

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

MINUTES

Date: Friday, August 30, 2019

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  
Christopher Lee, CPA, Member  
Gabriel Lee, Member  
Gary Y. Miyashiro, CPA, Member  
Edward L. Punua, CPA, Member  
Carleton L. Williams, CPA, Member  
John W. Roberts, CPA, Member  
Shari Wong, Deputy Attorney General (“DAG”)  
Relley W. Araceley, Executive Officer  
Leanne Abe, Secretary

Excused: Terrence H. Aratani, Member

Guests: 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 8:38 a.m. by Chairperson Taketa.

Approval of the Minutes of the July 26, 2019, Board Meeting: After discussion, it was moved by Mr. Punua, seconded by Vice-Chairperson Komo, and unanimously carried to approve the July 26, 2019 open session meeting minutes, as circulated.

After discussion, it was moved by Mr. Roberts, seconded by

Mr. G. Lee, and unanimously carried to approve the July 26, 2019 executive session meeting minutes, as circulated.

Chapter 91, HRS,  
Adjudicatory Matter:

None.

Applications:

At 8:40 a.m., it was moved by Vice-Chairperson Komo, 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 8:50 a.m., it was moved by Vice-Chairperson Komo, seconded by Mr. C. Lee, 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. Roberts, seconded by Mr. G. Lee, and unanimously carried to approve the following applications for certification:

- 1) ECKMAN, Jacqueline M.
- 2) HALL, Patrick W.
- 3) LASIEWICZ, Cheryl A.
- 4) SUMPTER, Katelyn G.
- 5) TING, Yin Man D.
- 6) WATKINS, James B.
- 7) YEE, Joshua G.W.

After discussion, it was moved by Mr. Punua, seconded by Vice-Chairperson Komo, and carried by a majority, with the exception of Mr. Williams, who recused himself from the discussion and voting on this application, to approve the following application:

- 1) FUKUHARA, Eric H.

After discussion, it was moved by Mr. Roberts, seconded by Mr. G. Lee, and carried by a majority, with the exception of Vice-Chairperson Komo, who recused himself from the discussion and voting on this application, to approve the following application:

- 1) HO, Lok Kam

Ratification of  
Individual CPA  
Permits to Practice:

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

- 1) CLARK, Justin James
- 2) FARLEY, Thomas Joseph Jr.
- 3) LOCK, Jason D.

Ratification of  
Issued Firm  
Permits to Practice:

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

- 1) Douglas M. Goto
- 2) Farley Drain & Co A Professional Corporation
- 3) Norman S. Kim
- 4) Pension Assurance LLP
- 5) Sophia Accounting LLP

After discussion, it was moved by Mr. Punua, seconded by Mr. G. Lee, and carried by a majority, with the exception of Vice-Chairperson Komo, who recused himself from the discussion and voting on this application, to ratify the approval of the following issued Firm Permit to Practice:

- 1) Fiona K Leung & Company Inc

Executive Officer's  
Report:

A. DCCA Disciplinary Actions Through June 2019

Executive Officer Araceley clarified that "June 2019" is a typo on agenda and should read "July 2019." He confirmed there were no new disciplinary actions via the informational monthly report for the Department of Commerce and Consumer Affairs ("DCCA").

B. American Institute of Certified Public Accountants  
("AICPA") State Regulatory Update

Executive Officer Araceley circulated the AICPA State Regulatory Update.

C. Other States' Newsletters

Executive Officer Araceley circulated other states' newsletters which included a list of inactive licensees.

D. National Association of State Board of Accountancy  
("NASBA") Communications

Executive Officer Araceley confirmed he did not receive anything regarding NASBA State Board Report.

E. NASBA Center for the Public Trust Newsletter

Executive Officer Araceley circulated a NASBA Center for the Public Trust newsletter.

F. Inquiries Regarding Licensure in Hawaii:

- 1) Contractor's Board licensing application requiring CPA signature on preprinted Financial Statement Form

Vice-Chairperson Komo circulated the Contractors Financial Statement Application Form with supporting document for the Board to review. He briefed the Board regarding the class that he attended. The speaker specifically mentioned a section on the second page of the form from the Hawaii Contractor's licensing Board where a CPA firm is to print and sign name. In the speaker's opinion, the accountant should not sign a preprinted form, which includes this Contractors Financial Statement Application Form. Vice-Chairperson Komo mentioned that the speaker's opinion is referencing guide 2.86 which states:

*The accountant should not sign a preprinted report form that does not conform to the guidance in AR-C section 80. If the preprinted report form does not conform to the applicable requirements, the accountant should append an appropriate report to the prescribed form.*

Vice-Chairperson Komo mentioned a big issue that was brought up during the class was regarding accountants not signing the forms. As a result, applications for the Contractor's license were not going through and it was holding up the application process. He informed the class that this would be brought to the Board for discussion at the next meeting.

