing standards that would degrade the CPA profession in Hawaii? As an employer looking to hire a CPA, would I choose an applicant who did not pass the Uniform CPA exam?

If the desire is to find jobs for military veterans, then a more effective and targeted proposal would be to offer a jobs tax credit to hire military veterans, rather than lower state licensing standards at the expense of Hawaii's consumers. On January 1, 2013, such a federal jobs tax credit was extended by Congress, and includes five work opportunity tax credits aimed at encouraging businesses to hire veterans. These



“Returning Heroes” and “Wounded Warriors” Work Opportunity Tax Credits pay between \$2,400 and \$9,600 to businesses who hire veterans. Advertising the availability of these credits to employers would do more to help veterans find jobs than lowering CPA and other state licensing standards for veterans.

Based on the above, please hold SB506, Proposed SD2. Thank you for this opportunity to testify.

Respectfully submitted,

*Marilyn M. Niwao*

Marilyn M. Niwao, J.D., CPA  
Principal

**Before the Committee on Commerce and Consumer Protection**

**Testimony of Lisa Tokuyoshi**

**Thursday, February 21, 2013 at 10:30 a.m.**

**Conference Room 229**

**Re: Opposition to SB 506, Proposed SD2**

Chair Rosalyn H. Baker, Vice Chair Brickwood Galuteria, and Committee Members:

I am a recent graduate from the University of Portland, and recent hire at a public accounting firm on the Big Island. At Peralto's & Company's CPA, I am the staff accountant, but I'm working towards becoming a Certified Public Accountant. To become a C.P.A in Hawaii requires 150-credit hours, passing the Uniform C.P.A exam, and developing 2-years of work experience. It is a rigorous process but the objective of these requirements is to produce quality candidates for these positions. Particularly, it is fundamental that these exams stay uniform so to create an equal opportunity for all individuals who truly want to pursue this as their career.

I strongly oppose SB506, Proposed SD2 because allowing individuals to become licensed as CPAs without taking the Uniform CPA exam would lower Hawaii's licensing standards for CPAs and hurt Hawaii consumers, who expect that a Hawaii CPA to be reasonably competent and knowledgeable about matters concerning financial statements, taxes, and business. The knowledge and competency of CPAs is especially important in these current economic times when the financial well-being of businesses and individuals rest on being given competent advice. Education and experience alone are not sufficient to insure the competency of newly-licensed CPAs, especially given the past problems with the Board of Public Accountancy not carefully scrutinizing the experience of new CPA candidates.

The Uniform CPA examination has been developed and used as a screening tool for the protection of the public for good reason. It represents decades of ongoing work to protect the public. SB 506, Proposed SD2 will allow CPA candidates with substituted military experience and education to become licensed without passing a national or regional examination.

In addition, due to CPA mobility laws enacted in other states, eliminating the CPA exam requirement would mean that Hawaii CPAs would no longer be automatically accepted when they apply for CPA licenses in other states because other states require CPAs to pass the Uniform CPA exam. In other words, Hawaii CPA licenses would go from being among the top-ranked professional CPA licenses in the nation to being sub-standard for CPA licensing purposes (and not recognized for CPA mobility purposes by other states). This would also draw into question the work product by Hawaii CPAs by various financial institutions, businesses, and the federal government. For federal purposes, audits of organizations receiving federal grants and contracts would be drawn



into question due to the competency of Hawaii CPAs, and the IRS may no longer recognize the Hawaii CPA license. This would destroy the livelihoods of current CPA licensees in Hawaii.

Military veterans currently receive Post-9/11 GI Bill college education and other benefits, including federal jobs tax credits for the hiring of veterans. Licensing for the protection of the public should not be compromised in order to encourage the hiring of veterans.

