

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

MINUTES

Date: Friday, July 27, 2018

Time: 8:30 a.m.

Place: PVL Examination Room
King Kalakaua Building
335 Merchant Street, 3rd Floor
Honolulu, Hawaii 96813

Present: Gregg M. Taketa, CPA, Chairperson
Darryl T. Komo, CPA, Vice-Chairperson
Terrence H. Aratani, Member
Christopher Lee, CPA, Member
Edward L. Punua, CPA, Member
John W. Roberts, CPA, Member
Krishna F. Jayaram, Deputy Attorney General (“DAG”)
James Kobashigawa, Executive Officer
Lori Nishimura, Secretary

Excused: Gabriel Lee, Member
Gary Y. Miyashiro, CPA, Member
Carleton L. Williams, CPA, Member

Guest: none.

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.

New Board member, Christopher Lee, was welcomed by the Board. Mr. Lee introduced himself and provided a brief history of his work experience, stating that he has been practicing public accounting for almost eighteen (18) years. He thanked members for welcoming him and looked forward to serving on the Board.

Approval of
Minutes of the
May 25, 2018 and
June 22, 2018
Board Meetings:

After discussion, it was moved by Mr. Roberts, seconded by Mr. Aratani, and unanimously carried to approve the minutes of the May 25, 2018 and June 22, 2018 Board meetings.

Executive Session:

At 8:33 a.m., it was moved by Mr. Aratani, seconded by Mr. Roberts, 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 8:46 a.m., it was moved by Mr. Punua, 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 meeting.

Applications for
CPA Certification:

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

- 1) BANOVICH, Amy J.
- 2) COGSWELL, Kanchali
- 3) COOPER, Ernest C.
- 4) DE GUZMAN, Kathleen Marie M.
- 5) DOMINGUEZ, Jenny N.
- 6) LI, Sidney
- 7) LOCK, Jason D.
- 8) MILLER, Tylan M.
- 9) OSUCH, Dennis J.
- 10) SAITO, Koki
- 11) TSUTSUMI, Nicholas P.

Ratification of
Individual CPA
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 individual CPA Permits to Practice:

- 1) CIARIMBOLI, Gino J.

- 2) KIYOHURO, Alessa M.
- 3) WICKLUND, Reyn S.

Ratification of
Issued Firm
Permits to Practice:

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

- 1) FREDERICK W GUNDLACH LLC
- 2) ANDREA CARR CPA LLC
- 3) CATHERINE H BRAY
- 4) PATHIRANA & ASSOCIATES INC

CPA Firm Trade
Name Approval:

A motion was made by Mr. Aratani, and seconded by Vice-Chairperson Komo to approve the following CPA firm trade names:

- Burrill CPA
- Burrill CPA, Tax and Accounting

Discussion followed that confirmed the request were for two (2) separate trade name approvals and that these types of requests are sought by individuals/ corporations registering their trade name with the Business Registration Division. The motion was unanimously adopted.

Election of Officers:

Chairperson Taketa requested that Board members could either indicate their interest in or nominate member(s) for the position of Board Chairperson. It was moved by Mr. Aratani, and seconded by Mr. Roberts to nominate and elect current Chairperson Taketa for the position of Board Chairperson. Mr. Taketa expressed his interest in the position. No further members expressed an interest and no further nominations were made for the position of Board Chairperson. The motion was unanimously adopted.

Chairperson Taketa requested that Board members could either indicate their interest in or nominate member(s) for the position of Board Vice-Chairperson. It was moved by Mr. Aratani, and seconded by Mr. Roberts to nominate and elect current Vice-Chairperson Komo for the position of Board Vice-Chairperson. Mr. Komo expressed his interest in the position. No further members expressed an interest and no further nominations were made for the position of Board Vice-Chairperson. The motion was unanimously adopted.

Executive Officer's
Report:

A. DCCA Disciplinary Actions Through June 2018

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

B. NASBA/AICPA/IQAB Mutual Recognition Agreement With CPA Australia

Executive Officer Kobashigawa stated that a Mutual Recognition Agreement ("MRA") has been made between NASBA/AICPA/IQAB and CPA Australia. He commented that more information about this agreement will be in Chairperson Taketa's report.

