

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

MINUTES

Date: Wednesday, November 15, 2017

Time: 8:35 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  
Gabriel Lee, Member  
Gary Y. Miyashiro, CPA, Member  
Edward L. Punua, CPA, Member  
Carleton L. Williams, CPA, Member  
Krishna F. Jayaram, Deputy Attorney General ("DAG")  
Laureen M. Kai, Executive Officer  
Lori Nishimura, Secretary

Excused: Nelson K.M. Lau, CPA, Member  
John W. Roberts, CPA, Member

Guest: Wilcox Choy, CPA, Peer Review Oversight Committee  
("PROC") 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 8:35 a.m. by Chairperson Taketa.

Approval of  
Minutes of the  
October 27, 2017  
Meeting:

The Executive Officer informed the Board that the minutes of the October 27, 2017 meeting were not finalized. The minutes will be available within thirty days after the October 27, 2017 meeting date, as required pursuant to HRS section 92-9, and will be on the December 22, 2017 meeting agenda for the Board's review and approval.

Executive Session:

At 8:36 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 9:08 a.m., it was moved by Vice-Chairperson Komo, seconded by Mr. Punua, and unanimously carried for the Board to move out of Executive Session, and to immediately recess the meeting.

At 9:09 a.m., the Board reconvened its regularly scheduled meeting.

Applications for  
CPA Certification:

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

- 1) LEE, Jessica S. P.
- 2) NAKAHARA, Arin K. S.
- 3) ZHOU, Qi

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) ANDERSON, Mark R.
- 2) GURMAN, Paul M.
- 3) KAJIWARA, Cindy M.
- 4) POBUK, Stephanie S.
- 5) TANAKA, Kyle R.
- 6) TELLI, Christopher J.

Chairperson's  
Report:

A. National and Industry Update

- 1) Annual Meeting of the National Association of State Boards of Accountancy ("NASBA")

Chairperson Taketa stated he and the Executive Officer attended the NASBA Annual Meeting in New York City on October 29 – November 1, 2017. He stated that it was important to have Board representation at such NASBA meetings in order to keep abreast of national and other state/jurisdictional developments and issues facing the accountancy profession, especially when the average annual turnover rate for accountancy boards is twenty percent (20%). The meeting was attended by 356 participants and included representation from 53 of the 55 jurisdictions. He provided a brief summary on the following topics discussed at the meeting:

Use of Titles

The NASBA/AICPA UAA Joint Committee decided to take no action on the exposure draft that proposed revisions to Title 14 of

the Uniform Accountancy Act (“UAA”). Forty-one (41) state and jurisdictional accountancy boards responded with comments that included thirty-eight (38) boards that expressed objections and rejections of the exposure draft provisions. The exposure draft has been dropped; but, accountancy boards should review their own laws and rules to ensure that the use of management titles that could confuse the public is prohibited.

#### Anti-Regulation Movement

Over the past six (6) years, anti-regulatory legislation was introduced in nine (9) states. Six (6) bills were introduced based on the Occupational Board Reform Act, two (2) based on the Freedom to Prosper Act, and one (1) on the Right to Earn a Living Act.

The main premise of such legislation is that the number of regulated occupations and professions has increased dramatically and has created an unnecessary barrier for Americans to earn a living. Fifty (50) years ago, one (1) in twenty (20) Americans needed a license to work; today, one (1) in three (3) Americans needs a license to work.

To counter this anti-regulatory movement, NASBA will be creating a Public Protection Task Force.

#### NASBA Financial Report

NASBA’s strong financial position enables it to support member boards in enhancing regulatory effectiveness. Part of this

support is the creation of an in-house studio that is slated to open in January 2018 for training of state board members.

#### Blockchain, Bitcoin, and Other Transforming Developments

Information was provided on Blockchain, which is a distributive and decentralized ledger technology that allows rapid processing of financial and other transactions. A Bitcoin is a piece of data stored on the Blockchain, and is one of many potential currencies that can be used in a Blockchain.

Companies are interested in the Blockchain because transactions can be cleared almost instantly, eliminating the need for intermediaries while offering a high degree of transparency and security. While the Blockchain provides key financial reporting potential to facilitate a higher-value auditing service, the challenge for the accounting profession is to establish standards for auditing Blockchains and acceptable valuation standards for Bitcoins under GAAP and IRS rules and regulations.

