

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

MINUTES

Date: Tuesday, November 15, 2016

Time: 8:31 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  
Rodney J. Tam, Deputy Attorney General ("DAG")  
Laureen M. Kai, Executive Officer  
Lori Nishimura, Secretary

Excused: Gabriel Lee, Member  
John W. Roberts, CPA, Member  
Carleton L. Williams, CPA, Member

Guests: Hamid Pourjalali, Ph.D., Professor, School of  
Accountancy, University of Hawaii at Manoa

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

Call to Order: There being a quorum present, the meeting was  
called to order at 8:31 a.m. by Chairperson Taketa.

Additions/Revisions  
to Agenda: None.

Approval of  
Minutes of the  
October 7, 2016  
Board Meeting:

After discussion, it was moved by Vice-Chairperson Komo, seconded by Mr. Aratani, and unanimously carried to approve the minutes of the October 7, 2016 Board meeting as circulated.

Executive Session:

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

EXECUTIVE SESSION

At 9:58 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 to discuss and deliberate on the following adjudicatory matter pursuant to HRS chapter 91.

Chapter 91, HRS,  
Adjudicatory  
Matters:

A. In the Matter of the Certified Public Accountant's  
License of Ronald G. Kadey; ACC 2014-19-L

DAG Tam provided a summary of the First Amended Settlement Agreement After Filing of Petition for Disciplinary Action and Board's Final Order regarding Ronald G. Kadey, Respondent. He stated that RICO alleges that the Respondent, who holds a CPA license:

- On or about December 31, 2013, Respondent submitted a renewal application in which he attested he earned a minimum of four continuing professional education hours in the preceding 24 months; and
- Following a random audit by the Board, Respondent was unable to obtain proof

of having completed all of the requisite continuing professional education credit hours in the 24 months preceding Respondent's license renewal.

To settle this matter, the Respondent agrees to the following terms of the Settlement Agreement:

- Complete continuing education credits;
- Administrative fine in the amount of five hundred dollars (\$500.00); and
- Failure to fully and timely comply with terms of the Settlement Agreement shall result in the automatic revocation of Respondent's license.

After discussion, it was moved by Mr. Aratani, seconded by Mr. Punua, and unanimously carried to approve the Settlement Agreement relating to the Matter of the Certified Public Accountant's License of Ronald G. Kadey; ACC 2014-19-L.

B. In the Matter of the Certified Public Accountant's License of Andrew M. Langtry; ACC 2016-5-L

DAG Tam provided a summary of the Settlement Agreement Prior to Filing of Petition for Disciplinary Action and Board's Final Order regarding Andrew M. Langtry, Respondent. He stated that RICO alleges that the Respondent, who holds a CPA with permit to practice license:

- On or about December 30, 2015, Respondent indicated "no" to question number 3 on his renewal application "In the past 2 years have you been convicted of a crime which has not been annulled or expunged?"; Respondent was convicted on November 5, 2014 of

Operating a Vehicle Under the Influence  
of an Intoxicant.

To settle this matter, the Respondent agrees to the following terms of the Settlement Agreement:

- Administrative fine in the amount of five hundred dollars (\$500.00); and
- Failure to fully and timely comply with terms of the Settlement Agreement shall result in the automatic revocation of Respondent's license.

After discussion, it was moved by Vice-Chairperson Komo, seconded by Mr. Aratani, and unanimously carried to approve the Settlement Agreement relating to the Matter of the Certified Public Accountant's License of Andrew M. Langtry; ACC 2016-5-L.

C. In the Matter of the Certified Public Accountant's License of Christopher L. Schellman; ACC 2016-6-L

DAG Tam provided a summary of the Settlement Agreement Prior to Filing of Petition for Disciplinary Action and Board's Final Order; Exhibit "1" regarding Christopher L. Schellman, Respondent. He stated that RICO alleges that the Respondent, who holds a CPA license:

- Respondent was disciplined by the State of Florida and that Respondent failed to report the disciplinary action within thirty days as required by Hawaii law; and
- The Florida Order was based on allegations public accounting services were not provided through a licensed audit firm and imposed a \$1,100.00 fine.

To settle this matter, the Respondent agrees to the following terms of the Settlement Agreement:

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

After discussion, it was moved by Mr. Aratani, seconded by Mr. Miyashiro, and unanimously carried to approve the Settlement Agreement relating to the Matter of the Certified Public Accountant's License of Christopher L. Schellman; ACC 2016-6-L.

At 10:02 a.m., the Board reconvened its meeting; and DAG Tam stepped out of the meeting.

Applications for  
CPA Certification:

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

- 1) BURRILL, Jacob R.
- 2) CHANG, Milly L. C.
- 3) DURKEE, Thomas V.
- 4) ENRIQUEZ SALAICES AGUIRRE, Pedro
- 5) FAHRNOW, Douglas C.
- 6) GIBEAULT, Bonnie J.
- 7) JENSEN, Thomas C.
- 8) JI, Jung Hoon
- 9) KIM, Wona
- 10) KITAMORI, Matt M. M.
- 11) LOBERG, Donald J.
- 12) NAGATA, Kelly S.
- 13) ROBERTO, Genesis U.
- 14) TANG, Ka Yu
- 15) YAMAGUCHI, Kris Y.
- 16) YOON, Yeowon

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

- 1) KAMIGAKI, Erin K.
- 2) LI, Valeriya A.

