

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

MINUTES

Date: Friday, July 28, 2017

Time: 8:30 a.m.

Place: King Kalakaua Conference Room
King Kalakaua Building
335 Merchant Street, 1st 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
Mana Moriarty, Deputy Attorney General ("DAG")
Laureen M. Kai, Executive Officer
Lori Nishimura, Secretary

Excused: Carleton L. Williams, CPA, Member

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.

Chairperson Taketa announced the passing of DAG Rodney J. Tam on July 4, 2017. Board members observed a moment of silence to remember and honor DAG Tam.

Approval of
Minutes of the
June 30, 2017
Board Meeting:

Chairperson Taketa requested the following amendments to the minutes of the June 30, 2017 Board meeting:

Page 4:

Chairperson's Report:

A. National and Industry Update

- 2) Nevada State Board of Accountancy's Response to the NASBA/AICPA Proposal on the Amendment to Section 14 of the Uniform Accountancy Act ("UAA") relating to the Use of Titles

Chairperson Taketa stated that the Nevada State Board of Accountancy's response that opposed the amended language to section 14 of the UAA relating to the Use of Titles, was circulated to Board members. He quoted Nevada's response: ~~[noted that the response appeared to question]~~ "The Board believes that the AICPA's advocacy [of] for non-CPAs and non-CPA credentials, including the adding of non-CPA title language to the UAA, is a direct [as it appears to] conflict of interest with its charge to represent the CPA profession and serve as its advocate."

After discussion, it was moved by Mr. Roberts, seconded by Mr. Aratani, and unanimously carried to approve the minutes of the June 30, 2017 Board meeting, with the aforementioned amendments (with new material underscored and repealed material bracketed and stricken through).

Executive Session:

At 8:34 a.m., it was moved by Mr. Punua, 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 8:41 a.m., it was moved by Mr. Aratani, seconded by Vice-Chairperson Komo, and unanimously carried for the Board to move out of Executive Session, and to immediately recess the meeting.

At 8:41 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 Alexander S. Arndt;
ACC 2016-11-L

At 8:50 a.m., the Board reconvened its regularly scheduled meeting, and immediately recessed the meeting.

At 9:17 a.m., the Board reconvened its regularly scheduled meeting.

After discussion, the Board by consensus instructed Executive Officer Kai to look into the initial CPA license application submitted by Alexander S. Arndt to determine whether the disciplinary action imposed by the North Carolina State Board of CPA Examiners on Mr. Arndt's North Carolina CPA license affected the fulfillment of licensure requirements that qualified Mr. Arndt for his Hawaii CPA license. Ms. Kai was requested to report her findings to the Board at its next meeting and, if warranted, to refer the matter to the Regulated Industries Complaints Office for further investigation.

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) CAMMOCK, Witcliff A.
- 2) HUOLIHAN, Jake R.
- 3) KYI WIN, Su M.
- 4) LUTES, Christopher A.
- 5) MADDEN, Catherine E.

After discussion (from which Mr. Lau recused himself), it was moved by Vice-Chairperson Komo and seconded by Mr. Punua to approve the following applications for certification. With Mr. Lau's abstention from the vote, the motion was carried unanimously.

- 1) LEE, Daniel J.W.
- 2) MCKENZIE, Megan 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) KENNEDY, Carrie A.
- 2) MEJIA, Nao
- 3) MEREDITH, Wendy L.
- 4) WONG, Suzanne C.Y.S.

Ratification of Issued
Firm Permits to
Practice:

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

- 1) ACCOUNTING PARTNER LLC
- 2) ACCUMULUS ADVISORS, LLC

Ratification of Firm
Name Approval:

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

- 1) Victoria Makimoto, CPA

Chairperson's
Report:

A. National and Industry Update

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

Chairperson Taketa provided a brief summary of the National Association of State Boards of Accountancy ("NASBA")/American Institute of Certified Public Accountants ("AICPA") Proposal on the Amendment to Section 14 of the Uniform Accountancy Act relating to the Use of Titles, and reiterated that Mr. Edwin Jolicoeur, NASBA Pacific Region Director, had commented during his visit to the Board meeting in April 2017, that it is critical that all NASBA member boards provide input to this proposal as NASBA believes that this may arguably be one of the most important projects ever undertaken by NASBA. Mr. Taketa requested that Board members submit their comments on the proposal to the Executive Officer prior to the next meeting so that a consensus Board response can be submitted to NASBA by the exposure comment deadline of September 30, 2017.

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

Chairperson Taketa stated the Board's response letter on the AICPA Discussion Paper on the Proposed Evolution of Peer Review Administration – Revised January 2017 had been completed and transmitted by the June 30, 2017 deadline. A copy of that response letter was provided to Board members.

