

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

MINUTES

Date: Friday, February 24, 2017

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  
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")  
Laureen M. Kai, Executive Officer  
Lori Nishimura, Secretary

Excused: Terrence H. Aratani, Member

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.

Approval of Minutes of the January 27, 2017 Board Meeting: After discussion, it was moved by Mr. Lau, seconded by Mr. Punua, and unanimously carried to approve the minutes of the January 27, 2017 Board meeting as circulated.

At 8:32 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 Brenda T. Kumabe, formerly known as Brenda T. Kaneshiro; ACC 2016-17-L

DAG Tam provided a summary of the First Amended Settlement Agreement Prior to Filing of Petition for Disciplinary Action and Board's Final Order regarding Brenda T. Kumabe, formerly known as Brenda T. Kaneshiro. He stated that the Regulated Industries Complaints Office ("RICO") alleges that the Respondent, who holds a CPA license:

- Failed to complete the required number of continuing professional education ("CPE") credits in the areas of ethics and/or professional conduct.

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

- To complete additional hours of CPE credits as necessary and to submit satisfactory proof of completion of CPE credits as required by the Board within a reasonable period time;
- Administrative fine in the amount of five hundred dollars (\$500.00); and
- Failure to fully and timely comply with terms of the First Amended Settlement Agreement shall result in the automatic revocation of Respondent's license.

At 8:34 a.m., Mr. Lee arrived to the meeting.

At 8:35 a.m., Vice-Chairperson Komo arrived to the meeting.

After discussion, it was moved by Mr. Williams, seconded by Mr. Miyashiro, and unanimously carried to approve the First Amended Settlement Agreement relating to the Matter of the Certified Public Accountant's License of Brenda T. Kumabe, formerly known as Brenda T. Kaneshiro; ACC 2016-17-L.

At 8:36 a.m., the Board reconvened its regularly scheduled meeting.

Executive Session:

At 8:36 a.m., it was moved by Mr. Lau, 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 9:05 a.m., it was moved by Mr. Lau, seconded by Mr. Punua, and unanimously carried for the Board to move out of Executive Session, and to immediately recess the meeting.

At 9:15 a.m., the Board reconvened its meeting. Mr. Lee was not present at the meeting at this time.

Applications for CPA Certification:

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

- 1) COMBS, Lena G.
- 2) GEIMAN, Tyler L.

- 3) GOSELIN, David E.
- 4) HARADA, Kelly Y.
- 5) HARVEY, Marshall M.
- 6) JUZA, Ryan M.
- 7) KARIAPPER, Shehan R.
- 8) LEE, Mei G.
- 9) PARKER, Jessica L.
- 10) PRICE, Kimberly D.
- 11) THOMPSON, Michael F.
- 12) YOSHIMURA, Brandon T.

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

- 1) FRAUSTO, Maricela

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

- 1) VIERRA, Natalie F.

Ratification of  
Individual CPA  
Permits to Practice:

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

- 1) STERLING, Cindy J.

After discussion, it was moved by Vice-Chairperson Komo, seconded by Mr. Williams, and unanimously carried (Mr. Punua recused himself from the vote) to ratify the approval of the following individual CPA Permit to Practice:

- 1) HUBBART, Lisa J.

After discussion, it was moved by Vice-Chairperson Komo, seconded by Mr. Williams, and unanimously carried (Mr. Lau recused himself from the vote) to ratify the approval of the following individual CPA Permit to Practice:

- 1) HUGHES, Christopher

Ratification of Issued Firm Permits to Practice:

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

- 1) CINDY STERLING CPA INC
- 2) LANCE T TAGUCHI

Mr. Lee returned to the meeting at 9:17 a.m.

Ratification of Issued Firm Name Approval:

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

- 1) Makiko Dickinson, CPA, Inc.

Presentation by The Regulated Industries Complaints Office ("RICO"):

Daria Loy-Goto, Complaints and Enforcement Officer  
John Hassler, Supervising Attorney

Due to scheduling conflicts, Ms. Loy-Goto and Mr. Hassler were not able to attend this meeting for their presentation; they notified the Executive Officer that they may be able to reschedule their presentation to the next Board meeting on March 24, 2017.

Mr. Roberts arrived to the meeting at 9:19 a.m.

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 reiterated that the Board had deferred discussion and decision-making on a notification 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.

