

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

MINUTES

Date: Friday, April 28, 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")  
Laureen M. Kai, Executive Officer  
Lori Nishimura, Secretary

Guests: Edwin G. Jolicoeur, National Association of State  
Boards of Accountancy  
Chelsea Maemori, CW Associates, CPAs  
Marc Mirra, CW Associates, CPAs

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  
March 24, 2017  
Board Meeting: Vice-Chairperson Komo requested the following  
amendment to the minutes of the March 24, 2017  
Board meeting:

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Applications for CPA Certification

\* \* \*

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

Mr. Punua requested that the following amendment be made:

Page 18:

- 2) Information from NASBA relating to Uniform CPA Examination Candidate Fees

Committee Chairperson Punua informed the Board of an increase in candidate fees for the Uniform CPA Examination for 2017, 2018, and 2019. Prometric fees and AICPA fees will increase during this period; however, the NASBA fee per examination section will remain the same through 2018, and increase in 2019.

After discussion, it was moved by Mr. Roberts, seconded by Mr. Aratani, and unanimously carried to approve the minutes of the March 24, 2017 Board meeting, with the aforementioned amendments (with new material underscored and repealed material bracketed and stricken through).

Executive Session:

At 8:33 a.m., it was moved by Mr. Aratani, seconded by Mr. Lau, 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 9:13 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 9:17 a.m., the Board reconvened its regularly scheduled meeting.

#### Applications for CPA Certification:

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

- 1) BUSHONG, Jean A. D.
- 2) CHEN, Hong Y.
- 3) DALE, John P.
- 4) GRIES, Karen A.
- 5) KAKUTA, Maiko
- 6) MORRIS, William B.
- 7) SALSBERY, Nathan
- 8) WONG, Hoi Yam
- 9) WONG, Justan J. H. K.
- 10) YONEMURA, Cory T.
- 11) YUEN, Rebecca
- 12) ZIPPI, Carrie L.

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

- 1) JANDERA, Hsiaoping
- 2) NESTA, Michael G.
- 3) NOH, Min Young

#### Ratification of Individual CPA Permits to Practice:

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

- 1) AMSDELL, Kelly A.
- 2) DOUGLAS, Nicole K.
- 3) GORSKY, Jeffrey J.
- 4) HIRONAKA, Elyse S.
- 5) LERIAS, John
- 6) ROJO, Grace Rosary 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) HINRICHER DOUGLAS & PORTER LLP
- 2) GYL DECAUWER LLP
- 3) SCIARABBA WALKER & CO LLP

Approval of Firm  
Names:

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

- 1) Accumulus Advisors, LLC
- 2) T Wong CPA, LLC

Edwin G. Jolicoeur,  
CPA:

Pacific Regional Director  
National Association of State Boards of Accountancy  
("NASBA")

The Board welcomed Edwin G. Jolicoeur, Pacific Regional Director of NASBA. Mr. Jolicoeur introduced himself as a retired CPA from Spokane, Washington, who has been involved with NASBA for a number of years. He stated that he is serving his third and final year as Pacific Regional Director, a position which allows him to communicate on behalf of NASBA with the eight (8) state and jurisdictional boards of accountancy in the Pacific Region. He explained that as Pacific Regional Director, he is another "touchpoint" or contact for the boards to interact with NASBA officers and staff and to participate in NASBA's activities and initiatives.

Mr. Jolicoeur then provided the following update:

The CPA Examination

- Regarding the new version of the examination, Mr. Jolicoeur commented that NASBA has heard only “crickets”, meaning that NASBA hasn’t heard much from applicants/examinees, in terms of complaints or problems. The launch of the new examination was successful and it appears to have been well received. Mr. Williams inquired if there are plans to evaluate the effectiveness of the new exam. Mr. Jolicoeur responded that the Examination Review Board (“ERB”) has established a special task force that is charged with assessing the effectiveness of the examination on an ongoing basis. He also mentioned that there are changes anticipated for future implementation; the ERB will assess how the effectiveness of the examination is impacted by these changes as well.
- NASBA is exploring the possibility of opening new test centers in India and China. Concerns that will need to be addressed are related to the security requirements of safeguarding the integrity and validity of the examination.

