

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

MINUTES OF MEETING

Date: Friday, July 28, 2023

Time: 8:30 a.m.

In-Place Meeting Location: Queen Liliuokalani Conference Room
HRH King Kalakaua Building
335 Merchant Street, First Floor
Honolulu, Hawaii 96813

Virtual: Virtual Videoconference Meeting – Zoom Webinar (use link below)
<https://dcca-hawaii-gov.zoom.us/j/89029158914>
Zoom Phone Number: (699) 900-6833
Meeting ID: 890 2915 8914

Zoom Recording Link: <https://youtu.be/wXpEatUuohU>

Agenda: The agenda was posted on the State electronic calendar as required by HRS section 92-7(b).

Members Present: Gary Y. Miyashiro, CPA, Chairperson (“Chair”)
Jon Arbles, CPA, Vice-Chairperson (“Vice Chair”)
Christopher K. Lee, CPA, Member
Zachary Johnson, CPA, Member
Isabella Gary, Public Member

Virtually Present: Zachary Johnson, CPA, Member

Members Excused: Alexander Smith, CPA, Member
Brian Uemori, Public, Member

Staff Present: Hector West, Executive Officer (“EO West”)
Lee Ann Teshima, Executive Officer (“EO Teshima”)
Christopher Leong, Deputy Attorney General (“DAG Leong”)
Leanne Abe, Secretary
Mia Hoang, Technical Support
Johnny Li, Technical Support

Virtual Meeting Instructions: A short video regarding virtual meetings was played for attendees.

Chair provided information on internet and phone access for today’s virtual meeting and announced that today’s meeting was being recorded and that the recording will be posted on the Board’s web page.

Call to Order: Chair took a roll call of the Board members. After taking roll, quorum was established, and the meeting was called to order at 8:34 a.m.

Chair's Report: **Announcements**

Chair welcomed a new member, Isabella Gary.

Approval of the Minutes of the May 26, 2023, Meeting

Chair asked if there are any corrections or discussion of the May 26, 2023, minutes. Seeing none, upon a motion by Mr. Lee, seconded by Mr. Johnson, it was voted on and unanimously carried to approve the minutes of the May 26, 2023, meeting as circulated.

NASBA Supplemental Agreement No. 3

NASBA CPA Examination Services (CPAES) – Administrative Fees

Evaluation Fee

Chair reported that the CPA Examination Services (CPAES), a division of NASBA, will be implementing its new fees. This will include evaluation fee and registration fee. The evaluation fee is to determine if the applicant is qualified to take the CPA exam.

Registration Fee

He stated that the registration fee is for taking sections of the CPA exam once CPAES determines the applicant is qualified. The fee is for all applicants regardless of if it is a new applicant taking the exam for the first time or applicant that is already in the system and is retaking any sections of the CPA exam.

Chair asked if there was any discussion by the Board.

There was no further discussion.

Exam Types

Mandatory Core Sections (AUD, FAR, REG)

Chair reported that beginning in 2024 the CPA Exam licensure model will require CPAs to be skilled in accounting, auditing, and tax. The CPA test will include three mandatory core sections and one elective course. The three mandatory courses are AUD, FAR and REG.

Retired/Eliminated (BEC)

Chair reported that the BEC will be retired, and the CPA applicant will need to have deeper knowledge in one of the three primary disciplines: Business Analysis & Reporting (BAR), Information Systems & Controls (ISC), and Tax Compliance & Planning (TCP).

He stated that currently, Hawaii CPA applicants are required to take the following four mandatory exams:

- 1) Auditing & Attestation (AUD)
- 2) Financial Accounting & Reporting (FAR)
- 3) Taxation & Regulation (REG)
- 4) Business & Concepts (BEC)

Elective Course (BAR, ISC, TCP)

Chair stated that the fourth exam would be up to the CPA applicant.

