

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

MINUTES

Date: Friday, November 16, 2018

Time: 8:30 a.m.

Place: Queen Liliuokalani 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  
Terrence H. Aratani, Member  
Christopher Lee, CPA, Member  
Gabriel Lee, Member  
Gary Y. Miyashiro, CPA, Member  
Edward L. Punua, CPA, Member  
Max Levins, Deputy Attorney General (“DAG”)  
James Kobashigawa, Executive Officer  
Lori Nishimura, Secretary

Excused: John W. Roberts, 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.

Approval of Minutes of the October 26, 2018 Board Meeting: Minutes of the October 26, 2018 meeting was not finalized. It was noted that the minutes will be available within thirty days after the October 26, 2018 meeting date, as required pursuant to HRS section 92-9, and will be on the December 21, 2018 meeting agenda for the Board’s review and approval.

Executive Session: At 8:31 a.m., it was moved by Vice-Chairperson Komo, 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 8:44 a.m., it was moved by Mr. Punua, seconded by Mr. G. Lee, and unanimously carried for the Board to move out of Executive Session, and to immediately recess the meeting.

At 8:58 a.m., the Board reconvened its meeting. It was noted that Messrs. G. Lee, and Miyashiro arrived to the meeting during Executive Session.

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) CARLILE, Ashley N.
- 2) COHEN, Helen K.
- 3) FAGARAGAN, Aleli S.
- 4) FERREIRA, Lindsay A.
- 5) FURUKAWA, Shaun M.
- 6) GRIM, Danielle N.
- 7) HACKETT, Erin E.
- 8) HADLEY, Sandra A.
- 9) MA, Kathy
- 10) SAKAMOTO, Curtis Yoshio-Kama
- 11) SAKAMOTO, Darren J.
- 12) SANTROCH, Lisa Ann
- 13) SASLOW, Glenn D.
- 14) SEGORIA, Joseph M.
- 15) ZHANG, Didi

Ratification of  
Individual CPA  
Permits to Practice:

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

- 1) COPLEY, John C.
- 2) LOPEZ, Liberty A.
- 3) SAITO, Koki

Ratification of  
Issued Firm  
Permit to Practice:

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

- 1) MICHIKO K CLITES

Ratification of  
Approval of Firm Name:

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

- 1) Alex Arndt CPA LLC
- 2) Andrea Carr CPA LLC

Executive Officer's  
Report:

A. Texas State Board Report

Executive Officer Kobashigawa provided a summary from the Texas State Board Report and their recent rule adoptions.

B. NASBA State Board Report

Executive Officer Kobashigawa provided a summary from the NASBA State Board Report.

C. Legal Requirements for Surveillance Recovery  
Retention in Europe

Executive Officer Kobashigawa informed the Board that he received a notice from NASBA, based on a memo from Prometric (NASBA's administrator of the Uniform CPA Examination), that Europe requires retainment of surveillance records for thirty days; whereas for other locations, Prometric retains surveillance records for ninety days.

Chairperson's Report:

A. NASBA Annual Meeting Report

Chairperson Taketa circulated the 2018 NASBA Annual Meeting Report, and provided the following highlights with the issues/concerns:

- Stats on the number of CPA exam segments taken during the past year significantly down (about 40,000 compared to 4 years ago). Concerns with the reduction of candidates entering profession.
- iGen – this generation is averse to student loans/debt; thus, the 150-hour rule may be a burden, a deterrent to candidates who may be considering entering the profession.
- May reconsider the 150-hour rule and go back to the 120-hour rule, but this would pose a problem with mobility. Unsure which jurisdiction would take that first step in reducing their education requirement because consequently that jurisdiction's CPAs may not be able to exercise their mobility privilege if they are not substantially equivalent. AICPA is probably opposed, and the Board and NASBA may be open to going back to the 120-hour rule.
- Experience should be at least two years, on par with other countries.
- Education is on the low end compared to other countries.
- California Bill, Assembly Bill 2138, was recently signed by their Governor – California Board of Accountancy cannot deny a license due to prior felony conviction(s) that occurred more than seven (7) years ago. May be a movement in other states that may also impact mobility.
- Conflict with the conformity with NOCLAR (noncompliance with laws and regulations) due to a conflict with Section 18 of the Uniform Accountancy Act relating to confidentiality. Task has been assigned to the Ethics AICPA committee.
- NOCLAR – usually deals with audit and reporting non-compliance to appropriate agency which may put the firm in a bind with confidentiality (lots of foreign countries adopted NOCLAR).
- Proposed revision to peer review – all state Boards to review with comments and concerns, that includes definition of administering entity, adopting the AICPA and state CPA societies as approved sponsors of peer review, requiring submittal of peer review documents, and prohibits peer review

oversight committee members from conflicts of interest.