BKD stated that it had entered into a settlement agreement with the California Board of Accountancy ("CBA") which subjected BKD's firm license to a stayed suspension of 30 days with 18 months of probation and reimbursement to CBA of \$8,530.00 for investigation and prosecution costs. BKD further disclosed these actions to the Board as required by statute; however, BKD requested that the Board not initiate further disciplinary action against BKD, as: (1) none of the broker-dealers involved in the case 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 its notification, BKD asked 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. Roberts, seconded by Vice-Chairperson Komo, and unanimously carried to refer this matter to RICO.

- 2) Notification from CliftonLarsonAllen LLP (FPTP 570) of Disciplinary Action Imposed by the Colorado State Board of Accountancy

Chairperson Taketa stated that in a transmittal dated January 24, 2017, CliftonLarsonAllen LLP notified this Board that the Colorado Board of Accountancy had issued a Stipulation and Final Agency Order Case No. 2016-2212 due to a violation of the Colorado Board's laws and rules, dated January 20, 2017. Executive Officer Kai noted that disclosure was done timely; therefore, there was no violation of the Board's laws and rules relating to timely disclosure to the Board.

Terms of the Stipulation and Final Agency Order are: (1) the firm is admonished for the conduct and warned that repetition of such conduct could lead to formal disciplinary action, including probation, suspension, or revocation; (2) the firm shall pay a fine of \$1000.00 plus an additional surcharge of 15% of the fine, for a total of \$1150.00; and (3) the firm shall bear the expenses of complying with the Order.

After discussion, it was moved by Mr. Roberts, seconded by Vice-Chairperson Komo, and unanimously carried to refer this matter to RICO.

- 3) Notification from Deloitte & Touche LLP (FPTP 140) of Disciplinary Action Imposed by the Division of Occupational and Professional Licensing of the Department of Commerce of the State of Utah

Chairperson Taketa stated that in a transmittal dated January 18, 2017, Deloitte & Touche LLP ("Deloitte") notified this Board that the Division of Occupational and Professional Licensing of the Department of Commerce of the State of Utah had issued a Stipulation and Order as a result of the Public Company Accounting Oversight Board ("PCAOB") Order and the SEC Order Instituting Public Administrative Proceedings, stating that Deloitte was subject to a reprimand and cease and desist order under Utah law.

The Board was notified of the PCAOB Order by the PCAOB on November 14, 2013. Deloitte notified the Board about the SEC Order on July 22, 2015.

After discussion, it was moved by Mr. Roberts, seconded by Vice-Chairperson Komo, and unanimously carried (Mr. Williams recused himself from the vote) to refer this matter to RICO.

- 4) National Association of State Boards of Accountancy ("NASBA") Regional Directors' Focus Questions (Due date: April 10, 2017)

After discussion, the consensus of the Board was to defer this discussion to the next meeting, as several questions



pertained to RICO, the enforcement and regulatory arm of the Board, and Ms. Loy-Goto and Mr. Hassler are scheduled to attend the next meeting.

5) RICO Open House on January 27, 2017

Chairperson Taketa provided a brief report of his attendance to the RICO open house on January 27, 2017. He stated that RICO is faced with many referrals, resulting in huge caseloads. Vice-Chairperson Komo added that these referrals come from fifty-two (52) boards and commissions and are assigned to nineteen (19) investigators. RICO noted that the increase in its compliance resolution fees will be used to update its computer system in the near future.

6) NASBA Pacific Region Conference Call on February 1, 2017

Chairperson Taketa provided a brief summary of the NASBA Pacific Region conference call on February 1, 2017 in which he participated. He stated that budget concerns were expressed by many of the Pacific Region boards, resulting in workload issues (e.g., Oregon's investigation and resolution of its disciplinary cases has fallen behind six months because of budget cuts). Chairperson Taketa's input on the call focused on the Board's implementation of mandatory peer review. Other concerns and topics of discussion were: (1) the AICPA proposal relating to peer review administration evolution; (2) the Exposure Draft on model rules relating to continuing professional education; (3) the pipeline

project, addressing the decreased number of students and others entering the profession; (4) the use of titles, such as the use by non-CPAs of the CGMA designation; (5) the work of the standard setting committee in the application of technology to update standards using data analytics; (6) NASBA's approval of the first CPE sponsor providing education through nano learning; and (9) the twenty-nine (29) accountancy-related bills introduced in the legislatures of the Pacific Region alone.

