

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

MINUTES

Date: Friday, April 27, 2018

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
Carleton L. Williams, CPA, Member
Krishna F. Jayaram, Deputy Attorney General ("DAG")
James Kobashigawa, Executive Officer
Lori Nishimura, Secretary

Guests: Yvonne L. Hinson, CPA, CGMA, Ph.D., Academic-in-Residence, American Institute of CPAs
Hamid Pourjalali, Ph.D., Professor, School 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 and
Revisions to Agenda:

Vice-Chairperson Komo requested to move agenda item #6, A, #4, a), (1) – Robert H Y Leong & Company CPAs APC's peer review extension request to the end of the meeting.

Agenda item # 3, A, #5 - correction to the first name was requested as follows:

KANG, [Jaeyoung] Jaeyong.

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

4. EXECUTIVE OFFICER'S REPORT
 - A. NASBA Matters
 - * * *
 - 3) Old Gateway Decommission
 - 4) Nomination for NASBA 2018 Awards

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

Approval of
Minutes of the
February 23, 2018
Board Meeting:

After discussion, it was moved by Mr. Punua, seconded by Mr. Aratani, and unanimously carried to approve the minutes of the February 23, 2018 Board meeting.

Approval of
Minutes of the
March 23, 2018
Board Meeting:

Chairperson Taketa requested for a correction on page 9, third paragraph:

"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] Board. The Board had no nominations."

After discussion, it was moved by Mr. Aratani, seconded by Vice-Chairperson Komo, and

unanimously carried to approve the minutes of the March 23, 2018 Board meeting, with the aforementioned amendments (with new material underscored and repealed material stricken through).

Executive Session: At 8:38 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 8:49 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 9:02 a.m., the Board reconvened its meeting.

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

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) BAKER, Anna K.
- 2) FOWLER, Donya J.
- 3) JO, Kisan
- 4) KANG, Jaeyong
- 5) MORIKUBO, Eric
- 6) NAYAR, Pravin
- 7) SALVADORI, Arthur M.
- 8) SCUTT, Jason R.

- 9) TYREE, Joshua O.
- 10) WON, Lara L.

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

- 1) ALMOGELA, Christine Joy C.
- 2) KWOK, Pui Him

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

- 1) OBEROI, Alexis N.

Ratification of
Individual CPA
Permits to Practice:

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

- 1) ABITONG, Roxane Maye
- 2) BARBIN, Douglas W.
- 3) BLANTON, Claire E.
- 4) BUCKLEY, Patrick M.
- 5) DAUGHERTY, Jodi
- 6) FREITAS, Robin K.
- 7) HO, Andrew O. H. S.
- 8) KABEI, Suh H.
- 9) LI, Xiaoyan
- 10) NISHIKUNI, Kristen A.
- 11) TAKABA, Chad M.

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

- 1) MANALO, David L.

Ratification of
Issued Firm
Permits to Practice:

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

- 1) SUECANDO CORP
- 2) HELU LLC
- 3) WARREN AVERETT LLC
- 4) A-1 BUSINESS SERVICES INC
- 5) RETTIG FLYTE COMPANY PS
- 6) KAM YING EDITH HO

Approval of
Firm Name:

After discussion, it was moved by Mr. Aratani, seconded by Mr. Roberts, and unanimously carried to approve the Firm name request with the condition that the firm advise the Board of which firm name they choose:

- 1) TRUSTA, LLP or CROWE TRUSTA, LLP

Executive Officer's
Report:

A. NASBA Matters

- 1) Legislative E-News

Executive Officer Kobashigawa provided a brief summary of NASBA's legislative e-news:

- Michigan – firm mobility and CPE reciprocity became law;
- Kentucky – legislation regarding firm mobility, CPE reciprocity, and peer review;
- Montana – changed rules to allow for CPE reciprocity;
- Indiana – has legislation to limit the Board's ability to deny licensure due to past criminal convictions; and

- South Dakota – bill regarding temporary licensure compact was defeated. Temporary licensure compact bills were also introduced in Missouri and Arizona.

2) Enforcement Resources Committee

Executive Officer Kobashigawa stated the NASBA Enforcement Resources Committee issued a 2018 1st quarter report. He circulated the report and stated no one from Hawaii was on the report. Mr. Roberts stated that he is on this committee and they are scheduled to meet on May 15, 2018 and may be discussing matters covered in that report.

3) Old Gateway Decommission

Executive Officer Kobashigawa stated the old gateway will be decommissioned, effective April 30, 2018, applicants will use the "New Gateway" when registering for the Uniform CPA exam.