C. AICPA State Regulatory Update

Executive Officer Kobashigawa briefed the Board on an article in the AICPA State Regulatory Update. He stated that the U.S. Supreme Court ruled that States can mandate businesses who have no physical presence in the State, that conducts more than 200 transactions or collects \$100,000.00 in state sales, to collect and remit sales taxes of those transactions.

Chairperson Taketa suggested in light of this ruling, the Board may want to consider re-visiting its discussion for proposed rules amendment, to require CPA firms to disclose their GET number on their firm renewal form, and that there was a clause for firms to opt out of that requirement. Mr. Roberts commented that there is "merit to re-visit" but noted that Board members were not in agreement to require "anything that is related to tax, on principal".

D. 2018 National Registry Summit

Executive Officer Kobashigawa announced the 2018 National Registry Summit will be held on September 25-26, 2018 in Denver, Colorado.

E. Arkansas State Board of Accountancy Newsletter

Executive Officer Kobashigawa stated that Arkansas has finalized their rules to become the last state to require peer review; now all fifty (50) states require peer review.

F. States That Consider Passage of IQEX for Licensure

Executive Officer Kobashigawa circulated a map of the United States that denoted the states that consider passage of IQEX for licensure. Accounting professionals from foreign countries who have entered into MRA can get license in those states and vice versa. Mr. Kobashigawa stated most states are part of the MRA; Hawaii is not.

Chairperson's Report:

A. Report on NASBA Western Regional Meeting

Chairperson Taketa stated he and Executive Officer Kobashigawa attended the 2018 NASBA Western Regional meeting held on June 26-28, 2018. He stated there was good representation as meeting participants included representatives from all twenty-six (26) jurisdictions from the Western region, as well as eight (8) jurisdictions from the Eastern region.

Chairperson Taketa stated that he drafted a written report and provided the following summary:

New pathway to CPA was proposed. Joint effort by NASBA and AICPA to create a separate parallel pathway (all the way up to the CPA exam) to target IT graduates. It is an audit centric movement. Consensus by Boards in attendance was that they did not believe a new parallel pathway was the best route, suggestions included modifying the existing pathway, and keeping the core section of the CPA exam and possibly adding an IT section. Their discussions included defining a CPA and if that definition included IT. Everyone was in agreement that the profession is changing.

MRA. NASBA queried as to what does the Boards think about one year experience. General consensus was that one year is not adequate.

Reorganization Impact Task Force (“RITF”). RITF was created to study affects of new AICPA (Association of International Certified Professional Accountants) that wholly owns its subsidiaries: the old AICPA (American Institute of Certified Public Accountants and the CIMA (Chartered Institute of Management Accountants). Their three (3) major concerns were confusion, political, and contractual.

Pacific Region Breakout Session. Chairperson Taketa stated that he did share the Board’s experience with the administering entity transition. He wanted to make aware that it could happen to other Boards. He queried what steps can be taken to ensure adequate transparency in the process, instead of being “blind-sighted”.

Marijuana Enforcement. Legal Counsel from NASBA provided an update of the marijuana enforcement. Attorney General Jeff Sessions repealed prior Department of Justice guidance memos that “the Feds will take a hands-off approach”. In light of this, Chairperson Taketa commented the Board may need to revisit its policy statement to address firms who may provide CPA services to marijuana businesses. The Board’s policy was that they were not going to discipline them but to be careful. Chairperson Taketa requested the Board to revisit this matter.

CPA Exam Review Board (“ERB”). ERB oversees the partners of the computer-based testing contract, that includes NASBA, Prometric, and AICPA (exam writers). They report to all Boards of Accountancy; to all 55 jurisdictions. All Boards are asked to complete the 2018 ERB survey; Hawaii did not complete the 2017 survey.

New CPA exam software. Software is liked by the AICPA and candidates, passing rates have increased. The AICPA is exploring candidates’ request for faster scoring, expanding testing window, and continuous testing (which may allow a candidate to take same section twice in the same quarter window).