Mr. Williams mentioned that he spoke with the speaker and the issue is the word "form" is mentioned twice in the guide, and so an accountant should not sign a preprinted "form." In Mr. Williams' opinion, he reads the guide with the emphasis on the word "report", and so an accountant should not sign a preprinted "report." He commented that if the Contractor's Board will be fine with providing the name of firm, firm license number and state without a signature, this may be a solution to the issue.

After discussion, the Board determined that Mr. Williams will contact Executive Officer Ito of the Contractors Board to discuss and report back in a future board meeting.

H. Update on peer review committee legislation request

Executive Officer Araceley informed the Board members that the Board's proposed bill included in the administrative package is currently with DCCA's Director's Office to move forward.

Chairperson's Report:

A. HCC Hale Kea Testing Center Site – board approval

Chairperson Taketa circulated the NASBA Site Checklist for Computerized CPA Examination. He briefly

summarized this effort that started back in the June 2013 meeting where he was appointed to look into the possibility of having neighbor island test sites. The two sites were University of Hawaii (“UH”) Hilo campus and Hawaii Community College (“HCC”) test centers. It was decided to focus on HCC Hale Kea Testing Center. Chairperson Taketa got authorization to visit the HCC test site and NASBA asked him to complete the checklist. Patricia Hartman, the NASBA Director of Client Services, is requesting that the Board formally approve the test center as a site for the CPA examination at HCC.

Mr. Williams asked if the HCC test center will replace another test site.

Chairperson Taketa responded that there are no neighbor island test centers that administers a uniform CPA examination. He confirmed they do administer other Prometric exams and have three certified Prometric test administrators on that site. There will be at least one certified administrator working at that test center at all times.

Mr. Williams asked about the CPA examination test cost to participant.

Chairperson Taketa responded that he was not sure about the exact costs, but there may be an hourly charge that the test center will need to assess.

After discussion, and it was moved by Mr. Williams, seconded by Mr. Roberts, and unanimously carried for the Board to approve the HCC Hale Kea Testing Center Site for computerized uniform CPA examination.

B. NASBA Western Regional Meeting Report

Chairperson Taketa shared that the complete regional report with most of the sessions that both Executive Officer Araceley and attended is ready for submission. He reported some of the interesting topic sessions listed below to the Board.

- Panel of “Gen Z”

This is the newest generation that is entering the profession. He commented that it was an interesting insight to their general characteristics of that particular generation.

- CPA Examination – Continuous Testing

NASBA did a survey of the different jurisdictions as far as what needed to be changed in those respective jurisdictions to conform to the continuous testing. Most of the jurisdictions just needed to change their rules instead of statutes. Most of the jurisdictions felt that they change their rules by July 1, 2020 (continuous testing would start). If the Board is not able to revise rules before the start date, there were some possibilities of options that the board can consider like relaxing the existing rules, adopting emergency rules, or issuing a declaratory ruling. Board would need to obtain an attorney general’s opinion regarding departing from the existing rules. The one rule that would pose a problem regarding continuous testing, is retaking a failed section. The rules specifically state that an applicant shall not retake a failed section in the same window. NASBA would be allowing applicants to retake an examination as soon as the results are given and will be able to apply in the same window. This can pose a problem, clearly against the existing rules and something board must deal with in the future.

Mr. Williams questioned how the Board would define rules for something that no longer exists. Referring to Hawaii Administrative Rules section 16-71-19(i) which defines an examination window. If there is continuous testing, the examination window no longer exists.

DAG Wong commented that by default it would be inapplicable due to obsolescence.

Chairperson Taketa mentioned that the Board would like some guidance through the transition period between July 1, 2019 and when the rules are approved.

DAG Wong responded that the Board will need to address and treat everyone fairly and consistently. It will be memorialized in meeting minutes on how you want to treat applicants in certain situation and thereafter the Board will refer to other similarly situated persons affected.

- Anti-regulation Battle

To help counter this anti-regulatory movement, there was an alliance created. The strategy behind it was to distinguish the professions from the occupations in trying to address this anti-regulatory movement.

- NASBA CPE Audit Service

This is a platform where certain states have their CPAs log in and list their CPE as they're earning it and submitting their CPE certificate. There's a whole database of information where the boards can access and audit electronically. That service is available, but something that the Board may look into in the future. The three main users being CPAs, boards of accountancy, and the CPE providers. The question the Board should ask is "Are you going to allow all providers or only NASBA approved providers?"

Executive Officer Araceley thanked Chairperson Taketa for his detailed report to the Board. He mentioned that he spoke with his supervisors regarding the CPE Audit Program and implementing it at the Department of Commerce and Consumer Affairs ("DCCA"). However, the issue is that DCCA is currently transitioning into a new licensing system. Executive Officer Araceley mentioned that majority is excited about the possibility of the NASBA CPE Audit System, as it will ease the audit process when it comes to license renewals.



