

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

MINUTES

Date: Friday, May 25, 2018

Time: 8:30 a.m.

Place: PVL Examination Room
King Kalakaua Building, 3rd Floor
335 Merchant Street, Room # 330
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

Guest: Phyllis B. Barker, Vice President/COO, Oregon
Society of Certified Public Accountants
Saundra R. Bedford, CPA Examination Candidate
John ("Jack") Karbens, Retired CPA
Katie Landgraf, Assistant Professor of Accounting,
University Of Hawaii at West Oahu

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.

The Board's consensus was to take the following agenda item out of order to address/accommodate meeting guest, Sandra R. Bedford.

Standing Committee Reports:

B. Uniform CPA Examination

- 2) Request from Hawaii Examination Candidate Sandra R. Bedford for Window Credit Extension for BEC Due to Medical Reasons

Executive Session:

At 8:31 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 8:47 a.m., it was moved by Mr. Lau, seconded by Mr. Aratani, and unanimously carried for the Board to move out of Executive Session.

Committee Chairperson Punua stated the Board has received a request for window credit extension for REG (and not BEC as incorrectly recorded on the meeting agenda) due to medical reasons from Ms. Bedford.

Committee Chairperson Punua stated that HAR section 16-71-19(k), states the following:

"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.”

Mr. Punua stated that Ms. Bedford’s conditional credit would have to be expired in order for the Board to grant an extension; thus, requested Ms. Bedford to re-submit her request for credit extension after her REG section has expired, as the Board believes Ms. Bedford’s medical reasons are good and valid reasons to grant an extension.

Executive Session:

At 8:49 a.m., it was moved by Mr. Aratani, seconded by Mr. Punua, 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 9:01 a.m., it was moved by Mr. Lau, seconded by Mr. Punua, and unanimously carried for the Board to move out of Executive Session, and to immediately recess the meeting.

At 9:03 a.m., the Board reconvened its meeting.

Additions and Revisions to Agenda:

Mr. Lau requested to add the following to the agenda:

6. STANDING COMMITTEE REPORTS
 - A. Peer Review
 - * * *
 - 3) Presentation From The Representative of The Oregon Society of Certified Public Accountants

Mr. Williams requested to move agenda item #6, B, #1 – Report on the 24 Accounting Credit Requirement, Report on Meeting with UH System to be followed immediately for discussion. He stated that Ms. Katie Landgraf from the University of Hawaii at West Oahu was here to present the school's Distance Education plans as part of his report.

After discussion, it was moved by Mr. Williams, seconded by Mr. Lee, and unanimously carried to amend the meeting order and approve the additional aforementioned agenda item to the meeting agenda.

Standing Committee Reports:

B. Uniform CPA Examination

- 1) Report on the 24 Accounting Credit Requirement, Report on Meeting with UH System

Mr. Williams introduced Ms. Landgraf from the University of Hawaii at West Oahu's ("UHWO") distance education program. He stated that they are the largest accounting program in the State and have a distance education program (that is run by Ms. Landgraf) that includes students from the neighbor islands of Maui and Kauai. Distance education program students are able to complete an accounting program.

Ms. Landgraf provided a brief summary on the accounting distance education program, as follows:

- They have a lot of community college students and also neighbor island students from Maui and Kauai;
- Quality level is all there (she trains all her accounting faculty to treat their

on-line classes as though it was an in-person class);

- Utilizes software for live lecture that can be recorded to be viewed later;
- Grades from on-line students have been "catching up to in-person class" students;
- In 2012, they had 100 accounting students out of 500 business students and last Fall, they had 245 accounting students out of 900 business students of the 3500 enrolled at UHWO;
- CPA review course is offered that lets their students obtain Becker/other review material at discounted prices, especially beneficial for their students who are working part-time hours (70% in their program) while being students full-time;
- They have an accounting club with 30 active members;
- Introductory classes are not offered on-line;
- Class size maximum for in-person is 40 students and 30 students for on-line classes;
- This program is not institutionalized – Ms. Langraf is running it with her accounting faculty;
- Rotating course schedule, Advanced Accounting is offered every two years; other courses are usually offered at least once a year;
- Neighbor Islands students may choose to take their exams at the community schools for free; on-line exams are also available with features to eliminate cheating;
- On-line courses are interactive to instructor; and

- It's possible for neighbor island students to obtain a four-year degree without leaving their home.