Please hold SB506, Proposed SD2. Thank you for this opportunity to testify.  
Respectfully submitted,

Lisa Tokuyoshi, Staff Accountant

**Colleen Takamura  
41 Keapua Street  
Wailuku, Hawaii 96793**

**Before the Committee on Commerce and Consumer Protection**

**Testimony of Colleen Takamura**

**Thursday, February 21, 2013 at 10:30 a.m.**

**Conference Room 229**

**Re: Opposition to SB 506, Proposed SD2**

Chair Rosalyn H. Baker, Vice Chair Brickwood Galuteria, and Committee Members:

I am a CPA and practice public accounting on the island of Maui. I am also the Maui Chapter President of the Hawaii Association of Public Accountants. I have worked in the accounting profession for 37 years. I started working for the father's accounting practice when I was 16 years old doing keypunching (before we had individual computers), then doing bookkeeping work and tax returns. I went to the University of Denver and obtained my Bachelor's of Science in Accounting and to the Ohio State University and obtained my Master's in Accounting. I worked I public accounting and received my CPA license in 1986.

At the time I received my CPA license, there was no requirement yet for the additional 150 credit hours. My father had suggested that I get my masters degree because the additional 150 hours requirement was on the horizon. Also at that time, the CPA license test was two and one-half days, of which you had to at least pass two parts. My education and work experience was geared toward getting my CPA license. I had to work hard and I got my license in 1986. This was all part of the process to ensure that I, as a potential CPA, have the education and experience required to become a CPA. By using those tools to pass the CPA exam, we are now telling the public that I do have the knowledge and competency to be an CPA in public practice.

As such, I strongly oppose SB506, Proposed SD2. Allowing individuals to become licensed as CPAs without taking the Uniform CPA exam would lower Hawaii's licensing standards for CPAs and hurt Hawaii consumers, who expect that a Hawaii CPA to be reasonably competent and knowledgeable about matters concerning financial statements, taxes, and business. The knowledge and competency of CPAs is especially important in these current economic times when the financial well-being of businesses and individuals rest on being given competent advice. Education and experience alone are not sufficient to insure the competency of newly-licensed CPAs, especially given the past problems with the Board of Public Accountancy not carefully scrutinizing the experience of new CPA candidates.



The Uniform CPA examination has been developed and used as a screening tool for the protection of the public for good reason. It represents decades of ongoing work to protect the public. SB 506, Proposed SD2 will allow CPA candidates with substituted military experience and education to become licensed without passing a national or regional examination.

In addition, due to CPA mobility laws enacted in other states, eliminating the CPA exam requirement would mean that Hawaii CPAs would no longer be automatically accepted when they apply for CPA licenses in other states because other states require CPAs to pass the Uniform CPA exam. In other words, Hawaii CPA licenses would go from being among the top-ranked professional CPA licenses in the nation to being sub-standard for CPA licensing purposes (and not recognized for CPA mobility purposes by other states). This would also draw into question the work product by Hawaii CPAs by various financial institutions, businesses, and the federal government. For federal purposes, audits of organizations receiving federal grants and contracts would be drawn into question due to the competency of Hawaii CPAs, and the IRS may no longer recognize the Hawaii CPA license. This would destroy the livelihoods of current CPA licensees in Hawaii.

Military veterans currently receive Post-9/11 GI Bill college education and other benefits, including federal jobs tax credits for the hiring of veterans. Licensing for the protection of the public should not be compromised in order to encourage the hiring of veterans.

Please hold SB506, Proposed SD2. Thank you for this opportunity to testify.

Respectfully submitted,



Colleen M. Takamura  
CPA license #2374

Mandy Ng  
45-598 Keaahala Rd  
Kaneohe, HI 96744

**Before the Committee on Commerce and Consumer Protection**

**Testimony of Mandy Ng**

**Thursday, February 21, 2013 at 10:30 a.m.**

**Conference Room 229**

**Re: Opposition to SB 506, Proposed SD2**

Chair Rosalyn H. Baker, Vice Chair Brickwood Galuteria, and Committee Members:

I am a staff accountant and practice public accounting on Oahu.

I strongly oppose SB506, Proposed SD2 because allowing individuals to become licensed as CPAs without taking the Uniform CPA exam would lower Hawaii's licensing standards for CPAs and hurt Hawaii consumers, who expect that a Hawaii CPA to be reasonably competent and knowledgeable about matters concerning financial statements, taxes, and business. The knowledge and competency of CPAs is especially important in these current economic times when the financial well-being of businesses and individuals rest on being given competent advice. Education and experience alone are not sufficient to insure the competency of newly-licensed CPAs, especially given the past problems with the Board of Public Accountancy not carefully scrutinizing the experience of new CPA candidates.