Initiatives in Information Technology

- NASBA’s CPE Audit Tool will be officially launched in January 2018 for eight (8) boards that are part of the current pilot project. These boards utilize this tool to record, maintain, and monitor licensees’ continuing professional education. Due to the various differences between boards, the tool will need to be adapted in order to be useful for other boards, such as Hawaii.
- The Gateway System is undergoing a complete redevelopment due to major security issues. NASBA will complete the project later this year.

#### The Center for the Public Trust

- The Mississippi Board has contracted with the Center for the Public Trust ("CPT"), a subdivision of NASBA, to develop a program to require disciplinary action respondents to complete an ethical leadership course at the respondents' own cost (\$250 payable to CPT). Currently, the program involves ethical leadership that is not state specific; however, the second phase of the program is for the course content to be Mississippi-specific. Should the Hawaii Board be interested in such a program, the NASBA contact is either Alfonso Alexander, CPT President, or Dan Dustin, NASBA Vice-President of State Board Relations.

#### Legislative Matters

- John Johnson, NASBA's Director of Legislative Affairs and his staff are monitoring 54 bills a day while state legislatures are in session, with 412 pieces of legislation with direct impact on boards of accountancy on both the state and federal level. Mr. Johnson and his team have created a legislative tracking network specifically for boards of accountancy to monitor any legislation that affects the regulation of the accounting profession.
- A webpage on NASBA's website is devoted to the North Carolina Dental case. The Supreme Court's 2015 decision in *N.C. State Board of Dental Examiners v. Federal Trade Commission* has left state regulators with questions on how the Supreme Court's decision impacts state boards of accountancy. Mr. Jolicoeur mentioned that the West Virginia Board of Accountancy has implemented a one hour training class for its members that provides information on what needs to be addressed in order for members to have immunity from federal antitrust law. He mentioned that interested boards should contact NASBA to

inquire whether state-specific training can be provided. He also commented that the Washington Board of Accountancy completed training sponsored by the State Attorney General's Office during its January 2017 meeting.

- Mr. Jolicoeur mentioned that NASBA would appreciate being notified if any Board members have contacts, networks, or connections with any State legislators. Should any Board member have such relationships, NASBA asks that the member contact Mr. Johnson, who will make note of this "key person contact".
- Mr. Jolicoeur informed the Board that NASBA is working with other agencies to draft federal legislation to address the antitrust and Federal Trade Commission issues brought up by the North Carolina dental case. The proposal will provide a "safe harbor" for Board members to have the ability to regulate the profession and not be personally liable for their actions relating to board business. It is expected that this legislation will soon be introduced.

The American Institute of CPA's Proposed Evolution of Peer Review Administration

- Chairperson Taketa inquired if NASBA is going to respond to the AICPA's proposal. Mr. Jolicoeur responded that NASBA has provided input to both versions of the AICPA proposal, citing concerns with transparency, and with peer review oversight committees overseeing their own peer review program.
- Mr. Jolicoeur further mentioned that, based on whether state boards need or want assistance, NASBA may oversee the peer review program in some states that have no peer review oversight committee or that have the peer review program with another state. Chairperson Taketa commented that there is a

need for more uniformity among states and jurisdictions, and believes that NASBA's assistance is needed. Mr. Jolicoeur assured the Board that this matter will be discussed further at the upcoming Western Regional meeting in early June.

#### Use of Titles

- Mr. Jolicoeur informed the Board that the issue of the use of titles such as "CGMA", "CMA", and other such designations is being addressed by NASBA. Uniform Accountancy Act ("UAA") section (14)(G) provides specific recommended language for states to utilize in their own laws and rules to address the possible use of such titles that could mislead or confuse the public. He acknowledged that 48 jurisdictions including Hawaii (in HRS section 466-10), have laws or rules dealing with the issue. Mr. Jolicoeur also mentioned that some states actually seek to gain regulatory authority over individuals with these other titles and designations who are non-CPAs; however, most states do not.
- The joint NASBA and AICPA draft that will allow use of such titles by non-CPAs is designed to accommodate this use in limited situations. The draft will be exposed for comment very soon, possibly today; however, NASBA wants to be very clear that proposing and exposing the draft does not mean that NASBA endorses or approves of it. Mr. Jolicoeur emphasized that it is critical that boards provide input to this exposure draft and NASBA believes that it is very important to receive input from all its member boards. This may arguably be one of the most important projects ever undertaken by NASBA. He stressed that the Board is not being asked whether it would or would not adopt the provisions in the draft; rather, the Board should respond as to whether it believes that the language should be included in the UAA. The matter will be discussed in depth at the



Western Regional meeting, and the Board should wait to respond until after it receives information from that meeting.