Ratification of  
Individual CPA  
Permits to Practice:

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

- 1) KNOPIK, Christopher G.
- 2) LOFF, Jeffery M.
- 3) SU, Xiaoyan

Ratification of Issued  
Firm Permits to  
Practice:

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

- 1) LOFF & COMPANY LLC
- 2) DIL LLC

DAG Tam stepped back into the meeting at 10:04 a.m.

CPA Firm Name  
Approval:

After discussion, it was moved by Vice-Chairperson Komo, seconded by Mr. Punua, and unanimously carried to approve the following firm name:

- 1) Duryea Ingraham Loff CPAs

Ratification of Issued  
Firm Name Approval:

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

- 1) Doi & Associates CPAs, LLC
- 2) Jacob Burrill, CPA, Inc.
- 3) Kawahara + Hu, LLC

The consensus of the Board was to take the following agenda item out of order, to accommodate/alleviate the wait time, for Mr. Hamid Pourjalali, guest.

Standing Committee Reports:

G. Uniform CPA Examination

1) Third Quarter 2016 (July-August) Testing Window

a. Ratification of Hawaii Candidate Examination Scores

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

EXAMINATION RESULTS (BY SCORES)

	Number of Scores	Percentage
Credit	102	46.8
No Credit	116	53.2
Lost Credit	0	0
Voided	0	0
TOTAL	218	100

TOTALS BY EXAM PARTS (BY CANDIDATES)

	AUD	BEC	FAR	REG	TOTAL
# Attended	60	48	49	61	218
# Passed	28	22	24	28	102
% Passed	46.7	45.8	48.9	45.9	46.8

#### SUCCESSFUL CANDIDATES SUMMARY

# Passing First Time	7 (35.00%)
# Passing Re-Exam	13 (65.00%)
# International Candidates	0
# Passing Candidates	20

After discussion, it was moved by Committee Chairperson Punua, seconded by Vice-Chairperson Komo, and unanimously carried to ratify the examination scores from the July/August 2016 testing window.

b. NASBA Candidate Care Concerns Report

Committee Chairperson Punua provided highlights from the NASBA Candidate Care Concerns Report, stating that the number of complaints has gone up to 75,000 from 65,000; decrease in concerns related to confirmation of attendance; and electronic matters including email blasts.

2) CPA Review Sessions by University of Hawaii at Manoa, School of Accountancy

Dr. Pourjalali was welcomed by the Board; he had requested to address the Board to "request that the Board enter into a dialog with faculty of the School of Accountancy and representatives of the Advisory Board to consider options that will ensure that Hawaii is better represented in the CPA pass rates". The



Board was provided with Dr. Pourjalali's e-mail, that was sent on September 29, 2016 and he provided a copy of his letter, dated November 15, 2016. The School of Accountancy ("SOA") commented that the Board suggested an improvement in CPA exam passing rates may have been related to the free CPA review courses that were offered by SOA who has since stopped offering the free CPA review sessions. Dr. Pourjalali commented that the SOA may offer these courses again but that attendees/participants may need to pay for these courses. He also stressed that assistance from the Board and firms to assist in their efforts to fill seats is encouraged. He commented their CPA review sessions may be a temporary fix.

Dr. Pourjalali commented that a majority of the faculty and the Advisory Board members of SOA believe that the educational requirement of 18 semester hours of upper division/graduate level accounting courses may have adversely affected the students' ability to pass the CPA exam as undergraduate students are not taking any of the following elective three (3) credit hour courses: Advanced Accounting; Corporate Taxes, and Law for Accounting. He requested for the Board's support to require students to take 24 upper division/graduate level accounting courses - to strengthen the undergraduate requirement.

Dr. Pourjalali requested suggestions should be emailed to him and he was thanked for attending the meeting.

3) Report on the AICPA Board of Examiners Update Call held on November 14, 2016

Committee Chairperson Punua provided a brief summary of the Report on the AICPA Board of Examiners Update Call, held on November 14, 2016:

- Candidates caught cheating will be barred from ever taking the exam.
- Concerns with cyber security was being addressed.
- Audit/compliance.
- Multiple windows utilized for exam – “web feel” with 23” monitor.

The consensus of the Board was to return discussion back to the order of the meeting agenda.

Chairperson’s Report:

A. National and Industry Update

1) 2016 Annual Meeting of the National Association of State Boards of Accountancy (“NASBA”)

Chairperson Taketa provided a brief summary of the key issues addressed at the 2016 Annual NASBA meeting:

- a. AICPA will revise its “Proposed Evolution of Peer Review Administration” paper;
- b. Katrina Salazar, California Board of Accountancy President, explained California’s requirement for substantial equivalence in enforcement as a pre-requisite for firm mobility;
- c. CPA pipeline project to identify the reasons for the drop off of accounting graduates versus CPA exam candidates who passed; and

- d. Update of the North Carolina Dental Board case – Boards of Accountancy are reminded to have adequate supervision of their disciplinary actions in order to preserve their immunity.