The Uniform CPA examination has been developed and used as a screening tool for the protection of the public for good reason. It represents decades of ongoing work to protect the public. SB 506, Proposed SD2 will allow CPA candidates with substituted military experience and education to become licensed without passing a national or regional examination.

In addition, due to CPA mobility laws enacted in other states, eliminating the CPA exam requirement would mean that Hawaii CPAs would no longer be automatically accepted when they apply for CPA licenses in other states because other states require CPAs to pass the Uniform CPA exam. In other words, Hawaii CPA licenses would go from being among the top-ranked professional CPA licenses in the nation to being sub-standard for CPA licensing purposes (and not recognized for CPA mobility purposes by other states). This would also draw into question the work product by Hawaii CPAs by various financial institutions, businesses, and the federal government. For federal purposes, audits of organizations receiving federal grants and contracts would be drawn into question due to the competency of Hawaii CPAs, and the IRS may no longer recognize the Hawaii CPA license. This would destroy the livelihoods of current CPA licensees in Hawaii.

Military veterans currently receive Post-9/11 GI Bill college education and other benefits, including federal jobs tax credits for the hiring of veterans. Licensing for the protection of the public should not be compromised in order to encourage the hiring of veterans.

Please hold SB506, Proposed SD2. Thank you for this opportunity to testify.  
Respectfully submitted,

Mandy Ng, Staff accountant



**Michael T. McEnerney**  
MBA,JD,CPA/ABV/CFF,ASA,CVA  
94-317 Akia Place  
Mililani, Hawaii 96789  
(808) 521-2481 fax  
(808) 523-0462 work  
(808) 294-5454 cell

February 20, 2013

Before the Committee of Commerce and Consumer Protection  
Written Testimony of Michael T. McEnerney  
Thursday February 21, 2013 at 10:30 am  
Conference Room 229

**RE: Opposition to SB 506, Proposed SD2**

Chair Rosalyn H. Baker, Vice Chair Brickwood Galuteria, and Committee Members.

I must object to the language in the proposed bill that states:

"A service member who meets or exceeds the requirements of this section shall not be required to take a national or regional exam prior to licensure by endorsement or licensure by reciprocity."

I object to this provision to the extent that it would allow an individual to obtain a permit to practice accounting without having to pass the uniform CPA exam.

HRS Section 466-1 provides:

"It is the policy of this State, and the purpose of this chapter, to promote the reliability of information that is used for guidance in financial transactions or for accounting for or assessing the financial status or performance of commercial and noncommercial enterprises, whether public or private. The public interest requires that persons professing special competence in accountancy or offering assurance as to the reliability of fairness of presentation of such information shall have demonstrated their qualifications to do so, and that persons who have demonstrated and maintained such qualifications be permitted to hold themselves out as having such special competence or to offer such assurance; that the professional conduct of persons licensed as having special competency in accountancy be regulated in a manner consistent with nationally recognized standards of professional conduct; that a public authority competent to prescribe and assess the qualifications and to

regulate the professional conduct of practitioners of public accountancy be established; and that the use of titles relating to the practice of public accountancy that are likely to mislead the public as to the status or competence of the persons using such titles be prohibited."

It is important to note the acts limited to those holding a CPA license as contained in HRS Section 466-10( c) for example ( c)(1):

"No person shall sign or affix the person's name or any trade or assumed name used by the person in the person's profession or business with any wording indicating, suggesting, or implying that the person is an accountant or auditor, or with any wording indicating, suggesting, or implying that the person has special knowledge in accounting or auditing, to any opinion or certificate attesting in any way to the reliability of any representation or estimate in regard to any person or organization embracing:

- (A) Financial information, or
- (B) Facts respecting compliance with conditions established by law or contract, including but not limited to statute, ordinances, regulations, grants, loans, and appropriations, unless the person holds a current license and current permit to practice issued under this chapter."

