

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

MINUTES

Date: Friday, March 23, 2018

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  
Krishna F. Jayaram, Deputy Attorney General ("DAG")  
James Kobashigawa, Executive Officer  
Lori Nishimura, Secretary

Excused: Terrence H. Aratani, Member

Guest: Stacie Nakamura  
Thomas C. Pearson, Professor of Accountancy,  
University of Hawaii at Manoa

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.

Additions to the  
Agenda:

Chairperson Taketa requested to add the following to the agenda, commenting that due to time constraints, it may not be prudent to wait for the next meeting for Board discussion/decision making:

- 5. STANDING COMMITTEE REPORTS
  - A. Uniform CPA Examination  
\* \* \*
  - 6) Request to Extend Validity of Examination Section Beyond the Eighteen Month Window  
\* \* \*
  - D. Peer Review
    - 1) Notice from the Hawaii Society of Certified Public Accountants Concerning Peer Review Administration in Hawaii

Executive Officer Kobashigawa requested to add the following to the agenda:

- 4. EXECUTIVE OFFICER'S REPORT  
\* \* \*
  - F. Letter from the U.S. Securities and Exchange Commission
  - G. Recommendations for Vice Chair of NASBA, for the 2018-2019 Year

After discussion, it was moved by Mr. Lau, seconded by Mr. Roberts, and unanimously carried to approve the additional aforementioned agenda items to the meeting agenda.

Mr. Lee arrived to the meeting at 8:33 a.m.

Approval of  
Minutes of the  
January 26, 2018  
Meeting:

Vice-Chairperson Komo requested for the following amendment to page 10, last paragraph:

"Ms. Niwao representing the Hawaii Association of Public Accountants ("HAPA"), and ~~its~~ as Legislative

Chair, stated HAPA opposes these bills that are “no notice, no fees”.....”

Chairperson Taketa requested for the following amendments to the meeting minutes:

Page 10, second to last paragraph:

“It was noted that three (3) states restrict allow practice mobility on a reciprocal basis: Georgia, Pennsylvania, and Massachusetts. Therefore, Hawaii CPAs do not have practice privileges in these states.”

Page 12, last paragraph continued to page 13:

Chairperson Taketa stated the primary charge of the Board is consumer protection. He stated that in its testimony on the similar mobility bill three years ago, the Regulated Industries Complaints Office had concerns related to this matter that included pre-notification, and ineffectiveness of subpoenas. He also stated that individual and firm mobility are two (2) different things. Firm registration provides safeguards for the protection of the public, including compliance with Hawaii’s peer review law and the payment of general excise taxes. He also stated it’s “too ambitious in his opinion to get both passed in the same bill”. This bill also incorporates the UAA, which means that our laws will be bound by future changes. He expressed concern about the UAA Committee that proposes amendments to the UAA, a committee that NASBA representatives only have veto power.

Chairperson Taketa commented that his meeting notes confirms the amendments that he is requesting to the January 26, 2018 meeting.

Mr. Punua requested for the following amendments to page 13, fourth paragraph, first sentence:

"Mr. Punua stated that there are lots of concerns with mobility but he also did not want to overlook what are the benefits of mobility."

Mr. Williams requested for the following amendments to page 13, fourth paragraph, second sentence:

"...Ms. Niwao commented what happens to local students if outsourced to India. Mr. Williams ~~conveyed that was~~ commented that it was not appropriate to speak against an issue, and then continue speaking against it, while asserting that they are speaking for it as Ms. Niwao did after Mr. Punua finished his sentence about not wanting to overlook the benefits of mobility – Ms. Niwao stated she was speaking to that but expressed her personal opinion about outsourcing to India, which is actually speaking against mobility not appropriate."

After discussion, it was moved by Vice-Chairperson Komo, seconded by Mr. Roberts, and unanimously carried to approve the minutes of the January 26, 2018 Board meeting, with the aforementioned amendments (with new material underscored and repealed material stricken through).

Executive Officer Kobashigawa informed the Board that the minutes of February 23, 2018 meeting were not finalized. The minutes will be available within thirty days after the February 23, 2018 meeting date, as required pursuant to HRS section 92-9, and will be on the April 27, 2018 meeting agenda for the Board's review and approval.

