

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

MINUTES

Date: Friday, January 31, 2020

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

Excused: Gabriel Lee, 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 8:31 a.m. by Chairperson Taketa.

Approval of the Minutes of the December 20, 2019, Board Meeting: Mr. Punua requested for the following amendment on page 3, second to the last paragraph:
“~~Mr.~~ **Ms.** Brown responded that RICO has a complains history website.”

Mr. Punua requested for the following amendment on page 4, third to the last paragraph:

~~“At 8:48 a.m., it was moved by Mr. Punua, seconded by Vice-Chairperson Komo, and unanimously carried for the Board to move out of Executive Session, and to immediately recess the meeting.”~~

DAG Leong suggested for the following amendment on page 7, first paragraph:

“The Board discussed tax preparations and who can sign off on tax returns. Discussion ensued [that] **whether** anyone can sign off on tax preparations as a tax preparer.”

Mr. Punua requested for the following amendment on page 8, second to the last paragraph:

“Friday, [~~February 21~~] **January 31**, 2020
8:30 a.m.
King Kalakaua Conference Room
King Kalakaua Building
335 Merchant Street, 1st Floor
Honolulu, Hawaii 96813”

After discussion, it was moved by Mr. Roberts, seconded by Mr. Aratani, and unanimously carried to approve the minutes of the December 20, 2019 meeting, with the aforementioned amendments (with new material underscored in bold and repealed material bracketed and stricken through).

After discussion, it was approved by Mr. Aratani, seconded by Mr. Punua, and unanimously carried to approve the December 20, 2019 executive session meeting minutes.

Applications:

At 8:37 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 8:50 a.m., it was moved by Mr. Williams, seconded by Vice-Chairperson Komo, and unanimously carried for the Board to move out of Executive Session.

Applications for CPA Certification:

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

- 1) COONEY, Joanna B.
- 2) ISHIZUKA, Cody N.
- 3) KURODA, Kelly E.
- 4) LIM, Anna Karvina Pidong
- 5) MACEYKO, Marcus J.Y.
- 6) McADAMS, Jeremy D.
- 7) MURAOKA, Christine T.
- 8) NOH, Alex S.
- 9) REAM, Lori A.
- 10) SANCHEZ SANTIAGO, Yarelis
- 11) SPEARS, Steven H.
- 12) STONE, Eric P.
- 13) WILSON, Cassie

After discussion, it was moved by Vice-Chairperson Komo, seconded by Mr. Aratani, 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) BONGBONGA, Dharyl Y.

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

- 1) DONOHUE, John M.

After discussion, it was moved by Mr. Punua, seconded by Vice-Chairperson Komo, and carried by a majority, with the exception of Mr. C.Lee, who recused himself from the

discussion and voting on this application, to approve the following application:

- 1) MINOURA, Ayaka

Ratification of
Issued Firm
Permits to Practice:

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

- 1) MICHELE R KANESHIRO
- 2) DEBI H UYEUNTEN
- 3) DINA M K MIYAHIRA
- 4) ROSANNE C MARTIN
- 5) DOUGLAS R VINCENT
- 6) MELANIE Y FUJIWARA
- 7) KA YU TANG
- 8) WASTVEDT AND COMPANY INC
- 9) KARI ANN S TADAKI
- 10) KELLY ZANE CPA LLC
- 11) RANDY VEGTING CPA MST AN ACCOUNTING CORPORATION
- 12) GLENN M SAKUDA
- 13) CAMERON GROUP LLC
- 14) PETERSON MORSE, LLC
- 15) PJW CONSULTING LLC
- 16) BRENT T NOYAMA

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

- 1) ACCOUNTANTS HAWAII LLC

Executive Officer's
Report:

A. DCCA Disciplinary Actions Through
November/December 2019

Executive Officer Araceley circulated the informational monthly report of the DCCA (Department of Commerce and Consumer Affairs) disciplinary action through November/December 2019, which includes sanctions that DCCA had taken relating to various Boards and Programs.

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

Executive Officer Araceley circulated the AICPA State Regulatory Update and reported that one Hawaii CPA-763 was dropped from the Peer Review Program. As of current, individual has not renewed their license. Vice-Chairperson Komo commented that CPA-763 closed their practice.

C. Other States' Newsletters

Executive Officer Araceley circulated digital copies of the newsletters of Virginia Board of Accountancy, North Carolina State Board of CPA Examiners, and North Dakota State Board of Accountancy to board members prior to meeting. He briefly reported the status of the continuous test taking for both North Dakota and North Carolina. North Dakota passed their rule changes in January 2020 and North Carolina is still in the rule changing process.