EO Teshima stated that before the board votes on this, she would like clarification if an applicant then has a choice of taking the fourth elected section or will that section be decided by the Board because section HRS-§466-5 (e) states, "The examination required to be passed for licensure shall test the applicant's knowledge of the subjects of accounting theory, accounting practice, auditing, and other related subjects as the board may specify by rule." and section 16-71-19 (3), states that, "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.

Chair stated that the CPA exam remains at four sections and that the only difference is that the applicant will have a choice of what course to take for the fourth section.

The Vice-Chair stated that you cannot pick 2 of the electives and count it and that the other 3 exams are still mandatory.

DAG Leong and Chair both agreed that the total number of exams remains at 4, and you need to pass the 4, just now the 4th one you have a choice.

The Vice-Chair stated the intent of it is to draw people back into the profession, whether you're in IT, or TCP, or BAR, you have additional ways of coming into the profession. He stated that this new CPA exam model is to draw people back into the CPA profession from different backgrounds.

Term of Agreement

Chair stated this agreement is about the new fee schedule, optional services available to candidates such as score transfer, the listing of mandatory core components of the exam as well as the list of elective courses.

Being no further discussion, upon a motion by the Vice-Chair, seconded by Mr. Lee, it was voted on and unanimously carried to accept the supplemental agreement no. 3 regarding the exam fees, exam types and term of the agreement (Supplemental Agreement No. 3-Renews automatically every two years)

NASBA application of 30-month change

Chair reported that beginning January 1, 2024, all credits automatically extend to June 30, 2025, all candidates will have their credit reset to 30 months from the grade release date, however, Hawaii has not adopted the 30-month extension.

He stated that based on the Board's previous discussions on this matter, the Board preferred to maintain their rolling credit to 18 months.

The Vice-Chair stated that one of the questions he asked during the Regional's was "why 30 months?", that he wasn't the only one who asked this question, and a board member from Washington asked, "why not five years, why not indefinitely?".

The Vice-Chair asked if there is any study indicating that 30 months would be beneficial and was informed that "there was not". He was concerned that once the Board adopts the 30-months, does the Board have the ability/authorization to take it back if we find that it is not helping and in fact hurting.

The Vice Chair stated that 30 months seemed so arbitrary so why not 30 months, 36 months, or indefinitely?

Chair stated that based on the Boards previous discussion, the Board preferred to maintain their rolling credit of 18 months and that from a national standard, if all states conformed to the 30-month extension, then Hawaii would have a more constricted time frame, but does not see that it would affect Hawaii as he thinks that candidates may not take the exam here. He further stated that maintaining the 18-month credit extension, hopefully would motivate candidates to complete the exam in a reasonable time-period.

He stated that the only conflict he foresees is if an applicant takes the exam in one jurisdiction and moves to Hawaii. This becomes a logistical issue.

Mr. Johnson stated that this could've been an issue for him since he took his exam in Nevada within 6 or 7 months, but say if it had taken 20 months and suddenly, he wants to move to Hawaii, would he have to reapply for a license and redo all the exams? He added that applicants may assume that the state requirements are the same and sees that as a potential issue.

The Vice-Chair stated that one of the things he thought of was that the 30 months that was indicated was a temporary thing, if we decided and tried to make 30 months would that be a revision to the revised statues or are we going to the HRS would that be through the legislative process, is this something that a state board can accept?

EO stated that it depends if it addresses the 18 months if it's in the laws and/or rules.

Chair stated he thinks it's in the rules. He asks how long would it take to change the rules? The last rule change took about 3 years. So, if we do embark on changing the rules to 30 months then it would be a rule change which again would not be a subject to a legislative process per se like a statute.

EO Teshima states knowing how long it takes and if the Board was inclined to move for the 30 months, staff needs to know so we can start the process because it will take over a year and this is going into effect in 2024-2025 then we would want to get a head start on it, let the staff know now so we can start it.

EO Teshima recommended that the board consider this further as the Vice Chair indicated that there is no valid justification for the 30-month and Mr. Johnson that every state is different and may be difficult for the applicant if Hawaii is different from other states and thinks the Board should think about it a little bit more and see what direction they want to go.