4) Nomination for NASBA 2018 Awards

Executive Officer Kobashigawa stated that NASBA is accepting nominations for the following awards: 1) William H. Van Rensselaer Public Service Award; 2) NASBA Distinguished Service Award; and 3) Lorraine P. Sachs Standard of Excellence Award. In addition, NASBA is seeking persons interested in positions on the NASBA 2018-2019 Board of Directors, as well as for the Nominating Committee. Elections for three (3) Directors-at-Large and eight (8)

Regional Directors will be held at the Annual Meeting in October 2018. Elections for the 2018-2020 Nominating Committee members and alternates will be held at the Regional Meetings in June 2018.

B. AICPA State Regulatory Update

Executive Officer Kobashigawa provided a brief summary of the AICPA State regulatory update. He mentioned the state of Washington passed the cross border attest bill, which would allow chartered professional accounting firms and Chartered Professional Accountants from British Columbia to perform attest or compilation engagements in Washington and vice versa.

C. AICPA/NASBA Uniform Accountancy Act – Eighth Edition

Executive Officer Kobashigawa announced the eighth edition of the AICPA/NASBA Uniform Accountancy Act (“UAA”) is now available.

Mr. Williams briefly informed the Board of the major changes including a provision for a retired CPA category, and a provision to provide international reciprocity to qualified individuals.

D. DCCA Disciplinary Action Through March 2018

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

Chairperson's
Report:

A. NASBA Western Regional Meeting, June 26-28, 2018 in Lake Tahoe, California

Chairperson Taketa reiterated the NASBA Western Regional meeting to be held in Lake Tahoe, California on June 26-28, 2018.

B. NASBA Suggested Article for Boards on Need for Investigator and Expert Witness Pool Applicants

Chairperson Taketa stated that NASBA sent out an email with a suggested article for Boards on their need for investigators/expert witnesses for their pool. He suggested getting the word out – possibly to announce/place the article on the Board's website.

Standing Committee
Reports:

A. Peer Review

- 1) Letter from Representative Choy Requesting that Hawaii's Peer Review be Suspended or Terminated

Committee Chairperson Lau stated the Board is in receipt of a letter from Representative Choy who is requesting to the Board that Hawaii's peer review be suspended or terminated as it has come to his attention that "many Hawaii practitioners are having a very difficult time complying with the mandatory peer review requirement", as the Hawaii Society of Certified Public Accountants ("HSCPA") will no longer be the administering entity.

Committee Chairperson Lau reminded the Board that the peer review requirement is a statutory requirement; the Board does not have the authority to change (a) statute(s).

Executive Session: At 9:15 a.m., it was moved by Mr. Williams, 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 9:18 a.m., it was moved by Mr. Aratani, seconded by Mr. Lee, and unanimously carried for the Board to move out of Executive Session.

Committee Chairperson Lau reiterated that terminating the peer review requirement requires a change in statute, which the Board does not have authority. A response will be drafted and reviewed at the Board's next meeting to send to Representative Choy.

- 2) Report from HSCPA on the Recommendation of the Oregon Society of CPAs as Sponsoring Organization and the Transition of the Peer Review Administration

Committee Chairperson Lau reported on his Q&A with HSCPA on matters related to the recommendation of the Oregon Society of CPAs as the administering entity and the transition of the peer review administration:

1. Will the Board receive a list of qualified peer reviewers in the State of Hawaii?

Available to the public:

https://peerreview.aicpa.org/reviewer_search.html

2. Will the Board receive a complete list of the CPA firms that were enrolled in the peer review program?

Yes, same as previously sent to the Board.

3. Will this list be sent to the Oregon Society of CPAs?

As the administering entity OSCPA has access through PRIMA (Peer Review Information Management Application), HSCPA will not have access to the program.

4. Upon acceptance of the list by OSCPA, will the Hawaii firms be deemed to be enrolled with OSCPA?

It's an automatic process and is currently in effect.

5. Will HSCPA provide the reasons why OSCPA was selected and what other State Societies were considered during the search?

OSCPA selection was based on comparable firm sizes and dedicated staff to administer the program. Many other small administering entities have also decoupled from administering the program.

6. Will HSCPA provide OSCPA's and AICPA's contact information for the Board to oversee the transition?

Information available on website
<https://www.orcpa.org/news-resources/1:peer-review/category>.

Committee Chairperson Lau stated he will inform OSCPA of the Board's meeting dates, as well as extend an invitation to attend.