Executive Session:

At 8:40 a.m., it was moved by Mr. Lau, seconded by Vice-Chairperson Komo, 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 8:52 a.m., it was moved by Mr. Lee, seconded by Mr. Punua, and unanimously carried for the Board to move out of Executive Session, and to immediately recess the meeting.

At 8:56 a.m., the Board reconvened its meeting.

#### 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) BARBIN, Douglas W.
- 2) BLANTON, Claire E.
- 3) BUCKLEY, Patrick M.
- 4) KABEI, Suh H.
- 5) LAU, Yeuk Lan L.
- 6) NAKAMURA, Stacie M.
- 7) YONAMINE, Celeste T.

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

- 1) KWOK, Pui Him

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

- 1) MANALO, David L.

Ratification of  
Individual CPA  
Permits to Practice:

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

- 1) BENFATTI, Joseph J.
- 2) BUYTAERT, Dale R.
- 3) FLYTE, April A.
- 4) GUNDLACH, Frederick W.
- 5) HOFFMAN, Evan T. F.
- 6) JOHNSON, Jeffrey M.
- 7) NOH, Min Young
- 8) PAK, Suzanne M.
- 9) PARSONS, Huixian S.
- 10) SIEVERS, Ashley A.
- 11) WIRTH, Mark J.
- 12) WONG, Hoi Yan
- 13) YAMASHITA, Chad K.
- 14) YANG, Courtney M. M.
- 15) YONEMURA, Cory T.

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

- 1) EBERLY, David P.
- 2) KANENAKA, Kent M.
- 3) OPFER, Sarah B.

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

- 1) YOUNG, Kira S.

Ratification of  
Issued Firm  
Permits to Practice:

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

- 1) IRIS A TAKAMOTO
- 2) WIPFLI LLP
- 3) HOLLY MAYUMI URABE OSUMI
- 4) KEELY B HEROD

Executive Officer's  
Report:

A. DCCA Disciplinary Action Through February 2018

Executive Officer Kobashigawa circulated the informational monthly report of the DCCA (Department of Commerce and Consumer Affairs) disciplinary action through February 2018, that includes sanctions DCCA had taken relating to various Boards and Programs.

B. Reminder to File Financial Disclosure Report

Executive Officer Kobashigawa reminded Board members to file their financial disclosure statement by May 31, 2018. He also advised members to contact the State Ethics Commission should they need assistance and/or have inquiries concerning their filing.

C. NASBA Committee Interest Form

Executive Officer Kobashigawa informed Board members to complete the NASBA Committee Interest Form if they are interested in serving on the various NASBA committees. Mr. Williams commented that the committees are interesting, cutting edge, and serving is worthwhile and strongly recommend members to join. Mr. Williams stated he is on the Regulatory Response Committee and several other members of the Board also hold positions on various committees. Chairperson Taketa

commented that the Board benefits too, with first hand knowledge gained and shared with the Board.

D. AICPA State Regulatory Update

Executive Officer Kobashigawa announced that Arizona is the 28<sup>th</sup> state that has adopted the AICPA Code of Professional Conduct. Vice-Chairperson Komo stated this Board has discussed adopting the AICPA Code of Professional Conduct and that the Board determined that it has indirectly adopted it as it is referenced in HRS section 436B-19.

Mr. Williams commented that NASBA had sent representatives to present to the Board as they want the Board to adopt the AICPA Code of Professional Conduct and has provided language to assist the Board to adopt current language. Chairperson Taketa commented that “we do have some conflicts, there is conflicting language”.

Executive Officer Kobashigawa also briefly commented on the trends in states with regulatory reform. He also mentioned of an ethics update, new interpretation: hosting services creates threats to independence – Vice-Chairperson Komo stated he’ll follow up on this matter.

E. Professional Organizations in UK and U.S. Sign Mutual Recognition Agreement

Executive Officer Kobashigawa reported that AICPA, NASBA, and ICAS (Institute of Chartered Accountants of Scotland, a professional body for accountants headquartered in the United Kingdom) have signed a mutual recognition agreement that



would allow for reciprocal arrangements based on certain provisions. Mr. Kobashigawa circulated information about this agreement.