Mr. Lee asked "Isn't NASBA setting an expectation for the candidates"? Saying that their thinking candidates are thinking there is 30 months now.

EO Teshima asked for clarification if it's NASBA or AICPA?

Chair responded it is NASBA.

Mr. Lee reported that some of his staff thinks they have 30 months now and suggested a study of our own, by sending out a survey or something.

The Vice-Chair agreed with Mr. Johnson, that this puts our candidates at a disadvantage people from Hawaii at a disadvantage if they went to another state and took the test, in order to return to the State, which we should be encouraging them to do, because we may not recognize the 30-month extension, they may not come back.

He stated that Colleen Conrad at NASBA did a study that the longer you are out of school the worse your pass rate is. The encouragement of the 30-month cycle seems kind of counter to that, you can sit when you reach 120 and that should counter it but not all states have that either. So, there is some differences, yes you can sit when you do that, but extending it out 30 months seems kind of counter if you are saying pass rates are lower you should encourage people to take the exam sooner. But this is in the weight of what Mr. Johnson is saying in compared to the stats.

EO Teshima says let's say that people think they have 30 months, so we post an announcement on the Board's website as well as attach this

announcement to the CPA application that they are advised that that the 30-month extension has NOT be fully adopted by Hawaii as our regulations authorizes the Board to grant an 18-month extension on a case-by-case basis.

The Vice-Chair stated that the Chair posed a good question, if he doesn't think 30 months won't make a difference then should we just consider moving it to 30 months?

Chair said in the future it will make it easier to logistically merge with the national candidate, from an administrator standpoint. If we do adopt the 30 months, we will have to change the rules.

EO Teshima stated that we should consider what Mr. Johnson and the Vice-Chair has been saying that if the candidate doesn't take the exam right away or not able to pass the exam right away, do we want this person to get a license? She stated that the Board should consider a competency issue because failure to pass the exam after you been out of school for years is a nursing licensing issue as well.

Chair said he is indifferent, but administratively it will make it easier we should go down that route.

The Vice-Chair stated he is torn because from a regulator's standpoint the primary consideration that we should always have the protection of the public and this pipeline initiative is really when it doesn't run in agreement with that it makes it tough to understand what our goals really are. He stated that he doesn't know if this is such an issue and doesn't know if we are getting worse CPA's that the public would be affected.

He stated further that he doesn't know if it will increase the candidates that we have.

The Vice Chair stated that since we're on this topic the second part of this is what went on at the NASBA conference was the potential reduction of the states considering reducing the college credit from 150 to 120. He stated that the discussion was contentious because it threatens nationwide mobility for NASBA. He was surprised to find the take from a number of academia people that they didn't feel that the 150 was something that was prescribed from academia as far as necessary to be a CPA. He stated that they felt like what is prescribed is your Bachelor of Accounting at 120 and that the extra credit hours were extra credit hours and that was the view of one board member from California. He felt that was prescribed and that is efficient and excess to that doesn't create better CPA's. If our state was to adopt the 120-credit policy, we will be moving away from mobility coming and going into any other state because you will not meet that 150-credit requirement other states have. He cautioned the Board and said the Board needs to consider this in the overall of the protection of the public.

Chair stated maybe take the 30 month and replace it with 24 months of experience, cost wise it makes sense to a lot of people. For the 3 E's - Education, Exam and Experience, that they promote throughout the year, and he thinks the exam portion is making that a little easier to obtain or making more available to obtain. He doesn't think this affects the effectiveness of CPA's; it gives them more opportunity to get over that first hurdle which is the exam.

The Vice-Chair stated that the UAA recommends that experience is one year to get licensed. So, in certain states, under one year of supervision you can achieve your license. Hawaii did not adopt one year and still has the two years or a number of hours in audit that is in the guidance of the county.