The Board thanked Mr. Jolicoeur for his presentation and for attending today's meeting.

The following agenda item was taken out of order to accommodate guests to the meeting.

C. Uniform CPA Examination

- 1) Extension of Rolling Eighteen-Month Period under HAR section 16-71-19(i)

Committee Chairperson Punua provided a brief summary of his previous report wherein he informed the Board that the score release timeline for exam sections taken during the 2017 2<sup>nd</sup> Quarter (April-May) testing window will be delayed by as much as ten (10) weeks after the close of the testing window. This means that candidates will not know if they need to retake an exam section during the 3<sup>rd</sup> Quarter (July-August) testing window until mid-August, leaving them with little or no opportunity to schedule to retake that exam section, resulting in the expiration of one or more conditional credits.

Mr. Punua stated that Hawaii Administrative Rules ("HAR") section 16-71-19(k) appears to provide the Board with the authority to grant extensions of expired conditional credits for good and valid cause.

Mr. Mark Mirra and Ms. Chelsea Maemori were welcomed by the Board. Mr. Mirra stated that two of his fellow employees at CW Associates, CPAs (Ms. Maemori

and Mr. Chad Okada who was not present) would be adversely affected by this situation. He commented that the rolling eighteen-month period within which candidates would need to have passed all four sections of the exam means that candidates currently have six (6) testing windows to pass the entire exam, and this situation is taking away one entire testing window.

Committee Chairperson Punua commented that he believes this situation to be a "good and valid" reason as provided for in HAR section 16-71-19(k), which states:

"Notwithstanding any other provision to the contrary, conditional credits that have expired may be extended only for good and valid reasons as determined by the board."

DAG Tam commented that he believes the Board would be able to justify granting a one-time extension of expired conditional credit(s) based on this rule. The Board agreed that the delay in the release of candidates' 2<sup>nd</sup> Quarter examination scores and its consequences are neither attributable to nor within the control of the Board or of the exam candidates.

After further discussion, it was moved by Mr. Punua, seconded by Mr. Aratani, and unanimously carried to approve the following policy regarding the extension of conditional credit(s) for Hawaii exam candidates who are adversely affected by the delay in the release of scores for exam sections taken during the 2<sup>nd</sup> Quarter 2017 testing window:

A Hawaii examination candidate who:

1. Has taken one or more exam sections during the 2<sup>nd</sup> Quarter 2017 testing window; and
2. Has conditional credit(s) for exam section(s) passed earlier that have expired in the 3<sup>rd</sup> Quarter 2017 testing window; and
3. Submits a written request to the Board explaining the circumstances and adverse impact,

will be considered by the Board on a case-by-case basis for an extension of one or more conditional credits for one (1) testing window through the 4<sup>th</sup> Quarter 2017.

Further, the motion delegated the approval of such requests to the Executive Officer, provided that the written request meets all of the criteria noted above, and to notify CPA Examination Services of all approvals. Chairperson Taketa asked that an announcement of this policy be posted to the Board's website.

2) Implementation of Changes to 2017 Examination Fees

Committee Chairperson Punua informed the Board that implementation of the changes to candidate examination fees during 2017, 2018, and 2019, that have been reported to the Board earlier, have begun. Implementation processes include the way NASBA will manage the different effective dates of these fee changes for the eight (8) jurisdictions that have shorter or longer Notices to

Schedule ("NTS") than the other 47 jurisdictions that have NTS that are valid for six (6) months. The eight (8) jurisdictions, including Texas, California, and Hawaii, have NTS that vary from 90 days to twelve (12) months. Adjusting the effective dates for these eight (8) jurisdictions will result in the equitable implementation of these fee changes.

DAG Tam left the meeting at 10:03 a.m.

3) NASBA Jurisdiction Reports for 2017 1<sup>st</sup> Quarter Testing Window

Committee Chairperson Punua provided a brief summary of the NASBA Jurisdiction Reports for the 2017 1<sup>st</sup> Quarter Testing Window, noting that a copy was circulated for Board members' review. He reported a slight decrease in passing rates for all jurisdictions from 47% in 2016 to 46% in 2017. He further stated that Hawaii's passing rates decreased for the 1<sup>st</sup> Quarter from 45% in 2016 to 38% in 2017.

