

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

MINUTES

Date: Friday, May 26, 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  
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  
Mana Moriarty, Deputy Attorney General ("DAG")  
Laureen M. Kai, Executive Officer  
Lori Nishimura, Secretary

Excused: Terrence H. Aratani, Member  
Rodney J. Tam, Deputy Attorney General ("DAG")

Guest: Lei Fukumura, Special Deputy Attorney General  
("SDAG")

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  
April 28, 2017  
Board Meeting: Mr. Williams requested the following amendments to  
the minutes of the April 28, 2017 Board meeting:

Page 1:

Guests:

\* \* \*

~~[Marc Mirra]~~ Mark Miura, CW Associates, CPAs

Page 9, last paragraph:

Mr. Mark ~~[Mirra]~~ Miura and Ms. Chelsea Maemori were welcomed by the Board. Mr. ~~[Mirra]~~ Miura stated that two of his fellow employees....

Mr. Punua requested that the following amendment be made:

Page 12:

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

...He further stated that Hawaii's passing rates decreased ~~[for the 1<sup>st</sup> Quarter]~~ from 45% in 4<sup>th</sup> Quarter 2016 to 38% in 1<sup>st</sup> Quarter 2017.

After discussion, it was moved by Mr. Roberts, seconded by Mr. Lau, and unanimously carried to approve the minutes of the April 28, 2017 Board meeting, with the aforementioned amendments (with new material underscored and repealed material bracketed and stricken through).

At 8:33 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 RICHARD J. KEHOE; ACC 2017-2-L

At 9:01 a.m., the Board reconvened its meeting.

Executive Session:

At 9:01 a.m., it was moved by Vice-Chairperson Komo, 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 9:09 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 regularly scheduled meeting. It was noted that Mr. Lee was not present at this time.

#### Applications for CPA Certification:

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

- 1) BRAY, Catherine H.
- 2) CHOI, Ben H.
- 3) CULBERTSON, Lindsey M.
- 4) DEKORTE, Daniel J.
- 5) FRANCIS, Menrit
- 6) INZANO, Diane C.
- 7) LI, Xiaoyan
- 8) LICHTER, Lawrence P.
- 9) MEGURO, Sean
- 10) NADRASIK, Jerrilyn N.
- 11) PAK, Suzanne M.
- 12) RODRIGUEZ, Beatriz M.

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

- 1) ARBLES, Jon K.

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

- 1) MONTOYA-CHICO, Aracely

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) BUSHONG, Jean A. D.
- 2) CHUN, Nicole Y.
- 3) DALE, John P.
- 4) GRIES, Karen A.
- 5) SALSBERY, Nathan
- 6) TANG, Ka Yu
- 7) WONG, Justan J. H. K.
- 8) YUEN, Rebecca
- 9) ZIPPI, Carrie L.

After discussion, it was moved by Vice-Chairperson Komo, seconded by Mr. Roberts, and unanimously carried (Mr. Lau recused himself from the vote) to approve the following individual CPA Permits to Practice:

- 1) JANDERA, Hsiaoping
- 2) NESTA, Michael G.

Ratification of Issued  
Firm Permits to  
Practice:

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

- 1) RICHEY MAY & CO LLP
- 2) ASHLAND PARTNERS & COMPANY LLP
- 3) MAKIKO DICKINSON CPA INC

Chairperson's  
Report:

A. National and Industry Update

1) NASBA Enforcement Resources  
Committee Meeting on May 16, 2017

Chairperson Taketa stated Mr. Roberts provided a report to the Board that was distributed via email by the Executive Officer.

Mr. Lee returned to the meeting at 9:18 a.m.

Mr. Roberts provided a brief summary of the highlights of the teleconference meeting in which he participated:

- U.S. Department of Labor ("DOL") Investigation Referrals
  - As the boards of accountancy work through their DOL referrals, NASBA wants boards to provide feedback regarding the "pickiness" on the DOL selections;
- CPA Succession Planning
  - NASBA acknowledges that this is an issue that is adequately addressed by the AICPA's position; however, NASBA will look at the Uniform Accountancy Act and other resources for content that will assist boards of accountancy in developing laws and rules for consumer protection relating to succession planning in a CPA practice; and
- Peer Review
  - The New York State Society of CPAs, with a membership of 26,000 CPAs, will no longer be an administering entity; however, the statutes relating to peer review require that the administering entity must be a New York entity.

