

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

MINUTES

Date: Friday, October 7, 2016

Time: 8:30 a.m.

Place: King Kalakaua Conference Room  
King Kalakaua Building  
335 Merchant Street, 1<sup>st</sup> Floor  
Honolulu, Hawaii 96813

Present: Gregg M. Taketa, CPA, Chairperson  
Darryl T. Komo, CPA, Vice-Chairperson  
Terrence H. Aratani, Member  
Nelson K.M. Lau, CPA, Member  
Gary Y. Miyashiro, CPA, Member  
Edward L. Punua, CPA, Member  
John W. Roberts, CPA, Member  
Carleton L. Williams, CPA, Member  
Rodney J. Tam, Deputy Attorney General ("DAG")  
Laureen M. Kai, Executive Officer  
Lori Nishimura, Secretary

Excused: Gabriel Lee, Member

Guests: None.

Agenda: The agenda for this meeting was filed with the Office of the Lieutenant Governor, as required by Hawaii Revised Statutes ("HRS") section 92-7(b).

Call to Order: There being a quorum present, the meeting was called to order at 8:30 a.m. by Chairperson Taketa.

Additions/Revisions to Agenda: Executive Officer Kai requested to amend the agenda by adding the following:

6. EXECUTIVE OFFICER'S REPORT  
A. CPA Firm Ownership Inquiries

1. Hee & Ching CPAs LLC
2. Law Offices of Curtis B.K. Yuen

After discussion, it was moved by Mr. Aratani, seconded by Vice-Chairperson Komo, and unanimously carried to approve the aforementioned amendments to the agenda.

Approval of  
Minutes of the  
September 2, 2016  
Board Meeting:

After discussion, it was moved by Mr. Lau, seconded by Mr. Punua, and unanimously carried to approve the minutes of the September 2, 2016 Board meeting as circulated.

Executive Session:

At 8:33 a.m., it was moved by Mr. Lau, seconded by Vice-Chairperson Komo, and unanimously carried to enter into Executive Session to consider and evaluate personal information relating to individuals applying for licensure in accordance with HRS section 92-5(a)(1), and to consult with the Board's attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities in accordance with HRS section 92-5(a)(4).

EXECUTIVE SESSION

At 9:24 a.m., it was moved by Mr. Lau, seconded by Mr. Aratani, and unanimously carried for the Board to move out of Executive Session and to immediately recess the meeting.

At 9:31 a.m., the Board reconvened its meeting.

Applications for  
CPA Certification:

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

- 1) KNOPIK, Christopher G.
- 2) LOFF, Jeffery M.
- 3) NITTA, Hope C. W. L. L.
- 4) SU, Xiaoyan

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

- 1) CABRAL, Farron E. M.

After discussion, it was moved by Vice-Chairperson Komo, seconded by Mr. Lau, and unanimously carried to defer decision making, pending clarification and supporting documentation for educational credentials in fulfillment of requirements, on the following application for certification:

- 1) JI, Jung Hoon

Ratification of Individual CPA Permits to Practice:

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

- 1) HUDSON, Gavin K.
- 2) KIDA, Kumiko
- 3) KIM, Jeung Eun
- 4) LIU, Brandy M.

Ratification of Issued Firm Permits to Practice:

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

- 1) MAKIKO T DICKINSON
- 2) DANIEL R KING
- 3) ISOGAWA CO INC AN ACCOUNTANCY CORPORATION
- 4) LEVIN & CO LLP
- 5) JANE BECKER CPA LLC

CPA Firm Name Approval:

Executive Officer Kai reported that the Board received a request from Shelah R.M.P. Aczon (CPA 4464) whose legal name has been changed to Shelah Palafox Aczon Anderson. Ms. Anderson will

change the name on her CPA license to her legal name; however, she holds a Firm Permit to Practice (FPTP 582) under Shelah P. Aczon CPA LLC, and wishes to keep her CPA firm name as it is, since she has professionally engaged in the practice of public accounting under this name since obtaining her CPA license ten (10) years ago. Ms. Kai informed the Board that the licensee will be updating her CPA license to reflect her new legal name and will sign all documents and correspondence with that legal name.