Mr. Roberts brought up the 120 (one hundred and twenty) hours versus 150 (one hundred and fifty) hours issue pertaining to sitting for the exam. Chairperson Taketa reported that most jurisdictions were in favor of the 120 (one hundred and twenty) hours versus 150 (one hundred and fifty) hours to sit for the exam.

Chairperson Taketa shared that NASBA Western Region Conference call will be on September 9, 2019 and he will report back to the Board in the next meeting.

Standing Committee Reports:

A. Legislation and Rules

- 1) Hawaii Administrative Rules (“HAR”) Amendments – Legislative Reference Bureau (“LRB”) review

Executive Officer Araceley briefly reported on the latest draft version of the rule package. He mentioned that he spoke with DAG Leong regarding the amendments that came from LRB and confirmed all were formed amendments. DCCA supervisors brought up an issue regarding rules section 16-71-9 and 16-71-10. Their concern is that these two sections have been in the past two rule amendments and only state “repealed” with no exact date. Executive Officer Aracely is working to research and find the repeal dates to continue the rule change process.

B. Continuing Professional Education “CPE”

- 1) AICPA-NASBA Exposure Draft

Committee Chairperson Roberts circulated a first draft proposed response from the Hawaii State Board of Public Accountancy (“HSBPA”) for the Board to review. He mentioned that the exposure draft Board response deadline is August 31, 2019.

i. Fields of Study that Qualify for Continuing Professional Education

Committee Chairperson Roberts reported that he has no problem with the Fields of Study that Qualify for Continuing Professional Education exposure draft. The Committee's recommendation is either no comment or comment saying we concur with those changes.

ii. Statement on Standards for Continuing Professional Education

Committee Chairperson Roberts reported that he has some problems with the Statement on Standards for Continuing Professional Education. National Association of State Boards of Accountancy ("NASBA") specifically requested comments on the following two issues:

o NASBA Issue 1

*S11-02 requires that if the primary components of a blended learning program are synchronous learning activities, then CPE credits for pre-program, post-program and homework assessments cannot constitute more than 25 percent of the total CPE credits available for the blended learning program.*

o NASBA Issue 2

*S17-90 requires that the CPE credit calculation for adaptive learning self study programs be based on a representative completion time of a sample group of pilot testers. The sample group must consist of at least seven*

*qualified individuals who are independent of the program development group.*

The Board discussed the two NASBA issues. Issue 1, discussion ensued to leave the determination of credits to the course provider. Issue 2, discussion ensued that flexibility is needed so that the CPE providers can present programs that are tailored to the circumstances of a small community. Flexibility is necessary if the Board is concerned about contributing to protecting the public as more important than the additional assurance in the quality of the course.

After discussion, it was moved by Mr. G. Lee, seconded by Mr. Punua, and carried by a majority, with the exception of Mr. Williams, who opposed from voting to approve the proposed response draft from the Board.

C. Exam Committee

- 1) Board of Examiner's update from July 2019 meeting

Committee Chairperson Punua summarized the Board of Examiner's phone conference update call on July 22, 2019. The actual Board of Examiners met on May 29<sup>th</sup> – 31<sup>st</sup>, 2019. Mike Decker for AICPA and Jeff Hoops, Chair of the Board of Examiners conducted this conference meeting. He reported some of the highlights listed below to the Board.

- State Board Committee discussed pending approval and implementation of the continuous testing.
- Psychometric Committee analyzes exam and recently focused on future test

design and accelerated practice analysis enhancements.

- State board issues include current topics brought up by various state boards including the anti-regulation activities, continuous testing and implementing challenges, and peer review renewals.
- Financial Oversight Group (“FOG”) team has approved 2019-2020 budget.
- Lower candidate counts with Q2 2019 forecast 191,000 -197,000 exam sections taken versus 2018 with over 200,000 exam sections taken.
- Increasing trends, 10% higher in 2019 of first-time candidates Q2 2019 comparison
- Passing candidates are almost even with 2018 data
- Increased no show rates of 9.7% with previous average of 8%
- License demand is typically lower in a strong economy
- Growth in other licensing areas, Certified Information System Auditor (“CISSA”).
- Future of exam and upcoming practice and analysis 2019 goals and objectives
- CPA hiring trends are stable

Committee Chairperson Punua shared they will be meeting again in Fall 2019 and will report back to the Board after the meeting.

Open Forum:

Mr. Punua asked about the update regarding the RICO response from Esther Brown.

Executive Officer Araceley confirmed that he will check back with Esther Brown regarding her availability to attend a future board meeting and discuss with the Board.

Chairperson recommended board members to attend the upcoming Boards and Commissions Orientation on October 11, 2019.

Next Board Meeting: Friday, October 25, 2019  
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 10:10 a.m.

Reviewed and approved by:

Taken and recorded by:

/s/ Relley W. Araceley

/s/ Leanne Abe

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Relley W. Araceley  
Executive Officer

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Leanne Abe  
Secretary

RWA:la

09/18/19

- Minutes approved as is.  
 Minutes approved with changes. See minutes of the September 27, 2019, meeting.