

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

MINUTES

Date: Friday, August 25, 2017

Time: 8:31 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
Nelson K.M. Lau, CPA, Member
Gabriel Lee, Member
Gary Y. Miyashiro, CPA, Member
Edward L. Punua, 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
John W. Roberts, 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 8:31 a.m. by Chairperson Taketa.

Approval of Minutes of the July 28, 2017 Board Meeting: After discussion, it was moved by Vice-Chairperson Komo, seconded by Mr. Lau, and unanimously carried to approve the minutes of the July 28, 2017 Board meeting as circulated.

Executive Session: At 8:32 a.m., it was moved by Mr. Punua, 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 8:59 a.m., it was moved by Mr. Lau, seconded by Vice-Chairperson Komo, and unanimously carried for the Board to move out of Executive Session, and to immediately recess the meeting.

Mr. Williams arrived to the meeting at 9:00 a.m.

At 9:00 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 Justin W. Cho;
ACC 2016-24-L

At 9:06 a.m., the Board reconvened its regularly scheduled meeting.

Discussion Regarding
The Role of the Deputy
Attorney General:

DAG Moriarty thanked Chairperson Taketa for allowing him to address the Board to provide general information concerning the Sunshine Law and the role of the Deputy Attorney General. He briefly went over HRS chapter 92 about open meeting provisions and HRS chapter 26 about Board member responsibilities and immunities.

Chairperson Taketa commented this "refresher" should be done annually.

Applications for
CPA Certification:

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

- 1) BUCHER, Wilfred E.
- 2) CLARY, Melissa A.
- 3) VALMAS, Felice
- 4) YAMASHITA, Chad K.

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

- 1) KAIWI, Brad P. K.
- 2) PASCUAL, Lorraine M.

After discussion, it was moved by Vice-Chairperson Komo, seconded by Mr. Lee, and unanimously carried to approve the following application for certification pending receipt of a complete and valid certification of competence form, and upon receipt of said form, to delegate to the Executive Officer the authority to approve the application for certification with the effective date of licensure to be the date the complete and valid form is received:

- 1) PYLE, Randolph R. D.

Ratification of
Individual CPA
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 individual CPA Permits to Practice:

- 1) CAMMOCK, Witcliff A.
- 2) HUOLIHAN, Jake R.
- 3) LUTES, Christopher A.

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

- 1) LEE, Daniel J. W.

Ratification of Issued Firm Permits to Practice:

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

- 1) MRPR GROUP, PC

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 stated that comments from other state boards concerning 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 ("UAA") relating to the Use of Titles are "consistently in opposition". Circulation of comments in opposition from Chairperson Taketa and Mr. Roberts had been provided to Board members prior to the meeting. Vice-Chairperson Komo commented that he agrees with Chairperson Taketa's comments. Mr. Lau commented that HRS section 466-10(a)(1) of the Board's laws addresses this matter, but that the statute may be perceived to be overly broad.

Mr. Williams agreed and stated that the possibility to confuse the public is too great to be in favor of the proposed changes.

After discussion, Chairperson Taketa volunteered to draft a response from the Board to state that it is not in favor of the proposed amendment, and that pursuant to HRS section 466-10(a)(1), the Board believes any violation of its law relating to the "CPA" and "certified public accountant" designation to be a prohibited act. Executive Officer Kai will finalize Chairperson Taketa's draft for dissemination to Board members prior to the Board's next meeting, at which time approval will be considered. It was again noted that the deadline for comments is September 30, 2017.

2) NASBA Enforcement Resources
Committee Teleconference Meeting on
August 15, 2017

The Board was provided with a handout from Mr. Roberts that discussed highlights of the NASBA Enforcement Resources Committee Teleconference meeting on August 15, 2017. Chairperson Taketa briefly provided an overview of Mr. Roberts' handout:

- More work should be done to close the referral gap between the U.S. Department of Labor ("DOL") and state boards of accountancy, with NASBA to develop procedures to ensure DOL's referrals are sent to accountancy boards for action; and
- In order to prevent an accountancy board from being blindsided by the

abrupt departure of its peer review administering entity, NASBA encourages boards of accountancy to enter into a contract with their administering entity, thereby ensuring advance notice of such changes.

