

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

MINUTES

Date: Friday, January 27, 2017

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  
Gabriel Lee, Member  
Gary Y. Miyashiro, CPA, Member  
Edward L. Punua, CPA, Member  
John W. Roberts, CPA, Member  
Carleton L. Williams, CPA, Member  
Rodney J. Tam, Deputy Attorney General ("DAG")  
Lauren M. Kai, Executive Officer  
Lori Nishimura, Secretary

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.

Approval of Minutes of the December 16, 2016 Board Meeting: After discussion, it was moved by Mr. Lau, seconded by Mr. Lee, and unanimously carried to approve the minutes of the December 16, 2016 Board meeting, with the following amendments (with new material underscored and repealed material bracketed and stricken through):

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\* \* \*

B. Legislation and Rules

- (1) Proposed Bill to Amend HRS chapter 466 including: (a) clarification of CPA firm names that include the names of individuals; (b) experience requirement of CPA applicants under the supervision of an individual who has a permit to practice in Hawaii or an equivalent in another jurisdiction; (c) requirement of a minimum of twenty (20) hours of continuing professional education earned each year; and (d) a housekeeping amendment regarding peer review.

Committee Chairperson Aratani provided the Board with [~~a~~] his draft copy of the proposed bill, and moved that the Board approve [the] his draft in order [~~for Mr. Aratani~~] to follow through with his efforts to request that the proposal be submitted from someone not affiliated with the Board to the 2017 Legislature....

Executive Session: At 8:34 a.m., it was moved by Mr. Lau, seconded by Mr. Aratani, 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 8:50 a.m., it was moved by Mr. Aratani, seconded by Mr. Punua, and unanimously carried for the Board to move out of Executive Session.

It was noted that Mr. Miyashiro arrived to the meeting during Executive Session.

At 8:50 a.m., the Board recessed the meeting to discuss and deliberate on the following adjudicatory matter pursuant to HRS chapter 91.

Chapter 91, HRS,  
Adjudicatory  
Matters:

A. In the Matter of the Certified Public Accountant's License of Elizabeth Hwang; ACC 2016-19-L

DAG Tam provided a summary of the Settlement Agreement Prior to Filing of Petition for Disciplinary Action and Board's Final Order regarding Elizabeth Hwang. He stated that the Regulated Industries Complaints Office ("RICO") alleges that the Respondent, who holds a CPA license:

- On or about December 24, 2015, Respondent renewed her Hawaii CPA license and attested to having completed four (4) continuing professional education ("CPE") credits in ethics or professional conduct; and
- As of December 14, 2016, Respondent has not provided proof of having completed the CPE credits claimed in the December 24, 2015 renewal in the 24 months preceding Respondent's license renewal.

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

- Voluntary surrender of license; and

- Failure to fully and timely comply with terms of the Settlement Agreement shall result in the automatic revocation of Respondent's license.

Discussion ensued with Board members expressing concern about whether Ms. Hwang was made aware of other options that may have been available to her, such as the payment of an administrative fine. The Board recalled recently approved settlement agreements with similar alleged violations, that had been settled with the Respondent being assessed an administrative fine. Nevertheless, the Board noted that Ms. Hwang agreed to the voluntary surrender of her license.

After discussion, it was moved by Mr. Roberts, seconded by Mr. Lee, and unanimously carried to approve the Settlement Agreement relating to the Matter of the Certified Public Accountant's License of Elizabeth Hwang; ACC 2016-19-L, and to provide comments about this Settlement Agreement to RICO expressing the Board's concerns about the severity of this sanction given recently approved settlement agreements for similar alleged CPE violations.

At 9:06 a.m., the Board reconvened its meeting, and immediately recessed the meeting.

At 9:17 a.m., the Board reconvened its 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) SOBERMAN, Jesse C.
- 2) STERLING, Cindy J.
- 3) XIA, Guilan

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

- 1) HUBBART, Lisa J.

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 application for certification:

- 1) HUGHES, Christopher L.

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

- 1) YUEN, Rebecca

Ratification of  
Individual CPA  
Permits to Practice:

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

- 1) COOPER, Aaron D.
- 2) DURKEE, Thomas V.
- 3) JI, Jung Hoon
- 4) KITAMORI, Matt M. M.
- 5) KOO, Raymond W. M.
- 6) LUM, Bryson S. B.
- 7) MAKIMOTO, Victoria M.
- 8) SAKAMOTO, Sherilyn M. K.
- 9) TAGUCHI, Lance T.
- 10) TANABE, Kasie M.
- 11) TERRY, Wendy Y.
- 12) WILSON, Dana A.

After discussion, it was moved by Mr. Lee, seconded by Mr. Punua, and unanimously (Mr. Roberts recused himself from the vote) to ratify the approval of the following individual CPA Permit to Practice:

- 1) EWING, Emily R.

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

- 1) HRYSYZEN, Melissa F. O.