- 2) NASBA's Response to the Request for Comments from the American Institute of CPAs ("AICPA") on its *Proposed Evolution of Peer Review Administration – A supplemental discussion paper seeking input from State Boards of Accountancy*

Chairperson Taketa acknowledged receipt of NASBA's response to the Request for Comments from the AICPA on its *Proposed Evolution of Peer Review Administration*, which included a summary of responses from State Boards. NASBA's own comments were in line with the concerns of most state boards.

- 3) Hawaii Board of Public Accountancy Representation on 2016-2017 NASBA Committees

Chairperson Taketa stated that Mr. Roberts has been appointed to the 2016-2017 NASBA Enforcement Resources Committee.

- 4) Practice Continuation Issue

Chairperson Taketa commented that the Board may need to address concerns with the issue of practice continuation, especially for sole practitioners who may not have any plans in place for the continuation of their practices. He expressed concern about the uncertainty

of filing responsibilities with practitioners who are suddenly unable to continue practicing due to sickness or death.

Executive Officer's Report:

A. CPA Firm Ownership Inquiries

- 1) Hee & Ching CPAs LLC
- 2) Curtis B.K. Yuen, Esq.

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

B. 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 870 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 provided a brief summary of her preliminary findings on the 87 randomly-selected tax return preparers who have listed their business address in Hawaii and have listed

a CPA credential in their PTIN application/  
renewal (holding out to the IRS as a CPA):

- 5 do not hold Hawaii CPA licenses;
- 4 are licensed in Hawaii but have no individual PTPs, no FPTPs;
- 10 are licensed with individual PTPs, but are not affiliated with firm with FPTP (may be staff members); and
- 19 (22%) warrant further investigation.

Standing Committee  
Reports:

A. Peer Review

- 1) Latest Developments on the AICPA  
*Proposed Evolution of Peer Review Administration – A supplemental discussion paper seeking input from State Boards of Accountancy*

Committee Chairperson Lau provided a brief summary of the latest developments on the AICPA Proposed Evolution of Peer Review Administration: training administrative entities; increase transparency of peer review process; revised paper out on January 4, 2017; and webinar on January 9, 2017.

Mr. Lau suggested to watch the webinar and also stated the comment period is short. Executive Officer Kai stated she will distribute to the Board as soon as a new paper is made available.

- 2) Proposed Modifications to the *Independent Accountants Report on Applying Agreed-Upon Procedures for the Hawaii Supplement to the Peer Review Report*

Committee Chairperson Lau stated the Board received feedback/proposed modifications from the AICPA concerning the *Independent Accountants Report on*

*Applying Agreed-Upon Procedures for the Hawaii Supplement to the Peer Review Report.*

After discussion, it was moved by Committee Chairperson Lau, seconded by Mr. Miyashiro, and unanimously carried to approve all of the proposed modifications from the AICPA.

3) Peer Review Compliance Reporting Form

Discussion ensued on the wording on the Peer Review Compliance Reporting Form that had been approved at the Board's previous meeting. Committee Chairperson Lau stated the form did not address/clarify/address PCAOB firms who may have had one or more Hawaii engagements; thus, two questions may be necessary. The consensus of the Board was to get language for the Board's decision making at the next meeting.

4) Report on the AICPA Peer Review Board Open Session Meeting held on November 14, 2016

Chairperson Taketa provided a brief summary on the AICPA Peer Review Board open session meeting – revision to the representation letter signed by the reviewed firm, with respect to confirming the peer reviewer's completeness in selecting at least one "must select engagement" in each "must select" category, approved effective January 2017.

5) Receipt of the Hawaii Society of CPAs 2015 *Annual Report* on October 24, 2016

Committee Chairperson Lau stated the 2015 *Annual Report* from the Hawaii Society of CPAs was received and that it included a list of registered firms.

Mr. Lau left the meeting at 11:36 a.m.

B. Legislation and Rules

- 1) Possible Legislation to Amend HRS Chapter 466, *Public Accountancy*

Committee Chairperson Aratani stated that he is working on drafting a bill and requested members of the Board to provide him with suggestions.

- 2) Possible Revisions to HAR Chapter 16-71, *Certified Public Accountants and Public Accountants*

Committee Chairperson Aratani stated he is reviewing/the Board should be reviewing administrative rules to help determine if possible proposed amendments would be necessary.

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

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

F. Mobility

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

Open Forum: None.

Next Board Meeting: Friday, December 16, 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 11:40 a.m.

Taken and recorded by:

/s/ Lori Nishimura

---

Lori Nishimura, Secretary

Reviewed and Approved by:

/s/ Laureen M. Kai

---

Laureen M. Kai, Executive Officer

LMK:ln

12/13/16

[X ] Minutes approved as is.

[ ] Minutes approved with changes. See Minutes of \_\_\_\_\_.