Chairperson Taketa commented that he believes succession planning to be a problem, as clients without access to their records because the CPA "professional walks away" are left without the means by which to recover their records. Matters related to the New York State Society of CPAs may impact the Peer Review Exposure Draft and will probably be discussed at the upcoming NASBA Western Regional Meeting. Mr. Williams agreed that all matters relating to the AICPA Discussion Paper on the Proposed Evolution of Peer Review Administration will be extensively discussed at the meeting.

2) NASBA/AICPA Proposal on the Amendment to Section 14 of the Uniform Accountancy Act relating to the Use of Titles

The Board was provided with a copy of the amendment to Section 14 of the Uniform Accountancy Act relating to the use of titles, as proposed by NASBA and the AICPA; Chairperson Taketa stated that board comments are due by September 30, 2017.

Executive Officer Kai stated that several state boards (e.g., Virginia, Texas, Guam, Nebraska, and Nevada) had already submitted input to NASBA expressing significant concerns with the proposed language that would clearly allow non-CPAs to assume or use management accounting titles with certain caveats and restrictions. She further stated that Mr. Ed Jolicoeur, NASBA Pacific Region Director, at the Board meeting visit on April 28, 2017, had commented that this may arguably be one of the most important initiatives for state boards to consider. Mr. Jolicoeur had

emphasized that it is critical that state boards provide input to this exposure draft. By consensus, the Board decided that this issue will be placed on the next meeting agenda for further discussion.

Executive Officer's  
Report:

A. Report from the Public Accounting Oversight Board relating to *Notice of Disapproval of Registration Application* of Stephen M. Yoda

The Board received from the PCAOB notice that it had disapproved a registration application for Hawaii-licensed CPA Stephen M. Yoda, as required by the Sarbanes-Oxley Act of 2002.

Executive Officer Kai provided a brief summary of the report stating that the grounds supporting the PCAOB's disapproval related to Mr. Yoda preparing or issuing an audit report for a broker dealer at the time when he was not registered with the PCAOB. The PCAOB concluded that the violation resulted from Mr. Yoda's failure to exercise the degree of care that the PCAOB would expect of a public accounting firm under the circumstances.

Ms. Kai commented that she does not believe the Board is required to respond to this report provided by the PCAOB. Chairperson Taketa commented that this may constitute a complaint to be sent to the Regulated Industries Complaints Office ("RICO"). DAG Moriarty commented the Board could refer this matter to RICO for its determination of whether Mr. Yoda is in violation of the Board's laws and rules. Chairperson Taketa called for a motion to refer this matter to RICO; however, there was no motion. Chairperson Taketa commented that his concern relates to future consequences of the Board's perceived inaction on the matter.

B. Review of Forms and Procedures for the 2017  
Renewal of CPA Licenses, PA Licenses,  
Individual Permits to Practice, and Firm Permits  
to Practice

Executive Officer Kai stated that based on the problems that were encountered during the last renewal of the Firm Permit to Practice ("FPTP"), where the renewal of the FPTP was delayed until all CPA licensees including staff members, principals, and partners had renewed their individual licenses and Permits to Practice ("PTP"), she had requested that the FPTP renewal program be modified to allow a CPA firm to renew its FPTP upon the completion of at least one renewal of the license and individual PTP of a principal or partner of the firm. This would meet the statutory requirement for a FPTP that one principal or partner hold a Hawaii CPA license and individual PTP.

Ms. Kai reported that she was cautioned that this modification could potentially allow more FPTP firms to operate with principal CPAs who do not have a valid PTP. It could also result in FPTP firms to become non-compliant after the renewal if they lose or disassociate their one single valid principal CPA who deemed them compliant at the time of renewal. In addition, it was emphasized that any adverse compliance consequences resulting from the requested modification cannot be blamed on a "computer problem". Any "fixes" to clean up the data after the fact would require a 100% manual process to review all affected records and files to determine compliance as the system would not otherwise be able to determine compliance.