In effect the only acts limited to holders of a license and permit are the issuance of audited, reviewed or compiled financial statements and certain statutory or regulatory forms like those for a contractor license. There is no limitation on a former military person opening a bookkeeping, tax or related advising services office.

Note that the statute contains provisions for the license of Public Accountants. HRS Section 466-6 allowed for Public Accountants to be licenses based on recent discharge from the military if served in the military on June 15, 1955 and was a resident of Hawaii. These individuals were not granted CPA status but had a different status. The public would be able to ascertain the difference between a CPA and a PA. As of the February 13, 2013, report of Professional Licenses by DCCA, there was one (1) remaining PA license and 2,774 CPA licenses of which 575 were either mainland or foreign leaving 2,199 licenses CPAs in Hawaii.

I am a CPA with a permit to practice in Hawaii issued in 1978. I was issued a CPA certificate in 1975 in Illinois and am currently a registered CPA in that state. I am also an attorney admitted in Illinois (1976) and Hawaii (1978) as well as having been admitted to the Northern Federal District of Illinois, the Hawaii Federal District and the Tax Court of the US.

I am the President of a local accounting firm, McEnerney, Shimabukuro, Okaxaki & Fujita CPAs AAC, and have been involved in my own firm since the early 1980's. I have taught undergraduate accounting, taxation and graduate taxation at the University of Hawaii Manoa, undergraduate accounting at the University of Maryland European Division and



graduate taxation at Chaminade. I have also lectured on tax and other subjects to professional groups since the late 1970s. As a teacher I believe that the purpose of a test is not for the student to show the teacher what the student knows but for the teacher to show the student the important areas the student has yet to master.

I am an Accredited Senior Appraiser in Business Valuation (ASA) with the American Appraisal Association and am a Certified Valuation Analyst with the National Association of Valuation Analysts.

As a CPA member of the AICPA, I am also Accredited in Business Appraisal (ABV) and a Certified in Financial Forensics (CFF).

I have passed, on first sitting, the CPA exam, the Bar Exam (Illinois and Hawaii), the ASA exam, and the ABV exam. Of these exams, the CPA exam was the most difficult and comprehensive. I am proudest of having passed this exam in one sitting. May potential CPAs do not pass this exam and yet go on to other productive careers.

I am veteran fo the Vietnam era receiving an Army Commendation Medal award, among other items. My Great Uncle served in France in WWI, both my parents served in Africa and Italy in WWII, and my second son, currently in the Navy, served, among other places, in Al Quam, Iraq, as an augmented Navy officer with the US Marines. I have no bias against the US military.

I am a many year member of the Hawaii RICO advisory group for accountant issues and have consulted with that department on several occasions. Many of the problems presented to me are technical in nature. Even those CPAs who have passed the exam do not have all the technical expertise they should in all areas.

I am involved in litigation support services as an expert witness and have appeared over 115 times in either sworn testimony or submitted reports. Often in these matters there is a deficiency in technical expertise on the part of the opposing party. Often those issues are in technical business valuation issues where the opposing expert has not been certified through a rigorous testing and training program and only has a "been there done that" credential. These are becoming, unfortunately, far to common. In two of the organizations I have active credentials the organization has "relaxed" the requirements in order to promote membership. To those of us who have met the initial criteria and risked refection or failure on initial application this reaction is a bitter pill to swallow.

There is already a serious problem in the presentation of financial statement information by unlicensed individuals proving "accounting" services using standard accounting programs like Quick Books. A knowledgeable consumer of business accounting services knows that a CPA has been through a rigorous training and testing program and holds a permit to practice, which permit allows for the preparation of audited, reviewed or compiled statements. Banks and other lending institutions know the difference between a CPA and a "bookkeeper" or an "accountant" with a computer accounting program.

