

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

MINUTES

Date: Friday, December 22, 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
Gary Y. Miyashiro, CPA, Member
Edward L. Punua, CPA, Member
John W. Roberts, CPA, Member
Carleton L. Williams, CPA, Member
Krishna F. Jayaram, Deputy Attorney General ("DAG")
Laureen M. Kai, Executive Officer
Lori Nishimura, Secretary

Excused: Gabriel Lee, Member

Guest: Daria Loy-Goto, Complaints and Enforcement Officer,
Regulated Industries Complaints Office
("RICO")
Marilyn M. Niwao, JD, CPA, Hawaii Association of
Public Accountants ("HAPA")

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.

At 8:31 a.m., Vice-Chairperson Komo arrived to the meeting.

Approval of
Minutes of the
October 27, 2017
Meeting:

After discussion, it was moved Mr. Lau, seconded by Mr. Miyashiro, and unanimously carried to approve the minutes of the October 27, 2017 Board meeting as circulated.

Approval of
Minutes of the
November 15, 2017
Meeting:

After discussion (from which Mr. Roberts and Mr. Lau recused themselves), it was moved by Mr. Miyashiro, seconded by Mr. Aratani, and unanimously carried to approve the minutes of the November 15, 2017 Board meeting as circulated.

Executive Session:

At 8:32 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.

EXECUTIVE SESSION

At 8:55 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 9:00 a.m., the Board reconvened its regularly scheduled meeting.

It was noted that Mr. Punua arrived to the meeting during Executive Session.

The consensus of the Board was to take the following agenda item out of order to accommodate guest Daria Loy-Goto, RICO Complaints and Enforcement Officer.

Role of the Board
Of Public Accountancy
In the Enforcement
Process and the
Regulated Industries
Complaints Office
("RICO"):

Ms. Loy-Goto thanked the Board for inviting her to the meeting to discuss the role of the Board in the enforcement process. She commented that she is not able to provide any information relating to pending cases as they are confidential, but she will share any public information with the Board.

Ms. Loy-Goto commented that the grounds for disciplinary action are narrowly defined; HRS section 466-9 indicates disciplinary action taken by another state where the license is canceled, revoked, suspended, denied, or refused renewal shall constitute grounds for disciplinary action by the Hawaii Board. The Board was provided with two (2) handouts: *RICO Unlicensed Activity Report Form* and *Information for Board and Commission Members*. Mr. Williams commented that he did compare the Board's statutes relating to disciplinary actions with the provisions of the Uniform Accountancy Act, and that there were similarities.

Ms. Loy-Goto stated that RICO's case load has gone up, which may be attributable to growing awareness by consumers and other state boards of accountancy. She remarked that many states are looking more closely at violations, and there is an increase in the number of disciplinary actions taken by other states. Executive Officer Kai commented that the Board has considered the issue of "piling on" or the "domino effect", where states have similar statutes that consider disciplinary action by another state to be grounds for discipline in that state. Ms. Loy-Goto added that RICO does not always take action in such situations.

Mr. Roberts inquired if there is a feedback cycle for RICO referrals, he understands that every Board may be different but there is no explanation on why a particular action was taken or not taken. Ms. Loy-Goto stated that it is a staff issue and that they cannot provide all the specific feedback for

cases but appreciates this feedback from the Board. She stated that RICO does prioritize high profile cases with the consideration of criminal matters addressed first. She emphasized that RICO will not interrupt the criminal case proceedings, unless it is able to negotiate a voluntary surrender of a license. She added that a licensee has the right to due process and so any action by the Board cannot be automatic after a criminal conviction. Ms. Loy-Goto also noted that even a civil case can trigger a RICO investigation.

Chairperson Taketa commented on the public's frustration with the perceived delay in any disciplinary action by the Board on high-profile cases, stating that the Board does understand the licensee's right to due process and the licensee's right to a timely hearing. Ms. Loy-Goto agreed that information provided to the public may often be very disjointed with separate sources such as RICO, the Professional and Vocational Licensing Division, and the Office of Administrative Hearings. It was noted that action by this Board is not a criminal action, rather it is a civil action.