F. Letter from the U.S. Securities and Exchange Commission

Copy of the letter from the U.S. Securities and Exchange Commission's Office of the Chief Accountant, dated March 20, 2018 was provided to Board members.

G. Recommendations for Vice Chair of NASBA, for the 2018-2019 Year

Executive Officer Kobashigawa inquired if the Board wanted to submit a nomination/recommendation for Vice Chair of NASBA for the 2018-2019 year. Chairperson Taketa commented the nominee needs to be someone who has served on the NASBA committee. The Board had no nominations.

Standing Committee Reports:

A. Uniform CPA Examination

The consensus of the Board was to take the following agenda item out of order, to accommodate guest Tom Pearson to the meeting.

4) Presentation by Tom Pearson on the Low CPA Exam Passing Rate in Hawaii

Mr. Pearson provided a handout to the Board on his presentation. He introduced himself, professor at the University of Hawaii at Manoa for thirty (30) years who is very concerned with the low CPA passing rates in Hawaii since ~ five (5) years ago, and even more concerning that Hawaii was ranked at the very bottom as reported in

the January 26, 2018 Board meeting minutes.

Mr. Pearson believes there is a relationship with the low passing rate to Hawaii's current accounting course requirement of twenty-four (24) semester hours of accounting with a minimum of eighteen (18) semester hours at upper division or graduate level. He stated that "Hawaii is at the bottom 12 and it shows", as compared to Utah that is consistently at the top of the ranking as they require thirty-six (36) semester hours of accounting. We should be in the "norm" with at least thirty (30) semester hours (in line with the requirement of most states), as well as require at least twenty-four (24) hours in upper division or graduate accounting courses.

Vice-Chairperson Komo commented that he attended a meeting where it was mentioned that some accounting students are recruited/hired at a CPA firm in their junior year and therefore have a lighter class load in their senior year. Mr. Pearson commented that students are driven by the requirements for license.

Discussion ensued on the passing rates of MAcc students. Mr. Pearson stated NASBA's statistics reflected a 62% passing rate for MAcc graduates, and if the exam was taken within one year of completing school, the percentage rate was 69%. It was noted that the MAcc tuition is a "tough financial cost" for students.

Mr. Roberts commented that grade inflation and the discipline of the student may be

factors. Mr. Pearson agreed that the discipline of the student is a factor but the Board sets the tone by not requiring more accounting credits.

Mr. Pearson commented that he believed the word "at least" was used for the educational credits; thus, the Board may have the authority to be able to increase the required credits needed. He added if this was not the case, the "Board needs to start its conversation with the Legislature". Mr. Williams confirmed "at minimum" was used in the statutes.

Mr. Pearson commented that more education was required in the 90s, and he remembers the passing rate to have been in the norm.

Mr. Pearson was thanked for today's presentation.

1) 2017, Quarter 4 – Candidate Care Report

Committee Chairperson Punua summarized the 2017, Quarter 4 – Candidate Care Report. He stated that the major area of concern was in the environment category; due to national disasters - Texas, Florida, and Puerto Rico are still affected with displaced candidates. This also created issues with extension of credits because of infrastructure issues near/at testing centers.

Mr. Punua stated smaller areas of concern included candidates request to use paper and pencils testing, and computer issues (multiple restarts of computers which was viewed as unfair, disruptive, and created

undue anxiety). He mentioned that candidates needed at least three restarts in order to qualify for free rescheduling.

Committee Chairperson Punua briefly mentioned the launch of the next version of the "New Gateway", to update and improve the National Candidate Database.

2) Tax Reform Content Integration in the CPA Exam

Committee Chairperson Punua informed the Board that the AICPA Board of Examiners have approved January 1, 2019 as the date to which the content related to the "Tax Cuts and Jobs Act" will be integrated into the CPA exam.

3) New CPA Exam Software to be Launched April 1, 2018

Committee Chairperson Punua informed the Board that the new CPA exam software will be launched on April 1, 2018. Enhancements will include the EXCEL program, more workspace, and as well as features of cut and paste, and highlighting ability. As such, there will also be exam score holds in quarters two, three, and four.