As Blockchains are an accurate and efficient means of recording transactions, auditors are employing data analytics using artificial intelligence to perform automated testing of entire populations of data. With this new technology, an individual with a computer science background and education would be in great demand.

It was interesting to note that legislation relating to Blockchain had been introduced in the 2017 Hawaii Legislature; however,

that measure appears to have not advanced beyond committee hearings.

#### Pacific Regional Breakout Meeting

Chairperson Taketa stated that he reported on Hawaii's mandatory peer review law, focusing on the major issue of effective administration of the peer review program. He mentioned that Hawaii is entering a critical period as CPA firms must renew firm permits to practice by December 31, 2017. He added that the Hawaii Board had learned only recently that there are about fifty (50) CPA firms that will probably not be able to complete their peer review by the deadline date. He stated that the Board will need to evaluate each firm's circumstances in determining whether extensions for the completion of the firm's peer review would be granted.

The consensus of the Board was to take the following agenda item out of order to accommodate guest, PROC member, Wilcox Choy.

#### Standing Committee Reports:

##### B. Peer Review

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

PROC member Mr. Choy stated that the PROC met on November 7, 2017 to discuss its annual recommendation to the Board pursuant to HRS section 466-42(d) as to the qualifications of an approved sponsoring organization to continue as an approved sponsoring organization. The approved sponsoring organizations which have been approved by the Board include the American Institute of Certified Public

Accountants, state certified public accountant societies, including the Hawaii Society of Certified Public Accountants, and the Public Company Accounting Oversight Board.

Mr. Choy stated that the PROC voted to recommend to the Board that all Board-approved sponsoring organizations be allowed to continue as approved sponsoring organizations for the Board's peer review program.

After discussion, it was moved by Mr. Williams, seconded by Vice-Chairperson Komo, and unanimously carried to accept the PROC's recommendation.

The Board resumed the original meeting agenda order of business.

Chairperson's Report:

A. National and Industry Update

2) 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. (a) Will your state be considering the new CPE Rule?  
Response: Yes
- (b) Do you accept Nano Learning?  
Response: Already accept.

(c) Credit for Participating in a technical committee?

Response: Will discuss.

(d) All programs offered by your State CPA Society?

Response: Already accept.

(e) Blended Learning?

Response: Already accept.

(f) Require 50 percent of CPE be in technical subjects?

Response: Will discuss.

2. (a) Would your board be interested in NASBA providing education and training on data analytics, artificial intelligence, blockchain, and other advanced technologies?

Response: Yes

(b) If "yes" which persons would have the greatest need for such training (choose all that apply)?

Response: Administrators/executive directors, Board members, Investigators, and Legal Counsel.

(c) If not interested, please briefly state why?

Response: n/a

3. What is happening in your jurisdiction that is important for other State Boards and NASBA to know about?  
Response: The Board continues to strive to implement its mandatory peer review program.

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



Response: Yes. NASBA can assist the Hawaii Board with continuing to advocate for public protection and providing applicable training opportunities. As always, the Hawaii Board is very appreciative of the financial support that NASBA provides to it and to all boards of accountancy.

5. 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 some Board Members and the Executive Officer.

Standing Committee Reports:

A. Uniform CPA Examination

- 1) AICPA Board of Examiners Update Call on November 13, 2017

Committee Chairperson Punua provided a brief summary of the AICPA Board of Examiners update call he participated in on November 13, 2017. He stated that eighteen (18) states/jurisdictions participated. He provided the following highlights of the update call:

Delay in 2017 Quarter 2 Score Release

Mr. Punua reported that most states whose examination candidates were adversely impacted by the delay in the release of exam scores granted a one (1) testing window extension to those examination candidates whose conditional credit(s) expired due to the delay. New Mexico's

decision was similar to Hawaii's where the conditional credit(s) had to have expired before an extension could be granted.

Statistical data on the effect of the delay on candidates is forthcoming.

#### CPA Firm Hiring Trends

It was stated that CPA firms are hiring new employees who have already acquired their license; thus, exam candidates are encouraged to obtain their CPA licenses as soon as possible.