Executive Officer's Report:

A. NASBA Committee Interest Form

Executive Officer Kai reported that NASBA is seeking board member volunteers to serve on its twenty-four (24) committees. Descriptions of the work of these committees, and instructions on how to volunteer were emailed to Board members on February 15, 2017. The deadline to submit a Committee Interest Form to NASBA is April 21, 2017.

Ms. Kai encouraged Board members to consider participating in a NASBA committee that interested them. Mr. Williams commented that it has been a learning experience for him serving on the NASBA Regulatory Response Committee, noting the committee members' commonality and diversity of thought.

Mr. Roberts commented that his participation in the NASBA Enforcement Resources Committee has shown that sharing of ideas is beneficial to the committee's work. Both Messrs. Roberts and Williams encouraged Board members to volunteer.

B. NASBA University Edition and Jurisdiction Edition of "Candidate Performance on the Uniform CPA Examination – 2016"

Executive Officer Kai stated that the Board has received two (2) editions of NASBA's report – Jurisdiction Edition and University Edition, and that CPA Examination Committee Chairperson Punua will review and report on this information at a subsequent meeting.

Standing Committee  
Reports:

A. Peer Review

- 1) Peer Review Oversight Committee ("PROC") Meeting on February 7, 2017

Committee Chairperson Lau informed the Board that he attended the PROC meeting on February 7, 2017, and reported that the PROC is working on its Annual Report and is reviewing the AICPA Discussion Paper on the Proposed Evolution of Peer Review Administration – Revised January 2017.

- 2) American Institute of Certified Public Accountants ("AICPA") Peer Review Board Open Session Meeting on January 31, 2017

Committee Chairperson Lau provided a brief summary of the AICPA Peer Review Board Open Session meeting that was held on January 31, 2017. He stated that the number of complaints received by the Peer Review Board has increased in the following areas: (1) the cost of a peer review; (2) peer reviewers' level of expertise. The Peer Review Board discussed how to encourage CPA firms to bring in other reviewers with the appropriate expertise, should the peer reviewer not possess the necessary skills or experience, noting the increase in the cost of the peer review that will result. The Peer Review Board concluded that it

was important for a CPA firm to look at the qualifications of its peer reviewer, and added that the administering entity or sponsoring organization may need to be involved.

Committee Chairperson Lau reported also that the Peer Review Board's enhanced oversight project is reviewing referrals from the U.S. Department of Labor and others in order to identify non-conforming audits and get to the root cause of the referrals. In addition, Mr. Lau mentioned the Peer Review Board's work in checking to ensure that firms identified in the Department of Labor study are being peer reviewed, and in the Federal Audit Clearinghouse project relating to single audits.

B. Legislation and Rules

Due to Committee Chairperson Aratani's excused absence, Executive Officer Kai provided the following report on Legislation and Rules. She thanked Vice-Chairperson Komo for representing the Board at the many legislative hearings since the last Board meeting.

1) Status of House Bill No. 337, Relating to Public Accountancy

Executive Officer Kai provided the following status to House Bill No. 337:

- The bill was referred to the House Committee on Intrastate Commerce ("IAC") and the House Consumer Protection & Commerce Committee ("CPC");
- IAC passed the bill unamended; and

- Although the CPC hearing was held on February 22, 2017, decision-making was deferred until March 2, 2017.

2) Status of Senate Bill No. 609, Relating to Attestation Engagements

Executive Officer Kai provided the following status to Senate Bill No. 609:

- The bill was referred to the Senate Committee on Commerce, Consumer Protection, and Health ("CPH"), which has scheduled a hearing to be held on February 27, 2017.

C. Ethics

1) Revised AICPA Code of Professional Conduct

Committee Chairperson Komo provided two (2) reports on the revised AICPA Code of Professional Conduct ("AICPA Code"). He reiterated that while the Board's statutes and administrative rules (HRS chapter 466 and HAR chapter 16-71) do not refer specifically to the AICPA Code, 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). Mr. Komo stated that the AICPA Code does differentiate between members who work in public practice, in private industry, in government, and in the education sector.