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

Executive Officer Araceley circulated the NASBA Communications.

E. NASBA Center for the Public Trust Newsletter

Executive Officer Araceley circulated the NASBA State Board Report.

F. Inquiries to the Board

- 1) Nicola Neilon email regarding need for HI CPA license and FPTP to provide attest services to company under domiciliary laws of Hawaii but no physical location or employees in Hawaii.

Discussion ensued, and the Board cited Hawaii Revised Statutes ("HRS") §466-3(2):

“Hawaii attest work” means attest services provided or attest reports issued by an individual or firm licensed and authorized to practice public accountancy in this State or any other state, to any of the following clients:

(2) A person, entity, firm, or trust that is domiciled within this State, or whose principle or home office is physically located within this State;

After discussion, the Board stated that based on HRS §466-3(2), one would need a Hawaii CPA license and Firm Permit to Practice to provide attest services to a company under domiciliary laws of Hawaii even though no physical location or employees in Hawaii.

- 2) Update of general inquiries posed to the Board: firm partner retiring, but wants to keep firm partner name in firm name.

Discussion ensued, and the Board cited Hawaii Administrative Rules (“HAR”) §16-71-64(e):

However, names of one or more past partners or shareholders may be included in the firm name of a partnership or corporation or its successor, and a partner surviving the death or withdrawal of all other partners may continue to practice under a partnership name for up to two years after becoming a sole practitioner.

After discussion, the Board stated that based on HAR §16-71-64(e), there would be no restriction to keep a firm partner’s name in the firm name after they retire.

Chairperson’s Report: None.

The Board agreed by consensus to take the following agenda items out of order.

Standing Committee Reports: B. Exam Committee

1) NASBA Exam Quick Poll Response

Committee Chairperson Punua stated the NASBA Exam Quick Poll, on exam related topics, had been provided to the Board members to review prior to the board meeting. The Board discussed and reached consensus on the following response.

- Security of the Exam
- Quality/Accuracy of Score Reporting
- Number/Types of Exam Sections Tested
- Content Tested on the Exam
- Difficulty of the Exam
- Skills Tested on the Exam
- Communication to Candidates
- The Future Value of the CPA Brand
- The Practice Analysis
- Any Issues Raised by Candidates

Response: No.

- Timeliness of Score Reporting

Response: Yes. The Board's recommendation is that the score reports be standardized, complete, and sent in a timely manner (no preliminary scores).

Committee Chairperson Punua stated he will provide the Board's response to NASBA.

2) AICPA Board of Examiners (BOE) Highlights of Update call November 22, 2019

Committee Chairperson Punua provided the following highlights from the update call on November 22, 2019:

- The implementation of continuous testing rollout by July 2020; rollout for comments by April 2020.

- Evolution of the CPA (exam)
 - core disciplines
 - business reporting and analytics, information systems and controls, discipline on tax compliance and planning
- Financial Oversight Group reviewed the 2018-2019 results:
 - 2018: 198,000 sections, 2019: 191,000 sections; 3.5% decrease
 - historic high of 230,000 sections taken in a year
 - international volume decreases 13% from 2018
 - overall decrease in sections being taken
 - increase in no show rates
- Practice Analysis
 - last done in 2016
 - Newest exam launched in 2017
 - The main goal is to maintain currency and relevancy of exam amidst technology revolution and impact on audit data analytics and other areas of profession.
 - Exposure draft published in December 2019, comment period up to April 2020

3) Candidate Performance on the Uniform CPA Exam NASBA Report 2018 Edition

Committee Chairperson Punua provided the following highlights from the Examination Candidate Performance Report:

- 85,855 candidates passed; 51.9% pass rate; up from 2016 (48% pass rate)
- 206,858 total sections attempted
- Average age of the person taking the exam: 28 years old
- Section attempted more frequently: REG
- Overall – All Sections of Exam:

- All jurisdictions: 85,855 candidates, 206,858 total sections attempted, 51.9 % pass rate, 71.8 average score
- Hawaii: 233 candidates, 560 total sections attempted (296 first time candidates & 264 retake candidates), 45.9% pass rate, 69.2 average score
- Other Jurisdictions - institution rankings for first time attempt candidates (top forty):
 - #1, Rice University Texas: 30 candidates, 90.8% pass rate, 86.3 average score
 - #40, Calvin University Michigan: 43 candidates, 67.4% pass rate, 77.8 average score
- Hawaii Institution Rankings:
 - Brigham Young University – Hawaii: 30 candidates, 61.9% pass rate, 73.2 average score
 - University of Hawaii at Hilo: 5 candidates, 47.4% pass rate, 73.3 average score
 - Hawaii Pacific University: 14 candidates, 46.7% pass rate, 63.7 average score
 - University of Hawaii at Manoa: 114 candidates, 43.2% pass rate, 69.3 average score
 - Chaminade University of Honolulu: 6 candidates, 35.7% pass rate, 54.9 average score
 - University of Hawaii – West Oahu: 26 candidates, 33.9% pass rate, 59.9 average score
 - Leeward Community College: 6 candidates, 11% pass rate, 45.2 average score

4) Fourth Quarter 2019 Testing Window

i. Ratification of Hawaii Candidate Exams

Committee Chairperson Punua presented the statistics for fourth quarter 2019 testing window as follows:

EXAMINATION RESULTS (BY SCORES)

	Number of Scores	Percentage
Credit	54	37%
No Credit	93	63%
Lost Credit	0	0
Voided	0	0
TOTAL	147	100%

TOTALS BY EXAM PARTS (BY CANDIDATES)

	AUD	BEC	FAR	REG	TOTAL
# Attended	41	30	41	35	147
# Passed	17	11	13	13	54
% Passed	41%	37%	32%	37%	37%

SUCCESSFUL CANDIDATES SUMMARY

# of Passing Candidates	10
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After discussion, it was moved by Mr. Williams, seconded by Vice-Chairperson Komo, and unanimously carried to ratify the examination scores from fourth quarter, 2019 testing window.

C. Peer Review Committee

1) AICPA Open Call Update

Committee Chairperson Miyashiro provided the following highlights from the AICPA Open Call Update on January 30, 2020:

- Change in the implementation plan for firms that weren't in compliance with their peer review FFC (Finding for Further Consideration) – added a term to hire an outside party acceptable to the RAB, specifically for risk assessment noncompliance.
- Various task force updates to improve the peer review process
- Operations and overall progress of the AICPA to enhance audit quality process
- PRIMA (Peer Review Integrated Management Application): implemented the facilitated board access; training materials will be available February 2020
- Firms dropped from peer review program: two (2)

A. Legislation and Rules

1) Hawaii Administrative Rules (“HAR”) Amendments – Update on Process

Executive Officer Araceley stated that an official memo (with approved amendments from Legislative Reference Bureau) will be sent to the Attorney General's Office, attention to DAG Leong to be signed off on in order to move forward to the Small Business Regulatory Review Board (“SBRRB”).

Executive Officer Araceley and DAG Leong will be meeting with DAG Wong to discuss and cite language that continuous testing can be

implemented as the Board is currently in the process of adopting the rules.

2) 2020 Legislative Session Bills

Committee Chairperson Aratani reported on six bills pertaining to the Board:

A) Discussion on Senate Bill ("S.B.") No. 2240 – Relating to Licensure of Certified Public Accountants

Committee Chairperson Aratani reported that this bill increases minimum of semester hours of upper division or graduate level accounting or auditing subjects to twenty-four hours.

Chairperson Taketa questioned if increasing the minimum of semester hours of upper division from eighteen to twenty-four is necessary if Hawaii Administrative Rules already has the 150 semester hours requirement. He commented that there should be a balance of quality and supply regarding the accounting profession.

Mr. Punua commented that many other states require a minimum of twenty-four or more hours. Increasing the minimum upper division hours prepares for a better candidate, may result in better exam scores, and therefore resulting in better CPAs.

Mr. Williams commented that many other states require twenty-four or thirty hours of upper division. In his opinion, a better educated accountant better protects the public.

Mr. Roberts commented that increasing the upper division hours may be another

barrier to allow candidates to sit for the exam. He would rather see more candidates come through the pipeline instead of limiting that number.

Mr. Miyashiro commented that increasing the minimum of semester hours of upper division to twenty-four would throw up more barriers for candidates to sit for the exam. In his opinion, he would rather the education institutions enforce the minimum of upper division semester hours.

Vice-Chairperson Komo commented that he agrees with both sides but increasing the minimum of semester hours of upper division to twenty-four would encourage students to take the appropriate classes that will be the subject of the CPA exam.

After discussion, it was moved by Mr. Roberts to oppose S.B. 2240. The motion was seconded by Mr. Aratani. A vote was taken and recorded as follows:

Chairperson Taketa: aye;
Vice-Chairperson Komo: nay;
Mr. Aratani: aye;
Mr. C. Lee: nay;
Mr. Miyashiro: aye;
Mr. Punua: nay;
Mr. Roberts: aye;
Mr. Williams: nay.