A lengthy discussion ensued, with Mr. Williams reiterating that the law requires a Hawaii CPA firm to have at least one partner/principal to hold a current Hawaii CPA license with permit to



practice. Board members expressed concern that the same problem may recur during the upcoming December 31, 2017 renewal.

Further discussion ensued on the mandatory peer review requirement for CPA firms with Hawaii FPTPs, and the verbiage that will be used on the renewal application. Executive Officer Kai stated that it will be challenging to include the required verbiage within the limited and finite space on the renewal form. It was suggested that sections on the renewal form could be reformatted or relocated. Executive Officer Kai stated that she would propose the required language and placement on the renewal form.

C. 2017 Gifts Disclosure Statement due to Hawaii State Ethics Commission by June 30, 2017

Executive Officer Kai stated the 2017 Gifts Disclosure Statement for period June 1, 2016 through June 1, 2017 are due June 30, 2017. They may be completed electronically from the State Ethics Commission website. She reiterated that the scholarships granted to Board members by NASBA to attend meetings and conferences are considered gifts and need to be reported.

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 provided a brief summary of the AICPA Peer Review open board meeting held on May 12, 2017 in which he participated. He reported that discussions included the following issues:

- Approval of Revised National PRC Requirements;
- Approval of Revised Guidance Related to Failure to Improve or Correct Deficiencies or Significant Deficiencies after Consecutive Corrective Actions;
- Approval of Nonconforming Engagement Reason Code Revisions;
- Discussion of the Peer Review Information Form;
- Approval of National Suspension for Resume Verification;
- Approval of Revised Reviewer Noncooperation – Unsigned Performance Deficiency Letter;
- Approval of Revisions to the Reviewer Performance Feedback Form; and
- Approval of Peer Review Administration Change Form.

Committee Chairperson Lau commented that a lot is going on with peer review that will impact Hawaii. Mr. Roberts mentioned his concerns that bureaucratic requirements could be barriers for firms to enter into new practice areas.

Mr. Lee left the meeting at 10:18 a.m.

- 2) Report from the Investigative Committee on Peer Review relating to the AICPA Peer Review Communication to Firms that Hold Hawaii Permits with Home Offices in Another State

The consensus of the Board was to defer discussion on this agenda item. The questions raised by the AICPA and the Executive Officer's notes from the initial conference call held by the Investigative Committee on Peer Review ("ICPR") will be forwarded to DAG Moriarty and to all ICPR members.

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

a. Discussion of Comments from Board Members

Committee Chairperson Lau stated that Ms. Sue Coffey of the AICPA may be able to attend the September 29, 2017 Board meeting. He noted that as the Board's input on the discussion paper is due to the AICPA by June 30, 2017; a response consolidating the PROC's response (via their meeting minutes of February 7, 2017) and as well as responses from Board members can be drafted and circulated to the Board before the June 30, 2017 meeting. The final document may be out in August. Mr. Williams volunteered to inquire with HSCPA about the Facilitated Board Access System.

b. Discussion of Comments from the Peer Review Oversight Committee

The Board was provided with a copy of the PROC's February 7, 2017 meeting minutes as their comments to the Board on the AICPA Discussion Paper on the Proposed Evolution of Peer Review Administration – Revised January 2017. Chairperson Taketa commented that he would like more information from the PROC concerning the RAB meetings.

B. Uniform CPA Examination

1) First Quarter 2017 (January-March) 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	90	38.1%
No Credit	146	61.9%
Lost Credit	0	0
Voided	0	0
TOTAL	236	100%

TOTALS BY EXAM PARTS (BY CANDIDATES)

	AUD	BEC	FAR	REG	TOTAL
# Attended	56	82	47	51	236
# Passed	25	31	14	20	90
% Passed	44.6	37.8	29.8	39.2	38.1

SUCCESSFUL CANDIDATES SUMMARY

# of Passing First Time Candidates	9 (39.1%)
# of Passing Re-Exam Candidates	14 (60.9%)
# of International Candidates	0
# of Passing Candidates	23

After discussion, it was moved by Committee Chairperson Punua, seconded by Mr. Williams, and

unanimously carried to ratify the examination scores from the January-March 2017 testing window.

b. NASBA Candidate Concerns 17Q1 Report

Committee Chairperson Punua reported that the majority of concerns NASBA received, as reflected in its 17Q1 Report, were due to the anticipation of the launch of the new exam on April 1, 2017. A number of concerns related to Prometric test site issues, and the expected delay in the release of scores from the 2017 2<sup>nd</sup> Quarter resulted in an increase in the number of concerns received from examination candidates.