Board members discussed the repercussions of adding the AICPA Code

in its entirety to the Board's statutes and administrative rules. Chairperson Taketa commented that every change to the AICPA Code may necessitate a change in the Board's statutes and rules.

Mr. Roberts mentioned that there may always be areas of conflict or difference between the Code and the Board's laws and rules. Mr. Williams commented that NASBA has encouraged boards of accountancy to adopt the AICPA Code as an evergreen document.

D. Continuing Professional Education ("CPE")

1) Information from the AICPA on CPE Reciprocity

Committee Chairperson Roberts provided a handout on CPE Reciprocity, which included a listing of full, partial, no reciprocity, and no CPE requirement of the states and jurisdictions.

2) NASBA Exposure Draft of Model Rules for CPE

Discussion ensued on the NASBA Exposure Draft of Model Rules for CPE. Committee Chairperson Roberts expressed concern with accreditation and questioned whether the Board is responsible for ensuring that accreditation of sponsors and educators is valid and up to standards. He stated that he is starting to see "storm clouds" on this issue and questioned the verbiage. Chairperson Taketa commented that accreditation is not all equal.

DAG Tam left the meeting at 10:12 a.m.

Mr. Williams commented that there are two (2) sides at looking at schools who cater to exam versus the program itself. A suggestion to form a standing committee on education was raised to focus on accreditation.

Mr. Lee left the meeting at 10:21 a.m.

E. Uniform CPA Examination

- 1) Ratification of Examination Scores from October/November 2016 Testing Window

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

EXAMINATION RESULTS (BY SCORES)

	Number of Scores	Percentage
Credit	102	44.74
No Credit	126	55.26
Lost Credit	0	0
Voided	0	0
TOTAL	228	100.00

TOTALS BY EXAM PARTS (BY CANDIDATES)

	AUD	BEC	FAR	REG	TOTAL
# Attended	53	74	53	48	228
# Passed	22	32	27	21	102
% Passed	41.51	43.24	50.94	43.75	44.74

#### SUCCESSFUL CANDIDATES SUMMARY

# of Passing First Time Candidates	6 (21.43%)
# of Passing Re-Exam Candidates	22 (78.57%)
# of International Candidates	0
# of Passing Candidates	28

After discussion, it was moved by Mr. Williams, seconded by Vice-Chairperson Komo, and unanimously carried to ratify the examination scores from the October/November 2016 testing window.

- 2) Extension of Rolling Eighteen-Month Period under HAR Section 16-71-19(i)

Committee Chairperson Punua stated that at the last meeting, he informed the Board that the score release timeline for exams taken during the 2<sup>nd</sup> Quarter of 2017 (April-May testing window) may take approximately ten (10) weeks after the close of the testing window, in order to provide sufficient time for the AICPA and NASBA to statistically validate candidate performance on the new version of the Uniform CPA Examination which will be launched on April 1, 2017. Mr. Punua reported that an email inquiry was received from an examinee who may be affected by this delay in score release. This candidate and others in similar circumstances may not know if they need to retake an exam section due to the delay and would have credit for one or more sections expire. Discussion ensued with Chairperson Taketa commenting that it would be helpful for boards if



NASBA would consider an across-the-board policy that would allow examinees to schedule an examination section in anticipation of having to retake that section, and then issuing those candidates a refund of their fees if the examination results from the 2<sup>nd</sup> Quarter show that that section has been successfully completed.

After discussion, the Board reached consensus that the Executive Officer contact the Hawaii Coordinator of CPA Examination Services (the liaison between the Board and NASBA) to suggest that NASBA allow candidates to schedule to test in the 3<sup>rd</sup> Quarter and then refunding fees should the examination not be required.

3) Next Version Examination Structure – Effective April 1, 2017

Committee Chairperson Punua informed the Board that the next version of the CPA exam will launch April 1, 2017. He summarized that there are five (5) testlets per exam section, with both multiple-choice questions and task-based simulations.

Open Forum: None.

Next Board Meeting: Friday, March 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 10:38 a.m.

Taken and recorded by:

/s/ Lori Nishimura

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Lori Nishimura, Secretary

Reviewed and Approved by:

/s/ Laureen M. Kai

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Laureen M. Kai, Executive Officer

LMK:ln

03/22/17

[ ] Minutes approved as is.

[ X] Minutes approved with changes. See Minutes of March 24, 2017.