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

Chairperson Taketa stated the Board's response letter on the NASBA Exposure Draft of Model Rules for Continuing Professional Education had been completed and transmitted by the June 30, 2017 deadline. A copy of that response letter was provided to Board members.

Executive Officer's Report:

A. Report from NASBA International Services ("NIES")

Executive Officer Kai reported that the Board received notice from NIES of the following case of potentially fraudulent documentation submitted to the NIES:

- In an application for CPA licensure to the Washington State Board, the applicant provided documentation of an International Baccalaureate diploma from International Baccalaureate World School, and a Bachelor of Commerce degree from University of Toronto, and also coursework from Southeast University, which was found to be fraudulent.

B. Hawaii General Excise Tax License Requirement for CPA Firms with Hawaii Firm Permit to Practice

Executive Officer Kai reported that an out-of-State CPA firm had concurrently submitted its *Notice of Enrollment in a Peer Review Program* (*enrollment form*) and *Peer Review Compliance Reporting Form* (*compliance form*) with conflicting information regarding the performance or offering to perform public accountancy in the State of Hawaii. She explained that the CPA firm had indicated on the *enrollment form* that the firm was not required to hold a Hawaii General Excise Tax ("GET") license as it did not and shall not have any gross income for engaging in the practice of public accounting in Hawaii. However, the firm had reported on its *compliance form* that the firm had performed non-public company Hawaii attest work within the last three (3) years.

Discussion ensued on the following statements made by the firm:

- The firm believes that it is not required to obtain a GET license or pay general excise taxes because:
 - Firm completes audits and tax returns for real estate partnerships and corporations that are located in the State of Hawaii;
 - The partners/members of these entities are not located in Hawaii;
 - The management of the real estate is not located in Hawaii;
 - The firm does not enter the State to complete the work; and
 - The firm has no office in Hawaii.

Further discussion ensued regarding the Board's laws and rules regulating CPA firms engaged in public accountancy in Hawaii.

Executive Session: At 9:30 a.m., it was moved by Mr. Roberts, seconded by Vice-Chairperson Komo, and unanimously carried to enter into Executive Session 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 9:44 a.m., it was moved by Mr. Roberts, seconded by Vice-Chairperson Komo, and unanimously carried for the Board to move out of Executive Session.

After discussion, Mr. Roberts made a motion to reaffirm the Board's policy of requesting a firm applying for a Firm Permit to Practice license to provide its GET license number. The motion was not seconded; thus, the motion died. It was then moved by Vice-Chairperson Komo, seconded by Mr. Punua, and unanimously carried to table further discussion and to defer decision-making on this matter to the Board's next meeting.

Standing Committee Reports:

A. Peer Review

- 1) Board Action regarding Investigative Committee on Peer Review Report on AICPA Peer Review Communication to Firms that Hold Hawaii Permits with Home Offices in Another State

Committee Chairperson Lau stated that at the Board's meeting on June 30, 2017, the Board acknowledged the findings and recommendations from the Investigative Committee on Peer Review ("ICPR") relating to questions received from the AICPA on its recently issued peer review communication to firms that hold Hawaii

permits with home offices in another state. Mr. Lau noted that the ICPR's findings and recommendations are recorded in the June 30, 2017 meeting minutes. After discussion, it was moved by Committee Chairperson Lau, seconded by Mr. Roberts, and unanimously carried to accept and approve ICPR's findings and recommendations, and to respond to the AICPA's questions accordingly.

2) AICPA Facilitated State Board Access System

Committee Chairperson Lau stated that this matter had been discussed at the Board's June 30, 2017 meeting with decision-making deferred until this meeting. He reiterated that the Facilitated State Board Access System ("FSBA") was created by the AICPA as a nationally uniform system through which users can comply with state board or licensing body peer review information submission requirements, increase transparency, and retain control over peer review results. The AICPA requested the name(s) of the contact person(s) who will be authorized to access this system on behalf of the Board. After discussion, Chairperson Taketa appointed Executive Officer Kai and ICPR Chairperson Lau as the Board's contact persons with the authority to access the FSBA, and requested that reports on the Board's participation in the FSBA be provided to the Board.

B. Legislation and Rules

- 1) Senate Bill No. 609, House Draft 1,
Conference Draft 1 - UPDATE

It was reported that Senate Bill No. 609, House Draft 1, Conference Draft 1, relating to Attestation Engagements, was signed into law as Act 167, by Governor David Ige on July 11, 2017.