2) Inquiry relating to Qualifications to Sit for the Uniform CPA Examination based on International Academic Credentials

Committee Chairperson Punua stated that CPA Examination Services ("CPAES"), the Board's examination administrator, has requested a determination by the Board on an individual who had submitted an accounting degree earned in Australia as part of the qualifying process. The applicant's foreign educational credentials had been evaluated by the NASBA International Evaluation Services ("NIES"), and had been deemed not equivalent to a baccalaureate degree conferred by a United States college or university that is regionally or nationally accredited.

Due to this determination, the individual was seeking to qualify as a Hawaii exam candidate through the pathway provided

in HRS section 466-5(f)(3), which reads in pertinent part:

“(3) Baccalaureate degree or its equivalent in accounting, conferred by a college or university outside of the United States, and submission of a letter of acceptance from an accredited United States college or university to its advanced degree program or an educational equivalency report prepared by an evaluator approved by the board.” (Emphasis added)

Committee Chairperson Punua stated that the individual was admitted to the graduate program at the University of Phoenix; however, the admittance was a “Provisional Admission” status, which is a probationary status for Graduate program applicants who do not meet the minimum entry Grade Point Average requirements for unconditional admission. Mr. Punua asked for the Board’s determination on whether this probationary status would meet the requirement as stated in HRS section 466-5(f)(3).

After discussion, it was moved by Committee Chairperson Punua, seconded by Vice-Chairperson Komo, and unanimously carried to request that the prospective exam candidate provide written verification from the University of Phoenix confirming that the individual has been granted unconditional admission to its graduate program, and to delegate to the Executive Officer the authority to receive this verification and to act upon it to certify to CPAES that the individual qualifies as a Hawaii examination candidate.

- 3) Extension of Eighteen-Month Rolling Period under HAR sections 16-71-19(i) and 16-71-19(k) - Update

Committee Chairperson Punua provided an update to the Board, stating that the announcement regarding delay in score release, and the instructions on how to file for an extension request have been posted on the Board's website.

C. Continuing Professional Education

- 1) NASBA Exposure Draft of Model Rules for Continuing Professional Education

Committee Chairperson Roberts referred to his February 22, 2017 report to the Board concerning this NASBA Exposure Draft, in which he identified areas of concern that he asked the Board to consider. Mr. Williams commented on Mr. Roberts' statement that questioned preferential treatment to one national trade association and its state affiliates, stating that rather than focusing on comparative advantage, he believes that all CPE providers should demonstrate the same level of quality. Committee Chairperson Roberts inquired how does one measure quality if the CPE provider is not registered with NASBA, and stated his belief that NASBA and the AICPA share a special relationship that may provide an unfair advantage. Mr. Roberts reiterated that all national public accounting and tax trade associations, together with their state affiliates, should be treated equally by the Draft Model Rules, without giving a competitive advantage to any.

Mr. Williams commented that a letter from the Board regarding this exposure draft is not necessary. Chairperson Taketa

suggested submitting a letter to state that the proposal is inconsistent with our rules, further commenting that he does not want Hawaii residents to be disadvantaged because their institutions are not accredited.

After discussion, it was moved by Vice-Chairperson Komo, seconded by Committee Chairperson Roberts, and carried by vote of the Board (Mr. Williams opposed and all other members present in favor) to defer decision making by the Board on this matter until the next Board meeting, and further that all comments relating to the Exposure Draft be submitted to the Executive Officer for dissemination to the Board before the next meeting.

Open Forum: None.

Next Board Meeting: Friday, June 30, 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 11:07 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/ Lauren M. Kai

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Laureen M. Kai, Executive Officer

LMK:ln

06/23/17

☒ Minutes approved as is.

☐ Minutes approved with changes. See Minutes of \_\_\_\_\_.