#### Psychometric Oversight Committee

The launch of the new version of the examination on April 1, 2017 has been deemed a successful enhancement of the Uniform CPA Examination.

#### Financial Oversight Group

The budget is on target and the AICPA BOE is doing well.

#### Delay in 2018 Quarter 2 Score Release

The BOE is anticipating another score delay in Quarter 2 of 2018 due to the launching of new software in April 2018. The changes include Hewlett Packard monitors with split screens, and the much-anticipated rollout of Excel software. The delay is anticipated to be shorter in duration than the delay in 2017.

### AICPA 2017 Trends Report

Committee Chairperson Punua reported that this report is slated to be released on October 26, 2018, and may include trends in the supply of accounting students in relation to the demand for public accounting recruits. It was also mentioned that previously administered versions of the exam and study guides may be made available to candidates, and that this initiative combined with a proposed expansion of testing windows and the decrease in blackout dates may encourage more students to sit for the Uniform CPA Examination. Mr. Punua mentioned that the BOE has stated that all blackout dates cannot be eliminated because the scoring process is monitored very closely during those dates.

- 2) Provisions in HRS Chapter 466 and Hawaii Administrative Rules Chapter 16-71 that Allow a Hawaii Examination Candidate to Sit for the Examination Within One-Hundred Twenty Days Prior to the Completion of Educational Requirements

Committee Chairperson Punua stated he and the Executive Officer will follow up with CPA Examination Services on the revised Certificate of Enrollment form.

### B. Peer Review

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

This agenda item was previously discussed.

2) AICPA Peer Review Board Open Session Meeting on November 9, 2017

Chairperson Taketa reported that he and Mr. Miyashiro participated in the AICPA Peer Review Board open session meeting on November 9, 2017. He commented that the Board should be aware of the following rules regarding re-enrollment after a CPA firm has been dropped or terminated from the AICPA Peer Review Program: (1) the firm's request for re-enrollment must be received within thirty (30) days; (2) the firm must complete all delinquent actions within ninety (90) days of termination; (3) the administering entity evaluates all pertinent factors including the nature and reasons for the termination, as well as the firm's level of cooperation; (4) if a firm is terminated and re-enrolled, the firm cannot skip its originally scheduled peer review and must retain its original three (3) year peer review cycle; (5) certain firms with two "fail" or "pass with deficiency(ies)" rating may be referred to the AICPA Peer Review Hearing Panel; and (6) the re-enrollment option does not cover firms that fail to complete their peer reviews within the three (3) year cycle.

Also mentioned in the update call were the Standards Task Force of the Clarity Project, which is working toward a comprehensive listing of standards; identifying non-conforming engagements; available training by the Education Task Force; the critical importance of an adequate pool of subject matter experts for "must-select" engagements; the ongoing enhancement of PRIMA with at least 100 improvements and developments since May, with more to

come. Training on PRIMA continues to be offered on the AICPA website, and additional staff is being hired to answer calls and emails relating to PRIMA.

- 3) Extensions to Complete a Peer Review Granted by Sponsoring Organizations and the Board of Public Accountancy, pursuant to HRS Section 466-34(f)

After discussion, it was moved by Mr. Aratani, seconded by Vice-Chairperson Komo, and unanimously carried for the Executive Officer to draft and post a notice to the Board's website providing information to firms on extensions to complete a peer review granted by the administering entity or the Board, and to request that the Hawaii Society of Certified Public Accountants and the Hawaii Association of Public Accountants assist the Board in disseminating the information to their respective members.

Open Forum: None.

Next Board Meeting: Friday, December 22, 2017  
8:30 a.m.  
King Kalakaua Conference Room  
King Kalakaua Building  
335 Merchant Street, 1<sup>st</sup> Floor  
Honolulu, Hawaii 96813

Announcements: Mr. Aratani commented that the Board should be updated on Patrick Oki's investigation by the Regulated Industries Complaints Office and requested this matter be placed on the next meeting agenda.

Adjournment:                    There being no further discussion, the meeting adjourned at 10:18 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

12/08/17

- Minutes approved as is.  
 Minutes approved with changes. See Minutes of \_\_\_\_\_.