C. Uniform CPA Examination

- 1) AICPA Board of Examiners Highlights from
June 1-2, 2017

Committee Chairperson Punua provided a summary of highlights from the AICPA Board of Examiners ("BOE") teleconference meeting on June 1-2, 2017, in which he participated:

- State boards commented that they are still confused about pending scores (score holds) because there are different modes of handling communication to candidates;
- Psychometric Committee announced a new "cut score" which has resulted from analysis of the reliability and accuracy of the recent examination upgrade;
- Content Committee announced that it is addressing the challenges created by the new FAR standards relating to the obsolescence of examination items;
- The launch of an improved user experience system and new software technology (bigger monitor, ease of use) is set for April 1, 2018, which will

possibly result in another score release delay;

- Cybersecurity policy was discussed;
- Strategic planning was addressed, including relevance of the examination to the profession;
- Compliance with the regulations of the Americans with Disabilities Act ("ADA") for examination candidates was a topic of discussion, with efforts to anticipate changes or improvements to the requirements; and
- There was discussion on the growing awareness in and efforts to address the increasing examination candidates' dropout rates.

Mr. Punua reported that the next BOE meeting is scheduled for October 2017 in San Diego, California.

Committee Chairperson Punua reported that NASBA has notified the Board that thirteen (13) Hawaii candidates with fourteen (14) examination credits may be affected by the delay in the release of scores from the 2nd Quarter 2017, that was reported to the Board at previous meetings.

Mr. Punua reiterated that the Board has delegated to the Executive Officer the approval of requests from examination candidates for an extension of one or more conditional credits for one (1) testing window through the 4th Quarter 2017, in accordance the provisions of HAR section 16-71-19(i), so long as the request meets the criteria as follows and (as determined by the Board at its April 28, 2017 meeting:

A Hawaii examination candidate who:

1. Has taken one or more exam sections during the 2nd Quarter 2017 testing window; and
2. Has conditional credit(s) for exam section(s) passed earlier that have expired in the 3rd 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 (1) or more conditional credits for one (1) testing window through the 4th Quarter 2017.

2) Summary of Candidate Performance 2016

Committee Chairperson Punua provided a brief summary of candidate performances on examinations completed in 2016, noting some of the statistics from NASBA's two publications of the *Exam Candidate Performance*: the University edition, and the Jurisdiction edition. He noted that these statistics of candidate performances were first published in 1985.

He then provided the following statistics specifically relating to examinations taken by Hawaii candidates in 2016:

- Hawaii's average score was 69.7%; the national average score was 71.5%.
- Hawaii's average passing rate was 41.6%; the national passing rate was 48.7%.

- University of Hawaii at Manoa:
 - 187 candidates
 - 42.2% passing rate
 - 70.3 average score
- University of Hawaii at Hilo:
 - 13 candidates
 - no first-time candidates
 - 65.5% passing rate
 - 78.2 average score
- University of Hawaii at West Oahu:
 - 21 candidates
 - 35.7% passing rate
 - 64 average score
- BYU Hawaii:
 - 31 candidates
 - 30.9% passing rate
 - 66.2 average score

Publications are available to the public through NASBA, and may be costly.

3) Prometric Cooling System Issue

Committee Chairperson Punua reported that Prometric had experienced a cooling system issue during a weekend in July that caused most systems to go offline. CPA candidate testing was not impacted and candidates continued to test without issue; however, teams worked around the clock to recover systems. The scheduling system is now operational; however, the period during which it was offline resulted in a backlog in communications from call centers. Mr. Punua noted that Prometric suspended the reschedule and cancel fee requirement for the online scheduling

system to assist candidates who were impacted by the system issue.

Open Forum: None.

Next Board Meeting: Friday, August 25, 2017
8:30 a.m.
King Kalakaua Conference Room
King Kalakaua Building
335 Merchant Street, 1st Floor
Honolulu, Hawaii 96813

Announcements: Chairperson Taketa stated that the Board had been reconsidering its informal policy 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), as soon as possible after the Board meeting is called to order at 8:30 a.m., and to move out of Executive Session by 9:15 a.m. in order to accommodate guests and interested parties. Chairperson Taketa noted that the 9:15 a.m. resumption of the Board meeting has not been an effective use of time because the business conducted during many of the past Executive Sessions had concluded earlier than 9:15 a.m. He stated that the Board would move the meeting resumption time to 9:00 a.m., effective with the August 25, 2017 Board meeting.

Executive Officer Kai announced the details of DAG Tam's memorial service.

Adjournment: There being no further discussion, the meeting adjourned at 10:13 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

08/17/17

[X] Minutes approved as is.

[] Minutes approved with changes. See Minutes of _____.