After discussion, which noted that, based on HAR section 16-71-64(e), the use of the licensee's name as currently designated on her Firm Permit to Practice does not appear to be misleading to the public and therefore would not constitute a violation of the Board's laws and rules should it continue to be used, it was moved by Vice-Chairperson Komo, seconded by Mr. Lau, and unanimously carried to approve the following firm name:

- 1) Shelah P. Aczon CPA LLC

Ratification of Issued Firm Name Approval:

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

- 1) Chae Choi, CPA LLC
- 2) JEONG MIN HA CPA INC.
- 3) Joni Orimoto, CPA, LLC

Chairperson's Report:

A. National and Industry Update

- 1) NASBA Focus Questions

Chairperson Taketa stated that the following focus questions had been provided to Board members to review prior to the meeting. The Board discussed and

reached consensus on the following responses:

1. (a) Has your Board received and/or discussed the July AICPA report: "Proposed Evolution of Peer Review Administration: A Supplemental Discussion Paper Seeking Input from State Boards of Accountancy"?

Response: Yes.

1. (b) Will your Board be sending in comments to the AICPA? If yes, would you please be sure copies of those responses to Leona Johnson (ljohnson@nasba.org), staff liaison to the NASBA Compliance Assurance Committee?

Response: Yes, and a copy will be sent to Ms. Johnson.

2. The revised Statement on Standards for Continuing Professional Education Programs and the Fields of Study were approved by the NASBA Board of Directors in July, and the AICPA Board is expected to do the same at their August meeting. These will be effective for program sponsors on the NASBA CPE Sponsor Registry as of September 1, 2016.

(a) How does your Board use those Standards? For example, do they adopt them as a basis for approving courses? Do they refer would-be providers to those Standards? Do they refer licensees to those standards for guidance on acceptable COE? Please explain what your Board does.

Response: The Board has not formally adopted the Standards. There are some inconsistencies with the Board's laws/rules that need to be considered.

(b) Is your Board implementing the revised Standard No. 13 (now Standard No. 16)?

Response: Not yet on agenda.

3. What is the most recent step your Board has taken to improve its service to the public?

Response: Various announcements and notices to CPA firms that are subject to the new mandatory peer review program have been part of the Board's continuing efforts to implement its program. The State's two professional associations – the Hawaii Association of Public Accountants and Hawaii Society of Certified Public Accountants – have been instrumental in disseminating the information. All notices and announcements are also readily available on the Board's website.

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

Response: The Board is focused on effectively implementing its new peer review program.

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

Response: Yes, there are questions about the continuation of practice – upon death or dissolution – of a CPA firm. How do other states address this? The Hawaii Board continues to greatly appreciate NASBA’s support in providing scholarships to Board members and the Executive Officer to attend its Regional and Annual Meetings.

6. NASBA’s Board of Directors would appreciate as much input on the above questions as possible. How were the responses shown above compiled? Please check all that apply.

Response: Input from all Board Members and Executive Officer.

- 2) NASBA Pacific Region Conference Call on September 13, 2016

Chairperson Taketa provided a brief summary of the NASBA Pacific Region conference call on September 13, 2016, commenting that the AICPA proposal relating to the evolution of the peer review program administration and budget constraints adversely affecting regulatory efforts were common concerns with other Boards. Mr. Taketa reported that one of the issues that he brought up was the Board’s challenges to effectively implement its peer review program.

- 3) AICPA Peer Review Board Open Session Meeting on September 27, 2016

Chairperson Taketa provided a brief summary of the AICPA Peer Review

Board open session meeting on September 27, 2016 in which he participated. He stated that the Peer Review Board has amended its standards and will begin to allow non-AICPA member firms to participate in its peer review program, effective January 2017. He also stated that AICPA members have an appeals process that involves the Joint Trial Board, whereas non-members do not; thus, a process for appeals for non-members will need to be addressed. They may also need to address the public disclosures of the names of CPA firms terminated from its peer program; whereas, the names of terminated non-member AICPA firms cannot be published as can the names of terminated member AICPA firms.