3) Discussion on Contract with the Oregon Society of CPAs as Peer Review Program Administrator

Discussion ensued on the memorandum of agreement (MOA) the Board had drafted for HSCPA as the administering entity. Chairperson Taketa reminded the Board that HSCPA did not sign a MOA as they felt one was not needed.

DAG Jayaram stated he received the last known draft copy of the MOA from Vice-Chairperson Komo. He further stated that Oregon is not entering an agreement with the Board, but we can ask if they will sign the MOA. Chairperson Taketa commented the Board should ask since "we don't want that situation to occur again".

Committee Chairperson Lau commented the Board has a "plan B" noting that other state societies are also an approved sponsoring entity based on the consolidated approval of the National Peer Review Program of the AICPA. Chairperson Taketa commented AICPA should be overseeing the transparency.

Discussion ensued on the Peer Review Oversight Committee's ("PROC") role and the duties being affected with the change

in sponsoring organization. Mr. Williams commented that the Board "may need to tailor our PROC to the changing position".

Committee Chairperson Lau stated he and Mr. Williams will be assisting DAG Jayaram with the MOA draft to present to OSCPA.

B. Uniform CPA Examination

The consensus of the Board was to take the following agenda item out of order to accommodate guest, Yvonne Hinson.

- 2) CPA Examination Passing Rate of Hawaii Candidates – Report by Yvonne Hinson, CPA, PhD, Academic in Residence, AICPA

Ms. Hinson was welcomed by the Board, she stated that she was visiting Hawaii for another engagement and the timing was just right for her to be here today.

Ms. Hinson shared with the Board research findings on the study of CPA candidate success. Board members were provided with a copy of the research publication - *CPA Candidate Success Research Findings: Implications for Accounting Education and the CPA Profession*. She shared some of those findings that included data collected from Universities with "really good" sit and pass rates, to find their commonalities that may be used as guidance to Colleges, Universities and employers. Commonalities included:

- "CPA culture on the campus";
- Faculty who are CPAs;
- Encouragement to sit early to take the exam;

- Having employers on campus “firm presence, recruiting”;
- Having an accounting club;
- Start offering good accounting class in high school, and not a book-keeping class;
- Teach High School teachers to teach college level courses (AP courses);
- Get students interested; and
- Faculty needs support from firms.

She briefly mentioned programs such as the accounting doctoral scholarship program, and the academic champion program.

Vice-Chairperson Komo questioned if the interest in becoming a CPA may have diminished and if this is a nationwide trend. Mr. Pourjalali commented that the number of students who take the exam has increased. Mr. Williams questioned if education is catered towards the exam, and commented that there may be a great resource of retired professionals who can be educators.

Mr. Williams inquired as to why is teaching to the exam looked down upon?
Ms. Hinson replied that the exam is not the primary goal but rather a hurdle.

Further discussion ensued on the correlation with education and passing rates of exam. Mr. Pourjalali commented that students do not have the incentive to gain further education, as it takes a lot more time and energy. Further that they take the easiest way.

Ms. Hinson was thanked for her presentation and attending today's meeting.

- 1) Request for Waiver of the One-Hundred Twenty (120) Day Grace Period, Candidate Request - Update

Committee Chairperson Punua provided an update on the determination the Board made at its March 23, 2018 meeting that the 120-day period (to take the Uniform CPA exam) is from the date of exam to graduation date or date the educational requirement has been completed, and not the NTS date. NASBA has been notified, and the request for waiver of the one-hundred twenty day grace period has been resolved.

- 2) CPA Examination Passing Rate of Hawaii Candidates – Report by Yvonne Hinson, CPA, PhD, Academic in Residence, AICPA

It was noted that Ms. Hinson provided her report earlier in the meeting. Committee Chairperson Punua inquired as to what the next course of action may be by the Board.

Mr. Williams stated that he was given a copy of Dr. Jack Karben's doctoral dissertation on the 150 educational credit requirement. He also stated that he has been invited to a meeting for accounting professors from the UH system, and that he plans to attend and will inquire if they believe they have the capacity to offer more accounting courses, especially at institutions besides the University of Hawaii at Manoa. He noted that he will also reach out to Hawaii Pacific University who may

already be experiencing problems with capacity.

Mr. Williams stated the committee should have more to report (fact-finding results) to the Board at the next meeting.