Accounting Accreditation Advances. Ray Johnson, Chair of the NASBA Education Committee, reported that there may be a correlation with students’ success rate in

passing the CPA exam to the accreditation of the school, the business school, and the accounting programs (to the Association to Advance Collegiate Schools of Business (“AACSB”) as follows:

	Students pass rate
AACSB accredited business schools	53%
AACSB accredited business schools and accounting programs	61%
Business schools with a different accreditation	41.6%
Schools with no data about accreditation	48%

Chairperson Taketa commented that these statistics should be shared with the Universities here, as accreditation is in their control. They may increase their student’s passing rate by getting their accounting program accredited.

B. AICPA Peer Review Board Open Session Meeting

Chairperson Taketa announced the next meeting of the AICPA Peer Review Open Session Meeting is August 2, 2018, and that he has enrolled in that meeting.

C. Appointment of Committee Chair

Chairperson Taketa stated that to keep continuity with the Standing Committees, the Chairperson assignments will remain the same with the exception of the Peer Review Committee.

Chairperson Taketa stated he is appointing Mr. Miyashiro as Committee Chairperson and Mr. Christopher Lee as member.

Standing Committee Reports:

A. Peer Review

- 1) Letter from Doeren Mayhew & Co PC Regarding Peer Review Report Requirement

Committee Chairperson stated an inquiry was received from Doeren Mayhew & Co PC regarding the peer review report requirement; whether a peer review needs to be completed with eighteen (18) months as this will accelerate their current three (3) year cycle.

Executive Session:

At 9:37 a.m., it was moved by Mr. Roberts, seconded by Vice-Chairperson Komo, 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 10:30 a.m., it was moved by Mr. Aratani, seconded by Mr. Roberts, and unanimously carried for the Board to move out of Executive Session.

After discussion, it was moved by Vice-Chairperson Komo, seconded by Mr. Aratani, and unanimously carried to notify Doeren Mayhew & Co PC that based on their inquiry, the firm is subject to HRS section 466-34(c)(4) that states:

Have a peer review performed within eighteen months of the date the Hawaii attest work was first performed;

and (f):

The board shall accept extensions granted by the sponsoring organization to complete a peer review; provided that the board is notified by the firm within twenty days of the date that an extension is granted. The board may also grant a firm an extension of time to comply with the peer review requirement of this part based on a showing of hardship, including reasons of health, military service, or other good cause as determined by the board.

B. Uniform CPA Examination

1) Quarter One 2018 Candidate Care Concerns Report

Committee Chairperson Punua provided a brief summary of the quarter one 2018 Candidate Concerns, stating there were 421 concerns (compared to the previous 875 concerns). He noted that candidates continue to request for papers and pencils during testing, and multiple restarts are also still a concern. It is still unclear if the computer restarts are due to Prometric or the AICPA, but this causes lots of anxiety to those affected candidates; candidates that experience two (2) or more restarts are able to re-test at no-charge.

2) AICPA Board of Examiners Meeting Highlights

Committee Chairperson Punua stated the AICPA Board of Examiners meeting was on May 31 – June 1, 2018. A conference call is scheduled to occur on August 1, 2018 and Mr. Punua plans to participate and will report back at the next meeting. Highlights included Alternative Pathways to CPA.

Committee Chairperson Punua stated he is still working with NASBA on obtaining the history of Hawaii's passing rates. He also noted that he was informed by Ms. Yvonne Hinson, Academic in Residence with the AICPA, that a few of the universities in Hawaii were selected for the Academic Champions Pilot program (a program she had mentioned in her presentation to the Board) – *student recruitment whereby students join the AICPA and their state society and have the support of both on their journey to licensure.*

Open Forum:

None.

Next Board Meeting: Friday, August 31, 2018
8:30 a.m.
King Kalakaua Conference Room
King Kalakaua Building
335 Merchant Street, 1st Floor
Honolulu, Hawaii 96813

Announcements: Executive Officer Kobashigawa announced that the internal deadline to introduce an Administration Bill for next year is August 20, 2018. Mr. Roberts commented that one full year of peer review implementation should be monitored in order to “fix...clean up...whatever is broken”. Executive Officer Kobashigawa stated that anyone else can submit their own bill at the next Legislative Session, but that an Administration Bill has a deadline as it needs to go through the process of the Department of Commerce and Consumer Affairs.

Adjournment: There being no further discussion, the meeting adjourned at 10:40 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

08/18

- Minutes approved as is.
 Minutes approved with changes. See Minutes of August 31, 2018.