3) NASBA Regional Directors' Focus Questions

Chairperson Taketa stated that the following focus questions had been provided to Board members to review prior to the meeting. The Board discussed and reached consensus on the following responses:

1. How does your Board keep current on changes in the AICPA Code of Professional Conduct and other ethical requirements affecting the profession (e.g. GAO Yellow Book)?

Response: Report from Board's Ethics Committee.

2. Does your Board discuss the significance of changes to the Code and how they work in your state's environment?

Response: Depends on the issue. Changes to the Code that conflict with Hawaii's statute would not be discussed except to recognize that there would be a conflict.

The AICPA Professional Ethics Executive Committee recently issued an exposure draft on long association of senior personnel with an attest client. Would you be able to discipline a licensee for violation

of an independence rule based on his or her disregarding the threats outlined in the proposed interpretation 1.267? For example, Smith is a sole practitioner who lives in a small town in your state and has been its only manufacturing plant's auditor for over 20 years.

3. If there is an audit failure, could you hold Smith accountable based on this interpretation?

Response: Depends on the investigator's advice.

UAA Rules Section 7-3(a) requires all firms rendering attest services to be enrolled in a compliance assurance (peer review) program approved by the Board. According to the Model Rules, the Board is responsible for approving the entity that administers the program in UAA Rules Section 7-3(b). Finally, in Section 7-4(b) an oversight committee (i.e., Peer Review Oversight Committee (PROC)) is to be appointed to monitor the compliance of the administering entity to Acts and Rules of the Board. Not every state has enacted the exact words in the Model Rules.

4. (a) In your jurisdiction what are your procedures for investigating firms that claim exemption review to determine the validity of the exemption?

Response: There would be no investigation unless a complaint or referral is made to the Board.

4. (b) Has your Board formally approved the peer review program's administering

entity and, if yes, is this an annual decision?

Response: Yes. Annual decision based on PROC recommendation.

4. (c) How do you assess the effectiveness of the peer review program?

Response: PROC report.

4. (d) Does your Board have an active, functioning PROC?

Response: Yes.

4. (e) Does the Board formally approve the report from your appointee/PROC each period that it is received?

Response: Yes.

4. (f) If your current administering entity is contemplating withdrawal from the program, has your Board been included in the selection of a successor?

Response: Yes.

5. What is happening in your jurisdiction that is important for other State Boards and NASBA to know about?

Response: The Board continues to work at implementing mandatory peer review.

6. Can NASBA be of any assistance to your Board at this time?

Response: Yes. The Hawaii Board very much appreciates NASBA's continued

assistance with research initiatives and with financial support for scholarships to attend meetings and conferences.

7. NASBA's Board of Directors would appreciate as much input on the above questions as possible. How were the responses shown above compiled? Please check all that apply.

Response: Input from all Board Members and the Executive Officer.

- 4) Regulatory Response Committee Meeting on July 27, 2017

Mr. Williams provided a brief summary of the Regulatory Response Committee Meeting with his focus on CECL (Current Expected Credit Loss) Accounting – a new standard affecting banking accounting.

Executive Officer's Report:

- A. Firm Permit to Practice Online Renewal Form

Executive Officer Kai provided the Board with a handout of the revised Firm Permit to Practice ("FPTP") online renewal form. The Board discussed the various changes from last year's online renewal form.

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

Executive Officer Kai stated that at its last meeting, the Board voted to table further discussion and to defer decision-making on this matter concerning the Board's laws and rules regulating CPA firms engaged in public accounting in Hawaii.

Executive Session: At 10:00 a.m., it was moved by Vice-Chairperson Komo, seconded by Mr. Lee, 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 10:37 a.m., it was moved by Mr. Punua, seconded by Mr. Lau, and unanimously carried for the Board to move out of Executive Session.

It was noted that Mr. Lee left the meeting during Executive Session.

The consensus of the Board was that no Board action was needed and that the Executive Officer will provide a courtesy response to that out-of-State CPA firm advising it of the requirement pursuant to Hawaii Administrative Rules section 16-71-24(b)(2), which states in pertinent part:

"For a permit to practice public accountancy, a firm shall also provide its Hawaii general excise tax license number pursuant to section 237-9, HRS, on its application. Failure to provide a Hawaii general excise tax number shall result in a denial of the firm permit to practice unless the firm attests that it does not and shall not have any gross income for engaging in the practice of public accounting in this State."