3) Report on Board of Examiners' January 25-26, 2018 Meeting

Committee Chairperson Punua provided a brief report on the Board of Examiners' January 25-26, 2018 meeting with the following highlights:

- continuous testing – concept to avoid blackout dates, may require many changes, an announcement may be made in January 2019;
- Alternative pathways – early stages;
- Confusion with the two AICPA names (American Institute of Certified Public Accountants / Association of International Certified Public Accountants). The Uniform CPA exam is owned by the American Institute of Certified Public Accountants;
- Pending release of new exam; it was released April 1, 2018 – web based, all on-line, should be more streamlined;
- Candidate care issue with restarts – it is a Prometric network problem, is local and not on the internet;
- 18 months of passing credits – national policy, everyone has that; and
- Next meeting is May 31, 2018.

4) First Quarter 2018 (January–February)
 Testing Window

a) Ratification of Hawaii Candidate
 Examination Scores

Committee Chairperson Punua presented the statistics for first quarter 2018 (January-February) testing window as follows:

EXAMINATION RESULTS (BY SCORES)

	Number of Scores	Percentage
Credit	49	42.2%
No Credit	67	57.8%
Lost Credit	0	0
Voided	0	0
TOTAL	116	100%

TOTALS BY EXAM PARTS (BY CANDIDATES)

	AUD	BEC	FAR	REG	TOTAL
# Attended	19	19	43	35	116
# Passed	11	10	15	13	49
% Passed	57.9	52.6	34.9	37.1	42.2

SUCCESSFUL CANDIDATES SUMMARY

# of Passing First Time Candidates	2 (20%)
# of Passing Re-Exam Candidates	8 (80%)
# of International Candidates	1
# of Passing Candidates	10

After discussion, it was moved by Mr. Williams, seconded by Mr. Lau, and unanimously carried to ratify the examination scores from the January-February 2018 testing window.

Mr. Williams informed the Board that the UAA model rules require twenty-four credit hours of upper division accounting courses. He stated there are no rankings yet.

C. Ethics

- 1) AICPA Professional Ethics Executive Committee – Exposure Draft: Proposed New Hosting Services Interpretation

Committee Chairperson Komo stated the New Hosting Services Interpretation for public practitioners takes into effect September 1, 2018, and commented that lots of firms may be caught by surprise on this.

Correspondence:

- A. Letter from Mississippi State Board of Public Accountancy – Nomination of Jimmy Burkes, for Vice-Chair of NASBA for the 2018-2019 Year

After discussion, it was moved by Mr. Roberts, seconded by Mr. Williams, and unanimously carried to endorse the nomination of Jimmy

Burkes for Vice-Chair of NASBA for the 2018-2019 year.

Vice-Chairperson Komo left the meeting at 10:26 a.m.

Standing Committee Reports:

A. Peer Review

- 4) Extension to Complete Peer Review Pursuant to HRS Section 466-34
 - a) Peer Review Extension Request to the Board of Public Accountancy
 - (1) Robert H Y Leong & Company CPAs APC

Committee Chairperson Lau stated the Board received a request from Robert H Y Leong & Company CPAs APC asking for a sixty-day extension to get through their peer review's acceptance by RAB (Reporting Acceptance Body). It was moved by Committee Chairperson Lau, and seconded by Mr. Aratani, to approve Robert H Y Leong & Company CPAs APC to an extension of sixty-days to complete their peer review.

Mr. Williams commented that the RAB typically does not meet in the months of January-March. Chairperson Taketa inquired if there are other CPA firms that are having difficulties with completing their peer review.

Mr. Roberts commented that at a HAPA meeting, he was “yelled at by a lot of people” over issues that included peer review and were beyond the Board’s control. He had advised them to submit their concerns/complaint in writing to the Board; nothing will happen unless they put it in writing. Mr. Williams stated that he had inquired with Ms. Castillo from HSCPA if they had any complaints, she stated they only had one complaint.

With no further discussion, the motion to grant an extension (as it was due to extenuating circumstances beyond their control) was unanimously carried.

Open Forum: None.

Next Board Meeting: Friday, May 25, 2018
8:30 a.m.
King Kalakaua Conference Room
King Kalakaua Building
335 Merchant Street, 1st Floor
Honolulu, Hawaii 96813

Announcements: Mr. Roberts commented that he believes raising the percentage rate of passing Uniform CPA examination scores is important and is not an easy fix. The Board should continue fact finding. Chairperson Taketa agreed with Mr. Roberts comment and added that it’s not a decision that we should rush in to.

Adjournment: There being no further discussion, the meeting
 adjourned at 10:35 a.m.

Taken and recorded by:

/s/ Lori Nishimura

Lori Nishimura, Secretary

Reviewed and Approved by:

/s/ James Kobashigawa

James Kobashigawa, Executive Officer

JK:ln

05/25/18

[] Minutes approved as is.

[X] Minutes approved with changes. See Minutes of June 22, 2018.