As the vote was four (4) ayes and four (4) nays, the motion did not carry to oppose S.B. 2240.

Mr. Williams made a motion to support S.B. 2240. The motion was seconded by Mr. Punua. A vote was taken and recorded as follows:

Chairperson Taketa: nay;

Vice-Chairperson Komo: aye;
Mr. Aratani: nay;
Mr. C. Lee: aye;
Mr. Miyashiro: nay;
Mr. Punua: aye;
Mr. Roberts nay;
Mr. Williams: aye.

As the vote was four (4) ayes and four (4) nays, the motion did not carry to support S.B. 2240.

Mr. Aratani made a motion of no position for S.B. 2240. The motion was seconded by Mr. C. Lee. A vote was taken and recorded as follows:

Chairperson Taketa: aye;
Vice-Chairperson Komo: aye;
Mr. Aratani: aye;
Mr. C. Lee: aye;
Mr. Miyashiro: aye;
Mr. Punua: aye;
Mr. Roberts aye;
Mr. Williams: nay.

As the vote was seven (7) ayes and one (1) nay, the motion carried for no position on S.B. 2240.

- B) Discussion on House Bill (“H.B.”) No. 2325 / Senate Bill (“S.B.”) No. 2881 – Relating to the Peer Review Oversight Committee

Committee Chairperson Aratani reported on H.B. 2325 and companion bill S.B. 2881. The two identical bills seek to clarify the role of the Board of Public Accountancy in selecting members to serve on the Board’s Peer Review Oversight Committee.

The Board supports H.B. 2325 / S.B. 2881, as this is in their administrative bill.

- C) Discussion on House Bill (“H.B.”) No. 1606 – Relating to Professional and Vocational Licensure

Committee Chairperson Aratani reported that this bill specifies the documentation needed for a military spouse to receive a temporary licensure by endorsement. Requires issuance of the license within 30 days of the application and supporting documents.

- D) Discussion on Senate Bill (“S.B.”) No. 2890 – Relating to Licensing

Committee Chairperson Aratani reported that S.B. 2890 allows a person who: is married to an active duty member in the military; accompanies his or her spouse on a permanent change of station to Hawaii; and holds a current, unencumbered license in another jurisdiction in specific professions to apply for licensure on an expedited bases in the State of Hawaii.

Mr. Roberts made a motion to oppose H.B. 1606 and S.B. 2890. The motion was seconded by Mr. Aratani. A vote was taken and recorded as follows:

Chairperson Taketa: aye;
Vice-Chairperson Komo: aye;
Mr. Aratani: aye;
Mr. C. Lee: aye;
Mr. Miyashiro: aye;
Mr. Punua: aye;
Mr. Roberts aye;
Mr. Williams: nay.

As the vote was seven (7) ayes and one (1)

nay, the motion carried to oppose H.B. 1606 and S.B. 2890.

E) Discussion on House Bill (“H.B.”) No. 2626 – Relating to Public Accountancy

Committee Chairperson Aratani reported that this bill establishes procedures and eligibility criteria for a privilege to practice public accountancy in the State for public accountants and certified public accountants licensed in another state with comparable education, examination, and experience requirements. Subject all holders of a privilege to practice to the regulatory and enforcement jurisdiction of the State Board of Accountancy.

Mr. Roberts made a motion to oppose H.B. 2626. The motion was seconded by Mr. Aratani. A vote was taken and recorded as follows:

Chairperson Taketa: aye;
Vice-Chairperson Komo: aye;
Mr. Aratani: aye;
Mr. C. Lee: aye;
Mr. Miyashiro: aye;
Mr. Punua: nay;
Mr. Roberts aye;
Mr. Williams: nay.

As the vote was six (6) ayes and two (2) nays, the motion carried to oppose H.B. 2626.

F) Other board related bills

None.

Open Forum: None.

Next Board Meeting: Friday, February 21, 2020
8:30 a.m.
King Kalakaua Conference Room

King Kalakaua Building
335 Merchant Street, 1st Floor
Honolulu, Hawaii 96813

Adjournment: There being no further discussion, the meeting adjourned at
10:55 a.m.

Reviewed and approved by:

Taken and recorded by:

/s/ Relley W. Araceley

/s/ Leanne Abe

Relley W. Araceley
Executive Officer

Leanne Abe
Secretary

RWA:la

02/28/20

- Minutes approved as is.
- Minutes approved with changes. See minutes of.