4) Successful Launch of the New Version of the CPA Examination

Committee Chairperson Punua stated that AICPA, NASBA, and Prometric announced the successful launch of the new version of the CPA examination on April 1, 2017. He commented that there was not too much "buzz" on the new version, which was similar to what Mr. Jolicoeur had reported earlier in his presentation to the Board.

The Board resumed the agenda as filed.

Chairperson's  
Report:

A. National and Industry Update

- 1) NASBA 2017-2018 Vice-Chairperson Nominee, Janice Gray, CPA (OK)

Chairperson Taketa informed the Board that Ms. Janice Gray is a candidate for the NASBA 2017-2018 Vice-Chairperson, and that she is good candidate who is well respected and knowledgeable.

- 2) NASBA Western Regional Meeting: June 6-8, 2017

Chairperson Taketa reiterated that the NASBA Western Regional Meeting will take place on June 6 to 8, 2017 in Idaho. He stated that new Board members, Messrs. Aratani and Miyashiro (who will be participating in the New Member Orientation Program before the meeting) and Executive Officer Kai will be attending the meeting through scholarships from NASBA.

Mr. Williams inquired if Chairperson Taketa or Vice-Chairperson Komo would be attending to represent the Board. Chairperson Taketa stated that he was unable to attend, and Vice-Chairperson Komo stated that he was also unable to attend. Mr. Williams questioned why another Board member was not offered the Chairperson's scholarship to attend, as he believed that the Board was allowed to do so. Mr. Williams stated that he believed the Board should continue to be well represented at meetings on the national level. Mr. Jolicoeur noted that the Board should be able to obtain a scholarship for another Board member to attend as these meeting scholarships are usually for one Board member and the Executive Officer,

and that it was separate from the scholarships given to new Board members. He recommended that the Board contact Mr. Tom Kenny of NASBA to request the scholarship. Chairperson Taketa inquired if Mr. Williams would be able to attend; Mr. Williams stated that, had he known that both the Chairperson and Vice-Chairperson could not attend, he would have requested to attend. However, his schedule would now not allow him to do so.

When asked whether he could attend, Mr. Lau responded affirmatively. Chairperson Taketa stated that he would contact NASBA's Tom Kenny to request that Mr. Lau be granted a scholarship.

Executive Officer's  
Report:

A. 2017 Disclosure of Financial Interests Short Form (D-103A) Due to Hawaii State Ethics Commission by Wednesday, May 31, 2017

Executive Officer Kai reminded Board members to file their annual disclosure form by May 31, 2017. She stated that the "disclosure period" is the period from the date of their last filing to the date of their current filing. She mentioned that, as this is an odd-numbered year, the short-form could be used, unless a member had more than ten (10) changes to last year's reporting. Ms. Kai stated that if Board members no longer had the email reminder she had sent in early April, all forms and instructions are available on the website of the Hawaii State Ethics Commission ("Commission").

The Executive Officer then mentioned that the scholarships granted to Board members by NASBA to attend meetings and conferences are considered gifts and need to be reported on the Gifts Disclosure Statements that must be filed with the Commission by June 30, 2017.

B. Notice from NASBA International Evaluation Services ("NIES") of Fraudulent Document Submittals

Executive Officer Kai stated that the Board received notice from NIES of fraudulent document submittals for two (2) separate incidences:

1. In an application for CPA licensure to the Delaware Board of Accountancy, the applicant provided documentation of a Master of Business Administration from a university in Pakistan, which was determined to be potentially fraudulent; and
2. In an application for CPA licensure to the Washington Board of Accountancy, the applicant provided documentation of a Bachelor of Accounting degree and transcripts from a university in China, which were determined to be potentially fraudulent. NIES also reported that this applicant had completed a graduate degree from the University of San Francisco where admission was potentially based on these fraudulent documents. Upon Executive Officer Kai's query of whether it is the practice of NIES to provide this information to the school involved, it was confirmed that this is done when the applicant has indicated that the applicant is enrolled in a degree program; however, this candidate was not currently enrolled and had already completed the graduate degree program. In this situation, it is then up to the school to determine a course of action.

C. Regulated Industries Complaints Office Investigative Questionnaire

Executive Officer Kai commented that the Board may recall a visit by the Regulated Industries

Complaints Office's ("RICO") Compliance and Enforcement Officer Daria Loy-Goto several meetings ago, and that she had mentioned that RICO may begin using a type of questionnaire to gather information for inquiries, complaints, and investigations related to continuing education matters. RICO is advancing this initiative; however, at this time, as the questionnaire is considered to be an enforcement work product, it is not available to the Board.