Ratification of Issued Firm Permits to Practice:

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

- 1) SCHELLMAN & COMPANY LLC
- 2) JUNG HOON JI
- 3) DANICE C M WOO
- 4) WITHUMSMITH+BROWN PC

CPA Firm Name Approval:

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

- 1) THE CPA OFFICE
- 2) CPA-OFFICE.COM
- 3) TRS CPA LLC

Ratification of Issued Firm Name Approval:

After discussion, it was moved by Mr. Lau, seconded by Mr. Lee, and unanimously carried to ratify the approval of the following firm name:

- 1) Duryea Ingraham Loff CPAs LLC

After discussion, it was moved by Mr. Lau, seconded by Mr. Lee, and unanimously (Mr. Roberts recused

himself from the vote) to ratify the approval of the following firm name:

- 1) Elina Hartkopf, CPA, LLC

Chairperson's Report:

A. National and Industry Update

- 1) Notification from BKD, LLP (FPTP 531) of Disciplinary Action Imposed by the California Board of Accountancy

Chairperson Taketa stated that the Board had received notice from BKD, LLP ("BKD") that the Securities and Exchange Commission ("SEC") had instituted public administrative and cease-and-desist proceedings against the firm on December 28, 2014, and that BKD had notified this Board of the SEC's proceedings in a timely manner on December 31, 2014.

On November 28, 2016, BKD entered into a settlement agreement with the California Board of Accountancy ("CBA") based upon the disciplinary action by the SEC. The terms of the settlement agreement are: (1) BKD's firm license is subject to a stayed suspension of 30 days with 18 months of probation; and (2) reimbursement to the CBA of \$8,500.00 for investigation and prosecution costs.

BKD further stated that this disclosure to the Board that it had entered into the settlement agreement with the CBA, is timely filed as required. At this time, however, the firm requests that the Board not take further disciplinary action against BKD, based on the SEC

proceedings. BKD states that: (1) none of the broker-dealers involved in the SEC proceedings are domiciled in Hawaii; (2) none of the audit work was performed in Hawaii; and (3) none of the individuals involved with performing the audit work is licensed in Hawaii.

In requesting that the Board not initiate further disciplinary action against BKD the firm did note that should the Board choose to initiate an investigation, BKD be afforded the opportunity to provide additional documentation to support both the context of the identified violations and the remedial actions taken by BKD.

After discussion, it was moved by Mr. Williams, seconded by Mr. Lau, and unanimously carried to defer decision making on this matter for further review.

2) Revised AICPA Code of Professional Conduct

Chairperson Taketa requested Vice-Chairperson Komo, as Chairperson of the Ethics Standing Committee, to review and report to the Board on the revisions made to the Revised AICPA Code of Professional Conduct at the Board's next meeting. Vice-Chairperson Komo commented that the changes may not be significant, and stated that although HRS chapter 466 and HAR chapter 16-71 do not make reference to the AICPA Code of Professional Conduct, HRS chapter 436B, the Professional and Vocational Licensing Law (the Model Act), does refer to "recognized standards of



ethics for the licensed profession or vocation” in HRS section 436B-19(9).

3) Information from the AICPA on CPE Reciprocity

Chairperson Taketa requested that Mr. Roberts, as Chairperson of the CPE Standing Committee, provide a report on this matter at the next scheduled Board meeting.

4) NASBA Enforcement Resources Committee Meeting on January 18-19, 2017

Chairperson Taketa stated that Mr. Roberts attended the NASBA Enforcement Resources Committee meeting on January 18-19, 2017 and that his written report has been circulated to the Board. Mr. Roberts provided a brief summary of his circulated report.

Discussion ensued on the thoroughness and timeliness of the investigative and enforcement efforts of RICO, the enforcement and regulatory arm of the Board. The consensus of the Board was for Executive Officer Kai to request that RICO provide a periodic report on its investigative actions and enforcement efforts to the Board at a scheduled Board meeting.

Executive Officer’s

A. Notification from NASBA International Evaluation Services (“NIES”) of Fraudulent Document Submission

Executive Officer Kai reported that part of the NIES service to the Board is the reporting of

fraudulent document submissions by individuals applying to NIES for an evaluation of academic credentials. NIES has processed three applications for potential CPA candidates, all of whom submitted documentation that was evaluated and determined to be fraudulent during the primary source verification process. NIES has notified CPA Examination Services ("CPAES"), which is the Board's examination administrator. The three fraudulent document cases were related to the Alaska and Washington state boards. There were no incidents of fraudulent document submission related to this Board.

Standing Committee Reports:

A. Peer Review

- 1) Peer Review Compliance Reporting Form - Update

Committee Chairperson Lau stated the updated Peer Review Compliance Reporting Form has been reviewed by DAG Tam, and posted to the Board's website.

- 2) AICPA Discussion Paper on the Proposed Evolution of Peer Review Administration – Revised January 2017

Committee Chairperson Lau stated that one of the suggestions included in the AICPA Discussion Paper on the Proposed Evolution of Peer Review Administration – revised January 2017, is the requirement for a licensed CPA to be employed by an administering entity for the Peer Review Program. This may be a difficult requirement for current administering entities or sponsoring organizations to meet.