5) Request for Waiver of the One Hundred Twenty (120) Days Grace Period; HAR section 16-71-17(d) – Statement From a College Official Indicating That the Applicant Will Graduate Within One Hundred Twenty Days After the Examination

Committee Chairperson Punua stated the Board received an email request on March 19, 2018 from Alan Cantrell, NASBA Examination Coordinator, requesting for the Board to grant a waiver to an exam candidate, Timothy Carbillon, as the "posted degree date was seven days later than the 120-day grace period". Mr. Cantrell stated Mr. Carbillon's degree date was December 9, 2017 and NTS (Notice to Schedule) was August 4, 2017. Mr. Carbillon's accounting professor verified in an email that he graduated in December 2017.

After discussion, the Board determined that the 120-day period is from the date of exam to graduation date or the date the educational requirement has been completed, and not the NTS date. The exam section in question was taken on October 3, 2017, and Mr. Carbillon had graduated on December 9, 2017, which is within the timeframe of the 120-day period.; thus, his exam section grade is accepted.

Committee Chairperson Punua stated that he will follow up with Mr. Cantrell to remind him of HAR section 16-71-17(d); that the time period starts from exam date and not the NTS date. Chairperson Taketa also commented release of scores should not have been given to the exam candidate. Vice-Chairperson Komo stated "there's no harm" that the score was released. Chairperson Taketa suggested NASBA should be aware of HAR section 16-71-17(e), that states in pertinent part that no grades shall be released and no credit shall be given for any part of the examination

unless the educational requirement is met within one hundred twenty days of the examination and evidence of completion is submitted to the board. Chairperson Taketa commented the Board needs to comply with its rules and going forward, NASBA should be reminded/requested to accommodate the Board.

6) Request for Credit Extension for BEC Due to Being Sick

Committee Chairperson Punua stated the Board received an email on March 21, 2018 from Alan Cantrell who indicated a Hawaii candidate, Patrick Hurley, has requested for a credit extension for BEC (Business Environment and Concepts) due to being sick via NASBA's exception to policy "medical emergency", which was not accompanied by a doctor's statement.

Discussion ensued on the circumstances leading up to the candidate being sick with the flu; the candidate did not seek medical attention. The Board discussed HAR section 16-71-19(k) Notwithstanding any other provision to the contrary, conditional credits that have expired may be extended only for good and valid reasons as determined by the board.

After discussion, it was moved by Committee Chairperson Punua, seconded by Mr. Lee, and unanimously carried to deny Patrick Hurley's request for a credit extension.

Mr. Williams commented that the eighteen-month window is tight; if the Board may consider extending the window to twenty-

four months. This may provide more opportunity to exam candidates.

Mr. Williams inquired if the Board was taking any action after Mr. Pearson's presentation to the Board. The notion of going to thirty (30) semester hours from twenty-four (24) semester hours. Chairperson Taketa stated that there are a lot of factors involved, does not believe education alone is the cause of low passing scores. Mr. Lee commented that he knows a lot of people who graduated with an accounting degree with no intention of taking the CPA exam; thus, if you increase the accounting educational requirement, it may mean less accounting degree graduates. He further commented if an accounting student was going to take the CPA exam, they should prepare for it by taking more classes. Mr. Williams commented that increasing the accounting educational credit to take the CPA exam may not affect the accounting degree as the school makes their own curriculum. Chairperson Taketa agreed with Mr. Lee that the responsibility shifts to the candidates.

Mr. Roberts commented that he believes quality is important/is the issue, and the discipline of the student. Chairperson Taketa stated there is not enough information to identify what is the problem, mentioning that if education (accounting hours) were the cause of the problem, then across the nation, it should consistently be that cause and effect. Mr. Williams commented that the trend is more education and higher scores, whereas

Hawaii has not changed its education and we have low passing scores.

Vice Chairperson Komo commented the Board cannot control the quality of the education or educators in the UH system but we can control the credit hours that are required. Chairperson Taketa commented that 150 hours are required for license, what credit hours the candidates want to take is their responsibility.

After discussion, the consensus of the Board was to continue the discussion by placing it on the next meeting agenda. Mr. Williams volunteered to check if the UAA addresses the educational requirement and will work with Mr. Punua to find information. Chairperson Taketa suggested referring to the NASBA publications. Mr. Roberts suggested to invite Professor Jack Karbens for comment, as his doctoral dissertation may have been on the 150 hour requirement.