Ms. Loy-Goto was thanked for her presentation.

Applications for
CPA Certification:

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

- 1) ABITONG, Roxane Maye
- 2) BILLICK, Christopher A.
- 3) ISHIMOTO, Jared T.
- 4) KAWAMURA, Robyn Y.
- 5) ORCHARD, Adam A.
- 6) PARSONS, Huixian S.
- 7) POOLE, Bradley W.
- 8) POWELL, Scott T.
- 9) TAMANAHA, Jonathan A.

10) TIRPAK, Ty R.

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

- 1) CHING, Candace C.M.A.
- 2) YAO, Shan-Ting

After discussion, it was moved by Vice-Chairperson Komo, seconded by Mr. Aratani, and unanimously carried to defer decision-making on the following application for clarification of work experience:

- 1) DEBUS, Brie H.

Ratification of
Individual CPA
Permits to Practice:

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

- 1) BRAUN, Iwalani U. H.
- 2) MERRILL, James R.

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

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

Ratification of
Issued Firm
Permits to Practice:

After discussion, it was moved by Mr. Aratani, seconded by Mr. Punua, and unanimously carried to ratify the approval of the following individual CPA Permits to Practice:

- 1) DENEEN NAKASHIMA CPA LLC
- 2) RTF LLC

3) KYLE S T CHANG

After discussion (from which Mr. Williams recused himself), it was moved by Mr. Aratani, seconded by Mr. Punua, and unanimously carried to ratify the approval of the following individual CPA Permit to Practice:

1) ABATUS LLC

Ratification of
Firm Name Approval:

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) Clifford Isara CPA LLC
- 2) Wilfred E. Bucher, CPA

Chairperson's
Report:

A. National and Industry Update

- 1) Quick Poll from the National Association of State Boards of Accountancy ("NASBA") on the Impact of the Reorganization and Re-branding of the American Institute of Certified Public Accountants ("AICPA")

Discussion ensued on the roll out by the American Institute of Certified Public Accountants (AICPA - the Institute) and implementation of their restructuring, including the creation of the umbrella entity Association of International Certified Professional Accountants (AICPA - the Association). The Quick Poll is designed to survey NASBA member boards of accountancy on their concerns as critical stakeholders. It was noted by NASBA that there has been a growing amount of criticism and concerns raised by all stakeholders who have expressed

confusion, conflicts, tension, and a growing mistrust.

Board members by consensus derived the following responses:

Question: Please describe the importance of the reorganization and re-branding of the Institute and the formation of the Association of International Certified Professional Accountants (Association) to your BOA (Board of Accountancy)?

Response: The issue is of critical importance to the Board. Having the same acronym is extremely confusing and has created unnecessary confusion to practitioners and the public.

Question: Have your BOA members or licensees expressed confusion about the reorganization and re-branding? If yes, please describe concern(s) expressed.

Response: Yes. It is misleading to the public and to the profession to have the same acronym for two different entities. This will potentially cause inconsistency with the Board's statutes and rules, specifically as the reference to the AICPA relates to the Uniform CPA Examination and to sponsors of continuing professional education.

Question: Have your BOA Members or licensees expressed political concerns with the reorganization or re-branding? If yes, please describe those concerns.

Response: Yes. The Board notes that NASBA was not involved or asked for

comment on the AICPA reorganization or re-branding. NASBA's involvement may have mitigated the potential for confusion and misleading of the public and the profession.

Question: Have your BOA members or licensees expressed legislative or legal concerns with the reorganization or re-branding? If yes, please describe those concerns.

Response: Yes. The re-branding of the AICPA will potentially cause inconsistency with the Board's statutes and administrative rules, specifically as the reference to the AICPA relates to the Uniform CPA Examination and to sponsors of continuing professional education.

Question: Have your BOA members or licensees expressed contractual or legal concerns? If yes, please describe those concerns.

Response: Yes. See responses to previous questions.

Question: Please share any additional concerns, comments or questions from you or your BOA.