- Rapidly moving toward continuous testing, goal is to allow all jurisdictions to allow continuous testing. January 1, 2020 – is the target start date. We are one of 39 jurisdictions that may need to amend Administrative Rules, 3 jurisdictions may require a statutory change.

Standing Committee Reports:

A. Legislation and Rules

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

a) Section 16-71-19(i)

Chairperson Taketa stated with the movement to continuous testing of the Uniform CPA Exam, he suggested the Board consider amending HAR section 16-71-19(i), as attached to the meeting agenda. He also noted that as the Board is still in the first steps of the proposed rules adoption procedures (waiting for the typed Ramseyer draft form) the Board consider adding this suggested amendment.

After discussion, it was moved by Vice-Chairperson Komo, seconded by Mr. Aratani, and unanimously carried to approve the proposed amendments to Title 16, Chapter 71 of the Hawaii Administrative Rules, as follows (with repealed material bracketed and stricken through, and new material underscored):

“§16-71-19 Computer-based examination.

\* \* \*

(i) An applicant may take the required sections of the examination individually and in any order. Credit for any section passed shall only be valid for eighteen months from the last day of the ~~[examination window]~~ quarter in which the applicant took that section, and the applicant shall not be required to maintain a

minimum score on any failed section(s). [~~An examination window means the three-month period in which an applicant has an opportunity to take the examination, and is comprised of two months in which the examination is available to be taken and one month in which the examination will not be offered while routine maintenance is performed and the item bank is refreshed.~~]

(1) An applicant shall pass all four sections of the examination within a rolling eighteen-month period, which begins on the last day of the [~~examination window~~] quarter in which the first section(s) passed is taken.

(2) An applicant [~~shall not~~] can retake a failed section in the same [~~examination window~~] quarter if the applicant's grade for the previous attempt of that same section has been released.

(3) In the event all four sections of the examination are not passed within the rolling eighteen-month period, credit for any section(s) passed outside the rolling eighteen-month period shall expire and that section(s) shall be retaken.”

B. Continuing Professional Education

1) Status of CPE Audit Compliance

Executive Officer Kobashigawa summarized the progress of the CPE audit compliance:

CPA license audit:

- 133 sampled
  - 129 successful, compliant
  - 2 deficient
  - 1 no response
  - 1 request for extension expired

Permit to Practice audit:

- 127 sampled (of which 1 passed away)
  - 72 successful, compliant
  - 53 adjustments or are deficient (most may be adjustments to licensee's carryover CPE credits)

C. CPA Examination

1) NASBA Candidate Care Q-3, 2018 Report

Committee Chairperson Punua provided a summary of the NASBA Candidate Care Q-3 Report:

Number of incidents reported for Q-3 of 2018 has increased to 698 incidents/concerns (Q-2 of 2018 received 269 incidents/concerns), some incidents/concerns raised may be due to:

- Site issues - request for paper and pencils; and
- Environment - national disasters.

2) Board of Examiners Update Call Meeting Highlights on October 4-5, 2018

Committee Chairperson Punua provided a summary from the Board of Examiners (“BOE”) Update Call Meeting on October 4-5, 2018, noting that some of the topics were already discussed from the NASBA meeting that Chairperson Taketa reported on.

- Low volume of candidates taking the exam and is affecting budget forecast of revenues;
- Strong economy and may not feel the need to get a CPA license;
- Continuous testing; and
- Next meeting to take place late February 2019.

3) NASBA Quarterly Reports; 2018 – Quarters 1-3

Committee Chairperson Punua provided a summary from the NASBA Quarterly Reports; 2018 – Quarters 1-3.

- Hawaii’s pass rate out of 52 jurisdictions:
  - Q-3 of 2018 = 33
  - Q-2 of 2018 = 50
  - Q-1 of 2018 = 42
- Exam sections taken/tested:

- Q-3 of 2018 = 148
- Q-2 of 2018 = 134
- Q-1 of 2018 = 116

Committee Chairperson Punua commented “more activity and overall better pass rates”.

Open Forum: None.

Next Board Meeting: Friday, December 21, 2018  
8:30 a.m.  
King Kalakaua Conference Room  
King Kalakaua Building  
335 Merchant Street, 1<sup>st</sup> Floor  
Honolulu, Hawaii 96813

Announcements: None.

Adjournment: There being no further discussion, the meeting adjourned at 9:45 a.m.

Taken and recorded by:

/s/ Lori Nishimura

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Lori Nishimura, Secretary

Reviewed and Approved by:

/s/ James Kobashigawa

\_\_\_\_\_  
James Kobashigawa, Executive Officer

JK:In

12/18

- [ X] Minutes approved as is.  
[ ] Minutes approved with changes. See Minutes of \_\_\_\_\_.