B. Continuing Professional Education

Consideration of the Federation of Tax Administrators as a Program Sponsor Automatically Qualifying as a Non-Profit Nationally Recognized Accounting Association under the Hawaii Administrative Rules, Title 16, Chapter 71, Section 39

Discussion ensued on an inquiry the Board received concerning continuing professional education sponsors whose programs automatically qualify, pursuant to HAR 16-71-39. Committee Chairperson Roberts questioned if the Federation of Tax Administrators ("FTA") is a non-profit nationally recognized accounting



association, adding that the mission of FTA does not appear to be a formal program of learning that will contribute directly to the professional competence of a licensee in public practice. Chairperson Taketa confirmed the inquiry/request for consideration came from an individual and not from FTA. Based on his research, Committee Chairperson Roberts stated the Continuing Professional Education Committee recommends to deny FTA as a program sponsor who automatically qualifies based on the Board's existing laws and rules.

After discussion, it was moved by Mr. Lee, seconded by Mr. Williams, and unanimously carried to deny the consideration of FTA as a program sponsor who automatically qualify as the requestor's situation presented did not fall under HAR sections 16-71-39 and 16-71-41.

C. Legislation and Rules

1) Proposed Amendments to Title 16, Chapter 71 of the Hawaii Administrative Rules

a) Section 16-71-39(1) – Changes in Name from:

1. "National Society of Public Accountants" to "National Society of Accountants"
2. "American Society of Women Accountants" to "Accounting and Financial Women's Alliance"

After discussion, it was moved by Mr. Williams, seconded by Mr. Punua, and unanimously carried to approve the

aforementioned proposal to amend HAR section 16-71-39(1).

D. Peer Review

1) Hawaii Society of Certified Public Accountants – Peer Review Administration in Hawaii

The Board was provided with a copy of the notice/release from HSCPA to CPA firms that states “effective March 31, 2018, the administration of the peer review program for Hawaii firms will transition to the Oregon Society of CPAs (OSCPA).” Firms whose peer review is due prior to March 31, 2018, the Hawaii Society of Certified Public Accountants (“HSCPA”) will continue to administer that firm’s peer review through acceptance and completion. Firms whose peer review is due on or after April 1, 2018, the OSCPAs will administer the review from scheduling through acceptance and completion.

Discussion ensued on the confirmation that OSCPAs plan of administration was approved by the Board as they were included in the AICPA approval that included many out-of-state societies of CPAs.

Discussion ensued about a memorandum of agreement (“MOA”), concerns were expressed that a MOA should be made especially in light of what has happened now with HSCPA unexpectedly discontinuing as the peer review administrator. A MOA may also address

the Peer Review Oversight Committee's rights with OSCPA. Chairperson Taketa commented a MOA may ensure some transparency in the whole process.

DAG Jayaram stated he will follow up on a possible existing MOA draft for the Board, and/or draft a MOA.

Open Forum: None.

Next Board Meeting: Friday, April 27, 2018  
8:30 a.m.  
King Kalakaua Conference Room  
King Kalakaua Building  
335 Merchant Street, 1<sup>st</sup> Floor  
Honolulu, Hawaii 96813

Announcements: DAG Jayaram commented the Board should have had their discussion on Mr. Pearson's presentation while he was present. Having discussion after the guest has left the meeting is not advised. Mr. Williams apologized as his concerns/issues raised came to mind after the departure of Mr. Pearson. Mr. Williams suggested to invite Mr. Pearson back to the meeting, and to also invite Professor Jack Karbens for his comments on this matter. Board members also expressed having written testimony/handouts prior to the meeting to be better prepared for discussion.

Adjournment: There being no further discussion, the meeting adjourned at 10:26 a.m.

Taken and recorded by:

/s/ Lori Nishimura

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Lori Nishimura, Secretary

Reviewed and Approved by:

/s/ James Kobashigawa

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James Kobashigawa, Executive Officer

JK:ln

04/20/18

Minutes approved as is.

Minutes approved with changes. See Minutes of April 27, 2018.