Chairperson Taketa commented on the Peer Review Integrated Management Application ("PRIMA") which will be replacing PRISM (current peer review database), effective February 2017, a change that will provide more oversight over "problem" firms in the peer review program.

Mr. Taketa noted that there is general support among comment contributors in favor of the consistency and quality that the AICPA's evolution document provides; however, there have also been a number of concerns raised.

4) *Proposed Evolution of Peer Review Administration* by the AICPA

Chairperson Taketa acknowledged receipt of copies of the comments from



the Nevada and Maryland accountancy boards on the proposed evolution document, and noted that the comments were very similar.

B. Board Committee Assignments

Chairperson Taketa announced the newly-assigned standing committee chairpersons as follows:

- PEER REVIEW:  
Chairperson: Mr. Lau;
- LEGISLATION AND RULES:  
Chairperson: Mr. Aratani;
- ETHICS:  
Chairperson: Mr. Komo;
- COMMUNICATIONS:  
Chairperson: Mr. Lee;
- CONTINUING PROFESSIONAL EDUCATION:  
Chairperson: Mr. Roberts;
- MOBILITY:  
Chairperson: Mr. Williams;
- UNIFORM CPA EXAMINATION:  
Chairperson: Mr. Punua.

Chairperson Taketa then announced the chairperson and members of the Investigative Committee on Peer Review as follows:

Chairperson: Mr. Lau.  
Members: Mr. Miyashiro;  
Mr. Taketa; and  
Mr. Williams.

Executive Officer's  
Report:

A. CPA Firm Ownership Inquiries

- 1) Hee & Ching CPAs LLC
- 2) Law Offices of Curtis B.K. Yuen

After discussion, it was moved by Mr. Punua, seconded by Mr. Aratani, and unanimously carried to defer decision making on the CPA firm ownership inquiries for further examination, and requested additional clarification from DAG Tam.

B. Request from the Hawaii Society of Certified Public Accountants relating to the Peer Review Compliance Reporting Form - UPDATE

Executive Officer Kai provided an update on the announcement to all CPA firms that are subject to the Hawaii peer review requirement. The announcement was sent for dissemination to the Hawaii Society of CPAs, the Hawaii Association of Public Accountants, and has been posted to the Board's website (in two different locations: home page and Important Announcements). Chairperson Taketa thanked the two associations for their continued assistance to the Board.

C. Report from the NASBA Enforcement Resources Committee relating to IRS Preparer Tax Identification Number ("PTIN") Data - UPDATE

Executive Officer Kai reiterated that the data provided from the NASBA Enforcement Resources Committee on tax return preparers who listed their business addresses in Hawaii and who listed a CPA credential in their PTIN application or renewal as provided by the IRS included approximately 900 names specifically

to Hawaii. At the August 5, 2016 Board meeting, it was decided by consensus of the Board that the Executive Officer conduct an audit of ten percent (10%) of the list to see how many individuals with PTIN also hold Hawaii CPA licenses. Ms. Kai stated that this audit is in progress.

Standing Committee Reports:

A. Peer Review

- 1) *Proposed Evolution of Peer Review Administration* by the AICPA
  - a. Supplemental Discussion Paper Seeking Input from State Boards of Accountancy

Executive Officer Kai compiled comments on the AICPA Supplemental Discussion Paper from the Peer Review Oversight Committee ("PROC") and as well as comments from Board Chairperson Taketa, a copy of the draft was provided to the Board. After discussion, it was moved by Board Peer Review Committee Chairperson Lau, seconded by Board Vice-Chairperson Komo, and unanimously carried to approve the draft with minor changes.

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

Board Peer Review Committee Chairperson Lau stated the PROC accepted the proposed draft at their meeting on September 27, 2016. After

discussion, it was moved by Peer Review Committee Chairperson Lau, seconded by Board Vice-Chairperson Komo, and unanimously carried to approve the proposed draft of the sample report, and instructed the Executive Officer to post the document on the Board's website as soon as possible.