The CPA exam is a serious gatekeeper between training and basic competence in accounting. The below table is taken from the AICPA web site showing the passing rates for 2012<sup>1</sup>

Section	1 <sup>st</sup> Quarter	2d Quarter	3d Quarter	4 <sup>th</sup> Quarter	Cumulative
AUD <sup>2</sup>	44.90%	47.81%	50.08%	44.15%	46.89%
BEC <sup>3</sup>	48.63%	53.17%	57.63%	50.57%	52.83%
FAR <sup>4</sup>	43.84%	46.49%	53.91%	45.53%	47.97%
REG <sup>5</sup>	45.00%	49.62%	51.26%	46.02%	48.15%

These are quite typical recent pass rates.

Compare the pass rates of the Hawaii Bar Exam<sup>6</sup>:

Year	Total	Passing	Percent
2011	285	215	75%
2010	250	171	68%
2009	235	179	76%
2008	256	194	76%

As I noted earlier, the CPA exam, which I took after having an undergraduate major in accounting, an MBA in accounting (from UH) and two years of Law School, was much harder than the Bar Exam.

Recall further that in order to even sit for the CPA exam in Hawaii today, the candidate

---

<sup>1</sup><http://www.aicpa.org/becomeacpa/cpaexam/psychometricsandscoreing/passingrates/downloadabledocuments/passrates2012.pdf>

<sup>2</sup>Auditing and Attestation

<sup>3</sup>Business Environment and Concepts

<sup>4</sup>Financial Accounting and Reporting

<sup>5</sup>Regulation

<sup>6</sup><http://www.adaptibar.com/states/hawaii-bar-exam-results.asp>



must have an undergraduate degree with 30 additional semester hours of upper division or graduate courses in such subjects as:

- “1) Accounting and auditing
- 2) Taxation
- 3) Management Services
- 4) Computer Science
- 5) Economics
- 6) Business Law
- 7) Functional Fields of Business (e.g. finance, production, marketing, personal relations, business organization, and business management); or
- 8) Other business related subjects as approved by the board, at an accredited university, college, or four-year institution of learning as specified in subsection (a)<sup>7</sup>

Even with this extensive additional educational requirement the failure rate, in all but BEC is over 50%, and BEC is just over that.

I was teaching at UH in the accounting department when this requirement was first proposed and supported the need for additional education as part of the basic requirements since my experience in teaching undergraduate UH accounting students indicated to me that just an undergraduate major in accounting was insufficient background for a professional career in accounting and this was in the late 1970's well prior to the developments in technical accounting and today's world.

Reciprocity is a critical component in today's expanding market. Many states have begun accepting other state's CPA certification as a basis for a permit to practice in that state but generally only if the other state has similar requirements for certification. When I arrived in Hawaii in August of 1977 I was able to use the passage of the Illinois CPA exam as a substitute for taking the CPA exam again, but still had to take the separate Hawaii Ethics exam (although not required, I did meet the additional education requirements currently in-place). If Hawaii were to adopt this "experience" requirement in lieu of the actual exam Hawaii would likely lose reciprocity with other jurisdictions limiting the ability of currently permitted Hawaii CPAs to relocate to the mainland.

If this committee feels strongly about allowing certain groups to fast track to a professional certification I would suggest a trial period where these individuals are allowed to sit for the CAP exam prior to meeting the actual educational requirements. I would request that these individuals be identified by category not identify and the results tracked to see if the overall pass rate is above or below those who are not so fast tracked. If the individuals so identified have a near perfect pass rate then there is evidence as to their technical ability acquired in a non-traditional way. I suspect, however, that the pass rate will be significantly

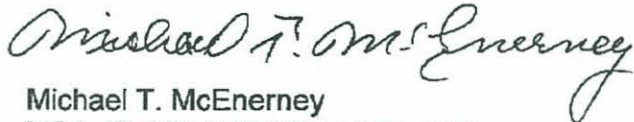
---

<sup>7</sup>HAR Section 16-71-14

below average since this exam is a knowledge based exam and tests a broad base of knowledge that all CPAs need to have.

An alternative would be to reinstate the PA designation so that the public would know that the individual has not met the national standards of a CPA but is authorized to perform certain accounting services which I would limit to compiled financial statements excluding both reviews and audits.

Mahalo,



Michael T. McEnerney  
MBA,JD,CPA/ABV/CFF,ASA,CVA