Mr. Miyashiro inquired if UHWO is in favor of the 24 accounting credit requirement. Mr. Williams commented that there was an unanimous agreement by the entire UH system in favor of the 24 accounting credit requirement, the only exception was BYUH which was due to institutional pushback.

Ms. Landgraf was thanked for her presentation.

Approval of
Minutes of the
April 27, 2018
Board Meeting:

Executive Officer Kobashigawa informed the Board that the minutes of April 27, 2018 meeting were not finalized. The minutes will be available within thirty days after the April 27, 2018 meeting date, as required pursuant to HRS section 92-9, and will be on the June 22, 2018 meeting agenda for the Board's review and approval.

Applications for
CPA Certification:

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

- 1) CIARIMBOLI, Gino J.
- 2) DEVOTO, Timothy J.
- 3) HATHAWAY, Nathaniel T.
- 4) KIYOHIRO, Alessa M.
- 5) MENENDEZ, Jennifer L.
- 6) TSANG, Amy
- 7) WICKLUND, Reyn S.

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) CHANG, Milly L.C.
- 2) DELUNA, Yuko I.
- 3) HEROD, Keely B.
- 4) KAWAMURA, Robyn Y.
- 5) ORTH, Douglas J.
- 6) PACOG, Romelene R.

Ratification of
Issued Firm
Permits to Practice:

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

- 1) GROSS MENDELSON & ASSOCIATES PA
- 2) WEI HU LUM
- 3) HARRIS & CO PLLC

Executive Officer's
Report:

A. DCCA Disciplinary Actions Through April 2018

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

B. Status of Patrick Oki Case

Executive Officer Kobashigawa stated he was asked to provide a status of Patrick Oki's case:

- December 20, 2017: petition filed;
- January 19, 2018: notice of hearing and pre-conference hearing filed by Office of Administrative Hearings ("OAH"):
 - ✓ March 12, 2018 – prehearing conference scheduled; and
 - ✓ April 27, 2018 – hearing date;
- April 12, 2018: re-schedule notice of hearing and re-schedule pre-conference hearing filed by OAH:

- ✓ July 9, 2018: re-scheduled pre-hearing conference scheduled; and
- ✓ September 6, 2018: re-scheduled hearing.

Chairperson Taketa commented that this is all public information.

Chairperson's Report:

A. AICPA Peer Review Open Session Meeting

Chairperson Taketa provided a brief summary from the AICPA Peer Review Open Session Meeting held on May 2, 2018:

- Education and Communication Task Force – analyzing the pool of peer reviewers by state; certain states may have a shortage of team captains; AICPA has a plan to recruit new peer reviewers and will study how peer reviewers can improve their skills.
- PRIMA – first anniversary; there has been about one hundred enhancements; peer reviewers must update their resumes.
- Thirty-four (34) administering entities who submitted their plan of administration – eighteen (18) of them requested a waiver of a CPA on staff and all waivers were approved. Waivers are available for years 2019 and 2020.
- Two (2) administering entities discontinued (one was Hawaii, HSCPA) in 2018; two (2) more administering entities may discontinue in 2018.
- Average of three (3) RAB observations per administering entity in 2018.
- About 240 firms dropped nationwide (one was from Hawaii) from AICPA Peer Review Program.

Mr. Williams inquired on the reasoning for dropped Hawaii firm; Chairperson Taketa stated because "scheduling info not received".

B. NASBA Enforcement Resources Committee Meeting on May 15, 2018

Chairperson Lau stated the Board has been provided with a summary report of the NASBA Enforcement Resources Committee Meeting held on May 15, 2018 by Mr. Roberts.

Mr. Roberts emphasized the peer review administration paragraph - commenting that other Boards may be interested to learn about what the process is like when an administering entity withdraws and is replaced by another administering entity, and further being that this Board was not engaged in each step of that process. Mr. Williams commented that the New York Board already went through this type of situation.

Standing Committee Reports:

A. Peer Review

3) Presentation/Discussion from the Oregon Society of Certified Public Accountants

Committee Chairperson Lau introduced Phyllis Barker from the Oregon Society of Certified Public Accountants ("OSCPA") stating that OSCPAs has replaced HSCPA as Hawaii's administering entity. Mr. Lau stated Ms. Barker was here today to discuss what the Board may expect with the transition and the future with OSCPAs.