3) Proposed Revisions to Peer Review Compliance Reporting Form

Board Peer Review Committee Chairperson Lau stated corrections to the reporting form were necessary due to the changes to the statutes that were enacted during the past 2016 legislative session, including increasing the reporting/submission deadline from ten (10) days to thirty (30) days, and allowing peer reviews to be conducted by out-of-State licensed CPAs. After discussion, it was moved by Peer Review Committee Chairperson Lau, seconded by Board Vice-Chairperson Komo, and unanimously carried to approve the proposed revisions to the Peer Review Compliance Reporting Form.

4) Report from the Hawaii Society of Certified Public Accountants regarding Oversight of its Peer Review Program, as of December 2015

Discussion ensued on the report from HSCPA regarding oversight of its peer review program; HRS section 466-40(a)(7), states that the sponsoring organization shall provide for periodic reports to the board on results of its peer review program. Board Chairperson

Taketa requested that HSCPA submit its report to the Board through hard copy rather than referring the Board to the document posted on its website, in order to be in strict compliance with the statute. The Executive Officer was instructed to inform the HSCPA of this requirement.

Discussion ensued on data included in the HSCPA report that reflected that of a total of 192 CPA firms enrolled in the program, only twenty-three (23) had been completed by the end of 2015. Board members expressed concern that there would be a significant influx of reports issued in 2016 and 2017, in order to comply with the firm permit to practice renewal requirement. Board members also commented that the timing of peer reviews may be of concern, and consensus was reached that the due date of the peer review would need to be within the three years prior to any permit renewal deadline.

Board Peer Review Committee Chairperson Lau stated that the PROC is in the process of drafting its annual report to the Board.

B. Legislation and Rules

- 1) Possible Legislation to Amend HRS Chapter 466, *Public Accountancy*
- 2) Possible Revisions to HAR Chapter 16-71, *Certified Public Accountants and Public Accountants*

Committee Chairperson Aratani stated he will work on a legislative or administrative rule draft to address the issue of CPA firm ownership.

C. Ethics

Committee Chairperson Komo had no report.

D. Communications

Due to Committee Chairperson Lee's excused absence from this meeting, this agenda item was deferred.

E. Continuing Professional Education

1) Report on NASBA National Registry Website

Committee Chairperson Roberts provided a hard copy handout of his report on the NASBA National Registry website, a new website (NASBAregistry.org) launched by NASBA, to assist continuing education providers with registering and complying with NASBA registry requirements, and providing facilitated access to state boards of accountancy and their licensees to verify sponsors' registration. He commented that it is much more user friendly than its predecessor, with only minor glitches encountered in his experience on the website (e.g. unsuccessful document downloads).

F. Mobility

Committee Chairperson Williams had no report, but did inquire with the Board if it wished to pursue mobility legislation at the next Legislative session. Mr. Roberts commented that it depends

on how you define mobility; if it is the Ken Bishop version of mobility, the answer is “no”; if mobility as an alternative to the current temporary permit (or RICO’s version), then the answer may be different. He also commented that the RICO version of mobility includes some form of notice to the Board as well as associated fees. Board Chairperson Taketa commented that the Board is caught in the middle, and also questioned if it is individual mobility or firm mobility – as the two are distinctly separate issues. He also commented that the Board is much more concerned in the immediate future with the successful implementation of its peer review program.

G. Uniform CPA Examination

Committee Chairperson Punua had no report.

Open Forum: None.

Next Board Meeting: Tuesday, November 15, 2016  
8:30 a.m.  
King Kalakaua Conference Room  
King Kalakaua Building  
335 Merchant Street, 1<sup>st</sup> Floor  
Honolulu, Hawaii 96813

Announcements: None.

Adjournment: There being no further discussion, the meeting adjourned at 10:35 a.m.

Taken and recorded by:

/s/ Lori Nishimura

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Lori Nishimura, Secretary

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Reviewed and Approved by:

/s/ Laureen M. Kai

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Laureen M. Kai, Executive Officer

LMK:ln

10/27/16

- Minutes approved as is.  
 Minutes approved with changes. See Minutes of \_\_\_\_\_.