- a. Input from the Peer Review Oversight Committee ("PROC")

Committee Chairperson Lau stated that the PROC will meet on February 7, 2017 to discuss this matter.

- b. Input from the Hawaii Society of Certified Public Accountants ("HSCPA")

Committee Chairperson Lau stated that the HSCPA held a board meeting earlier in the week. The consensus of the board is that the HSCPA wishes to continue to serve as an administrative entity for the Hawaii Board's peer review program, is carefully reviewing the requirements outlined in the proposal, and hopes to determine what points will need to be addressed in order to do so.

- 3) AICPA Peer Review Board Open Session Meeting to be held on January 31, 2017

Committee Chairperson Lau stated that he plans to participate in the AICPA Peer Review Board open session meeting on January 31, 2017 and will provide a report to the Board.

Executive Officer Kai confirmed with the Board that submission of the Peer Review Compliance form previously posted to the Board's website should be accepted without requesting that the CPA firm redo its submission on the new revised form.

B. Legislation and Rules

- 1) Proposed Housekeeping Amendment to HRS Chapter 466 relating to Peer Review

Discussion ensued on House Bill No. 337, Relating to Public Accountancy, and Senate Bill No. 609, Relating to Attestation Engagements. The bills are identical in content and propose to amend HRS section 466-36, by deleting the specific reference to AT section 201 of the Statements on Standards for Attestation Engagements ("Standards") adopted by the AICPA, and replacing it with language that refers to the Standards themselves. This will allow for reference to the pertinent sections of the Standards currently and in the future without the necessity of additional statutory amendments. After discussion, it was moved by Mr. Williams, seconded by Mr. Punua, and unanimously carried to support the aforementioned bills.

Discussion ensued on designating a Board member to represent the Board at Legislative hearings.

Mr. Lee left the meeting at 9:51 a.m.

After discussion, it was moved by Mr. Williams, seconded by Mr. Roberts, and unanimously carried to appoint Vice-Chairperson Komo as the primary, and Mr. Aratani as the secondary representative to testify on behalf of the Board on legislative matters that pertain to the Board.

C. Examination

- 1) CPA Examination Review Board ("ERB")  
Annual State Board Survey

Board members were earlier provided with a copy of the CPA Examination Review Board – State Board Survey (Exam Year 2016). The survey asked if the Board has any concerns about any of the following exam-related topics. If the Board's response is "yes" to any of the items below, to then include an explanation in the comments section. After discussion, Board members reached consensus and provided their responses to the questions as follows:

1. Name: \_\_\_ State/Board: \_\_\_

Response: Hawaii State Board of Public Accountancy.

2. The security of the Exam

Response: No.

3. Quality/Accuracy of score reporting

Response: No.

4. Timeliness of score reporting

Response: No.

5. The number/type of Exam sections tested

Response: No.

6. Content tested on the Exam

Response: No.

7. Difficulty of the Exam

Response: No.

8. Skills tested on the Exam

Response: No.

9. Communication to candidates

Response: No.

10. The future value of the CPA brand

Response: Yes. Some Board members expressed the following comments: (1) Students in accounting curriculums and degree programs don't feel that they need to take the CPA exam to succeed in their endeavors; (2) the "CGMA" designation is a threat to the CPA designation; and (3) the international Chartered Accountant designation may replace the CPA designation on the international level.

11. The Practice Analysis (currently being conducted by the AICPA as the foundation for the next version of the CPA Examination)

Response: No.

12. Any issues raised by candidates

Response: Yes. Some Board members expressed the following comments: (1) neighbor island candidates continue to be concerned about the lack of testing sites available on neighbor islands. Having to sit for the examination at the Honolulu testing site incurs travel and accommodation costs which are a financial burden.

2) NASBA Candidate Care Report for 4<sup>th</sup> Quarter 2016

Committee Chairperson Punua informed the Board that there was a slight delay in the release of examination scores for the

4<sup>th</sup> quarter of 2016 because of the increase in the number of test candidates due to of the impending launch of the new version of the examination scheduled for April 2017. He also stated that the NASBA website has been updated with sample tests.

3) Examination Score Release Schedule for 1<sup>st</sup> and 2<sup>nd</sup> Quarters 2017

Committee Chairperson Punua informed the Board that due to the launch of the new version of the exam, examinees from the 1<sup>st</sup> and 2<sup>nd</sup> quarters of 2017 may experience delays in the release of their examination scores. The score release timeline for exams taken during the 1<sup>st</sup> Quarter will not be significantly impacted, with anticipated release to be from 14 to 18 days after the conclusion of the exam period. However, the score release timeline for exams taken during the 2<sup>nd</sup> Quarter may take approximately ten (10) weeks after the close of the testing window. This delay is necessary to provide sufficient time to statistically validate candidate performance on the new examination.

Open Forum: None.

Next Board Meeting: Friday, February 24, 2017  
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 10:14 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

02/23/17

[ X] Minutes approved as is.

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