Ms. Barker commented that firms are dropped from the peer review process usually because they did not schedule their peer review or a peer review was

scheduled but not completed. Increase in the number of firms dropped with PRIMA may also be because the notifications to firms may go to their "spam/junk" folders and are missed. She stated that OSCPA is proactive in notifying firms before they are dropped.

Ms. Barker stated OSCPA is excited to work with Hawaii firms. She further commented that they are here to help firms, they are not the regulators nor are they the AICPA.

Ms. Barker stated as Vice-President and COO of OSCPA, she is involved with peer review on a daily basis. A summary of her presentation as follows:

- PRIMA enhancements were good, more to come in August, more user friendly;
- OSCPA also takes care of Guam and Northern Mariana Islands;
- Committee Chairperson Lau inquired if the Peer Review Oversight Committee ("PROC") is able to attend their RAB meetings – how will that process be for our PROC members. OSCPA uses "zoom" – video conferencing, easy to participate without being in the same room. Zoom is also used for screen share with firms that needs assistance from OSCPA;
- Hawaii reviewers: Rodney Harano and Dustin Verity will be on their committee;
- Perceived perception of threat of familiarity, having reviewers from two different states may help to alleviate this concern;
- Initial contact to firms are automatic through PRIMA;

- A lot of the communication is automatic, but OSCPA “does everything they can” to help firms from being dropped – they do reach out to the firms who may have been noticed/reminded to schedule their peer review or be dropped;
- Vice-Chairperson Komo inquired what happens if there is disagreement with the firm and RAB; Ms. Barker noted there is a guidebook - RAB handbook on disagreement panels. Lots of opportunities for firms to state their case and firms can appeal to AICPA;
- AICPA joint task force – does not need to be physically there; and
- OSCPA does not report to the Oregon Board as they have access to the Facilitated State Boards Access website. Thus, they do not have an agreement “memorandum of agreement” with the Oregon Board. Mr. Williams commented that he believes this Board also applied for that. Ms. Barker noted that access is usually given to the staff and not the Board members.

Ms. Barker commented that OSCPA used to do about 700 peer reviews at one time and now conducts about 525 peer reviews. With the addition of Hawaii firms, which may be about 160, they may again process about 700 firms.

Ms. Barker stated that she is here to help the Board to understand the peer review process, she has gone through “peer review 101” with the Oregon Board members. Ms. Barker noted that seventeen (17) years ago, only ten (10) states had mandatory peer review, “pretty much mandatory everywhere now”.

Ms. Barker was thanked for attending today's meeting.

- 1) Draft Memorandum of Understanding for a Sponsor Organization (Oregon Society of CPAs) Under the State of Hawaii Peer Review Program

Discussion ensued on the memorandum of understanding the Board drafted for OSCPA as the administering entity. Mr. Williams recommended to move forward and requested to share the document with OSCPA for their feedback - in time for the Board's next meeting in June. The Board had no further comments/edits to the draft and the consensus of the Board was to present the draft memorandum to OSCPA. Committee Chairperson Lau requested Ms. Barker for feedback on the draft memorandum of understanding.

- 2) Draft Response to Representative Choy's Request that Hawaii's Peer Review be Suspended or Terminated

Board members were provided with a copy of the draft response to Representative Choy on his request that Hawaii's peer review be suspended or terminated. Chairperson Taketa suggested that he should sign the response since the request was addressed to him. Mr. Williams commented references to individuals or organizations was not necessary as it is irrelevant to the request. Mr. Williams suggested deleting the mention of HSCPA; thus, the response (as written on the draft) would state: "We do not believe the Board has the authority to suspend or terminate

provisions of state law that deal with the peer review process.”

The Board’s consensus was to incorporate both suggestions and approve the response letter to Representative Choy.

DAG Jayaram left the meeting at 10:08 a.m.