Standing Committee  
Reports:

A. Peer Review

- 1) American Institute of Certified Public Accountants ("AICPA") Peer Review Open Board Meeting on May 12, 2017

Committee Chairperson Lau stated that he will be participating in this meeting and will provide a report to the Board.

At 10:16 a.m., Mr. Aratani left the meeting.

- 2) AICPA Peer Review Communication to Firms that Hold Hawaii Permits with Home Offices in Another State - Update

Mr. Williams commented that he would like the meeting minutes to reflect the Board's position that the preparation of financial statements does not fall within the Board's definition of attest work and that a CPA firm engaging solely in financial statement preparation is not subject to mandatory peer review; provided that a CPA firm engaging in the preparation of financial statements as a component of engaging in attest work will have the preparation work included in a peer review of the CPA firm's attest engagements. There were no objections



to Mr. Williams' statement of the Board's position.

At 10:20 a.m., Mr. Aratani returned to the meeting.

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

a. Discussion of Comments from Board Members

A suggestion was made that the Peer Review Oversight Committee convene a meeting on this matter and to present its comments to the Board at the Board's May 26, 2017 meeting.

Committee Chairperson Lau noted that the Board's input on the discussion paper is due to the AICPA by June 30, 2017; this means that the Board will need to finalize its comments and position on the matter at the upcoming May 26, 2017 meeting. He requested that Board members send their comments to the Executive Officer for her to disseminate to the entire Board prior to the May meeting, so that the discussion at the meeting will focus on finalizing the Board's position.

Committee Chairperson Lau stated that the Hawaii Society of Certified Public Accountants ("HSCPA") is continuing to assess its position on the AICPA discussion paper, noting that the increase in costs to firms and the challenge of overcoming the issue of risk of familiarity continue to be concerns. Mr. Lau mentioned that Ms. Sue Coffey of the AICPA may be meeting with the HSCPA next month

and may schedule her trip to allow her to attend the May 26, 2017 Board meeting. Chairperson Taketa suggested that a member from the PROC attend that meeting and report to the Board.

b. NASBA Peer Review Administering Entities Quick Poll Due April 28, 2017

After discussion, the Board reached consensus that its answers to the quick poll would reflect its current status that the Board has not yet finalized its comments and position relating to the AICPA discussion paper on administering entities.

4) Role of the Investigative Committee on Peer Review

After discussion, it was moved by Committee Chairperson Lau, seconded by Mr. Williams, and unanimously carried to disband the previous Investigative Committee on Peer Review ("ICPR") and to create a new ICPR (a permitted interaction group pursuant to HRS section 92-2.5(b)(2)) with the following members:

Nelson Lau, Chairperson;  
Carl Williams;  
Gary Miyashiro; and  
Gregg Taketa.

The new ICPR will continue to investigate the need for the promulgation of administrative rules to clarify the Board's peer review statutes (HRS sections 466-31 through 466-43). In addition, the ICPR will investigate the processes and procedures required to facilitate the

successful implementation of the peer review program.

B. Legislation and Rules

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

Committee Chairperson Aratani provided the following status report on House Bill No. 337:

- The bill was referred to the Senate Committee on Commerce, Consumer Protection, and Health; but, no hearing was held on this bill.

2) Status of Senate Bill No. 609, House Draft 1, Relating to Attestation Engagements

Committee Chairperson Aratani provided the following updated status report on Senate Bill No. 609:

- Since the Board's last meeting, the bill was passed unamended by the House Committee on Consumer Protection & Commerce;
- The bill crossed back to the Senate (the originating chamber) and the Senate disagreed with the House amendments; therefore, a Conference Committee was appointed;
- The Conference Committee amended the bill, restoring the effective date to be "upon approval", as a Conference Draft 1; and
- The bill will be passed by both chambers and enrolled to the Governor in the near future.

The Board thanked Vice-Chairperson Komo for representing the Board at the

many legislative hearings for this  
Legislative session.

C. Uniform CPA Examination

This agenda item was already discussed.

Open Forum: None.

Next Board Meeting: Friday, May 26, 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

05/15/17

[ ] Minutes approved as is.

[ X ] Minutes approved with changes. See Minutes of May 26, 2017.