Response: (1) At the NASBA Annual Meeting, Barry Melancon stated that 80% of AICPA members were in favor of the restructuring and re-branding of the AICPA. Board members do not recall being polled on the issue, and questioned the accuracy of Mr. Melancon's statement; (2) Board members understanding was that the concept and implementation of the

restructuring and re-branding were to be on an international basis; however, the domestic implementation is vastly different; and (3) Board members expressed concerns about the proprietary ownership and administration of the Uniform CPA Examination and the AICPA's sponsorship of continuing professional educational courses.

- 2) Request from CW Associates, A Hawaii Certified Public Accounting Corporation for the Board's Guidance with regard to the Issue of CPA Firm Ownership

Mr. Williams provided background information on this request by his CPA firm. CW Associates, A Hawaii Certified Public Accounting Corporation is an S Corporation and requests the Board's guidance on a proposed arrangement of a CPA firm as a wholly-owned subsidiary of CW Associates. This subsidiary would obtain a separate firm permit to practice as a Hawaii CPA firm, under the name Abatus LLC.

Mr. Williams stepped out of the meeting to recuse himself from the ensuing discussion.

Executive Session: At 10:09 a.m., it was moved by Mr. Punua, seconded by Mr. Aratani, 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 10:36 a.m., it was moved by Mr. Lau, seconded by Mr. Roberts, and unanimously carried for the

Board to move out of Executive Session, and to immediately recess the meeting.

At 10:40 a.m., the Board reconvened its regularly scheduled meeting. It was noted that Mr. Aratani left the meeting during Executive Session.

After discussion (from which Mr. Williams recused himself), it was moved by Vice-Chairperson Komo, seconded by Mr. Roberts, and unanimously carried to send the following responses to CW Associates' questions, as paraphrased:

1. Does the Board see any prohibition against having such a proposed arrangement?

Response: There is no provision in the Board's laws or rules that prohibits the proposed structure arrangement as described in the inquiry.

2. Does the Board believe that any notification to clients or the public of the relationship between the two firms is either permitted or required?

Response: There is no provision in the Board's laws or rules that prohibits or requires the notification to clients or the public of the relationship between the two firms as described in the inquiry.

- 3) Request from Carbonaro CPAs and Management Group for the Board's Response to the Issue of Government

Use of CPA Audit Reports as the Basis for
Legal Action

After discussion, it was moved
Mr. Williams, seconded by Vice-Chairperson
Komo, and unanimously carried to respond
to this inquiry by referring Carbonaro CPAs
and Management Group to HRS section
466-1, entitled *Purpose*.

Standing Committee
Reports:

A. Uniform CPA Examination

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

Committee Chairperson Punua provided an
update on the follow up with CPA
Examination Services ("CPAES") on the
revised Certificate of Enrollment form. He
reiterated that the consensus of the Board
was that examinees are not limited in the
number of Notice to Schedule ("NTS"), as
an NTS is good for nine months, and to
instruct CPAES to amend its form. He
informed the Board that the changes
requested by the Board have been made to
the form and to the information provided
on the CPAES/NASBA website.

- 2) Request for Extension of Expired
Conditional Credit from Hawaii Examination
Candidate Jefferson Okada

Committee Chairperson Punua reported
that the Board has received a request for
extension of the conditional credit for the

FAR section of the Uniform CPA Examination that expired on November 30, 2017, from Hawaii examination candidate Jefferson Okada. He stated that the reason for the request as claimed by Mr. Okada was that the exam was canceled by the Prometric testing administrator due to an unexpected closure of the testing site. Executive Officer Kai stated that she confirmed the closure with CPAES and with Prometric.

After discussion, it was moved by Committee Chairperson Punua, seconded by Mr. Lau, and unanimously carried to approve Mr. Okada's request for extension of the FAR expired conditional credit through the 4th Quarter 2017, ending on December 31, 2017, based on the following:

Mr. Okada provided a good and valid reason for the extension as the unexpected closure of the test center of the CPA Examination Services is neither attributable to nor within the control of the Board or of the exam candidate.