B. Uniform CPA Examination

- 1) Report on the 24 Accounting Credit Requirement, Report on Meeting with UH System

Mr. Williams briefed the Board, reporting on his meeting with the UH-wide Accounting faculty on the 24 accounting credit requirement. He reminded the Board that this was subsequent to Mr. Pearson’s presentation to the Board at the March 23, 2018 Board meeting to suggest the Board increase the accounting credit requirement to 24 credits (upper division), which most of the rest of the country require. Hawaii used to require 24 credits but it was changed in the 1990s. Mr. Williams commented that Dr. Karbens dissertation, written in 1983 was consistent with Ms. Hinson’s pamphlet/presentation at the April 27, 2018 Board meeting.

Mr. Williams stated that the UH-wide Accounting faculty meeting included the same presentation made by Mr. Pearson to the Board in March, and noted it was presented that day by Dr. Pourjalali. Mr. Williams followed with three questions to the faculty:

1. Do you agree that a 24 education requirement to sit for the CPA examination is needed or desirable?

Unanimous - yes. Representative Choy who was present at the faculty meeting expressed his concern for "credit creep", students incur additional costs and loans to complete an education sufficient to sit for the CPA exam. Faculty addressed his concern by stating that the 24 credits is contained within the 150 credit requirement for license; thus, there would be no additional cost to students who want to sit for the CPA exam. A faculty commented that what the Board does, do not change the requirements to obtain an accounting degree. Representative Choy expressed his desire to go back to 120 credit requirement and a faculty commented if that happened, there would be no mobility with any other state or reciprocity due to equivalency.

2. Does your school have the resources to provide/meet a 24 hours requirement?

Unanimous - yes.

3. If not, can you identify reasonable alternatives to meet a 24 hour requirement?

n/a.

May 9, 2018: met with University of Hawaii at West Hawaii faculty – who suggested to have a list of courses (similar/as suggested in the model rules of the UAA) and that they are fully supportive and has the

resources. Their mission is to provide broad education in accounting for all. They also suggested to have a five-year accounting program.

May 11, 2018: met with Dr. Warren Wee of Hawaii Pacific University who was supportive of the idea. Their current program is 21 hours of upper division and he did stress that content really matters.

May 16, 2018: met with Chaminade faculty who is also supportive and capable.

Mr. Williams stated that he met with one faculty member from Brigham Young University Hawaii - who believed there may be institutional pushback but do have the resources. He further added that they are not accredited due to the lack of PhDs in the program.

Mr. Williams commented that at this point, he is not making any recommendations. Chairperson Taketa thanked Mr. Williams commenting that was a lot of work. Mr. Williams commented that it was interesting. He further commented that if the schools did not have the resources and they were in opposition, it would not make sense to pursue this matter, as it may lead to a legislative battle. And if the resources are not there, it does not make sense unless you give them a long lead time until the effective date. He further commented that the schools were enthusiastic about having a 24 accounting credit requirement.

Dr. Karbens provided a summary of How to Succeed in Accounting. He commented that the College of Business needs to

support the School of Accounting. He commented that if 24 accounting credits is required by law, the school can go back to the Legislatures/trustees for more money.

Chairperson Taketa stated that at the upcoming NASBA Regional meeting, there will be discussion about the new pathway – to attract IT students into the CPA profession. He commented that it may be better to get the standpoint of the entire profession and more information about the “new pathway”.

Mr. Roberts inquired if we have access to Hawaii’s pass rates for the last 20 years; Committee Chairperson Punua stated he will check with NASBA for a customized report and with Ms. Hinson. Mr. Roberts commented that historical data may help to determine what the underlying problem may be on passing rates.

Mr. Aratani left the meeting at 10:34 a.m.

It was noted that a statutory change would be needed to change from the current eighteen semester hours of upper division or graduate level accounting and auditing subjects to 24 hours. Mr. Williams commented that since it may rise to the level of a statutory change, you have to think about how would this protect the public; he opined that this affects the public interest because having a “full supply of CPAs who are better educated fulfills that requirement”.

Further discussion ensued on the high pass rates of schools. Comments included the quality of the program those schools may

offer such as some curriculums may be geared to take the exam.

Mr. Williams stated that Chaminade expressed interest in doing a project for the Board to tabulate the requirements state by state, particularly the educational requirements. Chairperson Taketa commented they should submit a request for a research grant from NASBA.

Open Forum: None.

Next Board Meeting: Friday, June 22, 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 10:36 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

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Minutes approved as is.

Minutes approved with changes. See Minutes of _____.