C. Alexander S. Arndt, CPA

Executive Officer Kai reported on her findings (as instructed by the Board at the last meeting) 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. She stated that Mr. Arndt qualified for a Hawaii CPA license by meeting the education requirement with a baccalaureate degree and 150 semester hours of college education, and met the experience requirement with more than two (2) years of experience with a CPA firm; he was issued a Hawaii CPA license on February 1, 2013. Ms. Kai further reported that the disciplinary action imposed by the North Carolina State Board of CPA Examiners on Mr. Arndt's North Carolina CPA license was dated November 10, 2013; therefore, the disciplinary action did not impact his qualification for a Hawaii CPA license. She concluded that, as a result of her findings, the matter was not referred to the Regulated Industries Complaints Office for further investigation.

Standing Committee Reports:

A. Peer Review

1) Peer Review Compliance Reporting Form

The Board was provided with a copy of the revised Peer Review Compliance Reporting Form. After discussion, it was moved by Committee Chairperson Lau, seconded by Mr. Williams, and unanimously carried to approve the revised form.

2) AICPA Peer Review Board Open Session on August 17, 2017

Committee Chairperson Lau provided the following brief summary points from the

AICPA Peer Review Board Open Session
held on August 17, 2017:

- Report Acceptance Body (“RAB”) Handbook Revisions
 - “clarifying technical reviewer responsibilities for monitoring and evaluating the performance of the reviewer”;
 - “eliminating duplication of reviewer related data that will be otherwise captured by PRIMA” (Peer Review Integrated Management Application).
- Revisions Related to SSAE No. 18
 - To clarify guidance – “examination engagements require system reviews, and review and agreed-upon procedure engagements require engagement reviews.”
- Rules of Procedures for the Termination of a Firm with No AICPA Members
 - To provide firms with no AICPA members with fair procedures similar to those provided to firms with AICPA members: appeal mechanism and publication of terminations.
- Approval of Guidance Changes Related To Annual Submission of Peer Review Information (PRI)
 - “proposing guidance changes to require the annual submission of PRI and to revise the must-cover definition related to concentrations of A&A hours in System Reviews.”
- Proposed Revisions to the RAB Handbook – Limited Restrictions on Reviewers

- Proposing “that individuals who have a limited restriction (e.g. volume, industry, etc.) placed on their ability to schedule and perform peer reviews by an enforcement body may, with the approval of OTF, continue to perform peer reviews, QCM reviews and technical reviews and serve as peer review committee members or RAB members.”
- Firm and Engagement Tracking “Population Completeness”
 - Project to verify that all firms that should be enrolled in peer review are enrolled and that all engagements within the peer review scope are included in the population subject to peer review.
 - Includes the DOL Completeness Project.

Committee Chairperson Lau stated that Ms. Susan Coffey, Executive Vice President of AICPA, may be able to attend the next Board meeting, and may be able to present an update on the Evolution of Peer Review Administration.

Chairperson Taketa inquired if the Peer Review Oversight Committee (“PROC”) is scheduled to meet in the near future, and suggested that the PROC check with the Hawaii Society of CPAs (“HSCPA”) and PRIMA (Peer Review Integrated Management Application), about the frequency of RAB meetings. Executive Officer Kai was instructed to include the following potential items to the agenda for the next Board meeting:

- HSCPA report; and
- Board visit by Susan Coffey.

B. Education

- 1) Questionnaire regarding Online Accounting Program at the University of Maryland University College

Committee Chairperson Williams stated the Board is in receipt of a questionnaire regarding Online Accounting Program at the University of Maryland University College. Board members were instructed to review the questionnaire for full discussion to provide Board response at the Board's next meeting.

Open Forum: None.

Next Board Meeting: Friday, September 29, 2017
8:30 a.m.
King Kalakaua Conference Room
King Kalakaua Building
335 Merchant Street, 1st Floor
Honolulu, Hawaii 96813

Announcements: Executive Officer Kai stated DAG Rodney J. Tam's memorial service was held on August 19, 2017. Bereavement cards and koden were given to Mr. Tam's family on behalf of the Board.

Chairperson Taketa stated that Mr. Williams has been honored with induction into the Shidler College of Business Alumni Association's Hall of Honor. He commented that it is a well deserved honor.

Adjournment: There being no further discussion, the meeting
adjourned at 11:05 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

09/20/17

Minutes approved as is.

Minutes approved with changes. See Minutes of _____.