3) NASBA Candidate Care Reports for Quarters 2 and 3 of 2017

Committee Chairperson Punua provided a brief summary of the NASBA Candidate Care Reports for Quarters 2 and 3 of 2017. Candidate expressed concerns with the testing site "environment" with 343 concerns compared to 2 concerns in Quarter 1. In addition, the report detailed candidate concerns due to the hurricanes in Quarter 3, the delay in Quarter 2 score releases, and the use of paper and pencil

scratch pads because candidates expressed dislike of electronic notebooks.

4) CPA Pipeline Project Update

Committee Chairperson Punua provided a brief update on this project, as described in the NASBA publication entitled, *2017 Trends*.: Mr. Punua reported that the higher cost associated with being an accounting major in colleges is a factor. Supply has not changed; however, accounting major students are not pursuing advanced degrees due to these rising costs, and the numbers of students in these advanced degree programs has declined to pre-2014 levels. There was a 13% increase in new exam candidates in 2015-2016, which may be attributable to the launch of the new exam version in 2017, where many candidates chose to take the examination before the change. Mr. Punua also mentioned that there are lower numbers of graduates being hired for entry-level positions in large CPA firms, which may be due to the focus on data analytics, which may or may not require an accounting graduate to perform.

B. Peer Review

1) Extensions to Complete Peer Reviews Pursuant to HRS Section 466-34

a) Extension Granted by the Sponsoring Organization

(1) OHATA CHUN YUEN LLP

Committee Chairperson Lau informed the Board that

Ohata Chun Yuen LLP has been granted an extension to complete their peer review process by the Hawaii Society of Certified Public Accountants.

Vice-Chairperson Komo left the meeting at 11:05 a.m.

- b) Peer Review Extension Request to the Board of Public Accountancy
 - (1) Robert H.Y. Leong & Company, CPAs, APC

Committee Chairperson Lau stated that a request for an extension to complete the peer review process was received by the Board from Robert H.Y. Leong & Company, CPAs, APC. He also disclosed that Vice-Chairperson Komo (who had left the meeting) was affiliated with this firm.

After discussion, it was moved by Committee Chairperson Lau, seconded by Mr. Roberts, and unanimously carried to grant the requested ninety-day extension, pursuant to HRS section 466-34(f), which allows an extension on a showing of hardship, including reasons of health, military service, or other good cause as determined by the Board, as follows: (1)

the described difficulties encountered by the firm in completing its peer review; (2) although the firm had been granted an extension until December 31, 2017 from the HSCPA as administering entity, the report has not yet been received by the firm and the report must still be technically reviewed and accepted by the HSCPA in order to complete the peer review process. The motion included notification to the firm that the approved extension does not in any way allow the firm to deviate from its established peer review schedule.

Mr. Williams commented that the Board is establishing a policy of ninety days when granting approvals for extension.

c) Peer Review Supplement Extension Request to the Board of Public Accountancy

(1) Propp Christensen Caniglia LLP

Committee Chairperson Lau stated that a request for an extension to complete the peer review process by the preparation of the Hawaii Supplement to the peer review process was received by the Board from Propp Christensen Caniglia LLP.

After discussion, it was moved by Committee Chairperson Lau, seconded by Mr. Roberts, and unanimously carried to grant the requested an extension until February 28, 2018, pursuant to HRS section 466-34(f), which allows an extension on a showing of hardship, including reasons of health, military service, or other good cause as determined by the Board, as follows: (1) the firm encountered delays and other difficulties in confirming that it was subject to the requirement; (2) there were a number of personal factors impacting the completion of the process; and (3) the peer reviewer who has been retained by the firm to complete the supplemental report has recently moved offices and will be unable to complete the supplement until February 2018. The motion included notification to the firm that the approved extension does not in any way allow the firm to deviate from its established peer review schedule.

C. Ethics

- 1) Discussion of Non-Compliance with Laws and Regulations

Discussion on this agenda item was
tabled to the next meeting.

Open Forum: None.

Next Board Meeting: Friday, January 26, 2018
8:30 a.m.
King Kalakaua Conference Room
King Kalakaua Building
335 Merchant Street, 1st Floor
Honolulu, Hawaii 96813

Announcements: none.

Adjournment: There being no further discussion, the meeting
adjourned at 11:20 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

01/19/18

[X] Minutes approved as is.

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