Mr. Lee stated as far as the 30 months, he is for it, if it gives the candidates hope. They will have 30 months now to procrastinate. He thinks the protection of the public won't be impacted severely and thinks the people that aren't so self-aware should be more self-aware later after the 18 months and maybe become a public accountant and not a CPA. He has hardly seen any candidates lose credit and that the exam was provided twice a year but now given monthly so it's easier to take the exam.

EO Teshima asked the Board if they want to think about the 30-month extension and talk about it at the next meeting.

Chair agreed that we put it on the agenda for the next meeting.

This matter was deferred for further discussion.

Executive Officer's
Report

Sunshine Law Requirements

EO West reported on the following:

Act 019, (S.B. 1513) – Effective July 1, 2023

This new law requires a board to report its discussion and any further action it took in an executive session when it reconvenes in public session. The board is not required to disclose any information that would be inconsistent with the purpose of the executive session.

Act 125 (H.D.1, SD1) – Effective October 1, 2023

This new law encourages boards to keep recordings of remote meetings online even after posting the minutes online. The new law requires that before a board removes a remote meeting recording from its website, it must first send a copy of the recording to the State Archives.

EO Teshima reported that she was just informed that for the in-person meetings only, we will start recording. We do not have the technology right now so this will be looked into.

Report(s)

Exam Scores

The summary of the CPA exam performance summary for Quarter 2, 2023 was distributed to the members.

EO Teshima stated that maybe in the future should the Board choose to recognize the 30-month extension for the exam or consider lowering the 150 to 120 credits, the Board may wish to start reviewing these statistics to determine a pattern or any deviation from national standards.

Chair announced the next agenda item.

Applications

The Board may move into Executive Session in accordance with HRS §92-4 and §92-5(a)(1) and (4) "To consider and evaluate personal information relating to individuals applying for professional or vocational licenses cited in section 26-9 or both;" and "To consult with the Board's attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities;" (Board will vote in Open Meeting.)

CPA License Applications

Upon a motion by Mr. Lee, seconded by the Vice-Chair, it was voted on and unanimously carried to approve the following applications for CPA license one through twelve excluding number three that will be deferred due to Chair has to recuse himself:

- Michael Jonathan Schwartz
- Jonathan Nguyen
- Emi Inouye
- Chelsea Chiemi Taketa
- Paula Marie Bruce
- Eric Barayuga
- Melissa M N Wright
- Jesse Simeon Thurman
- Nimal Kartari
- Owen Michael Brunswick
- Wei Zhang
- Henry Oum

Ratification of CPA Permits to Practice (PTP)

Upon a motion by Mr. Lee, seconded by the Vice-Chair, it was voted on and unanimously carried to ratify the following CPAs for a PTP:

Nathan Edward Robnett	CPA-6170
Andrea Elizabeth Castle	CPA-6180
Charles Wightman Hollingworth	CPA-6176
Patrick J. Smith	CPA-6185
Jacob T. Bender	CPA-6177
Yuri Hirata	CPA-6162

Michael H.T. Lee
Jasmine M. Wong

CPA-6072
CPA-6174

Ratification of Firm Permits to Practice (FPTP)

Upon a motion by Mr. Lee, seconded by the Vice-Chair, it was voted on and unanimously carried to ratify the following FPTPs:

Alex S. Tokunaga	FPTP-1367
Michael H.T. Lee	FPTP-1368
Proworks, Inc	FPTP-1369
Michael Xu LLC	FPTP-1370
PwC US BUSINESS ADVISORY LLP	FPTP-1371
PwC US TAX LLP	FPTP-1372
PwC US GROUP LLP	FPTP-1373

Delegation to the Executive Officer

Processing applications to be approved by the applications review committee.

Mr. Lee stated he thought the issue was, and correct him if he's wrong, because the board is doing these meetings every other month or quarterly perhaps, in order to speed up the approval of these applications in the inner room, as long as the committee is okay and approves the applicants then the EO has authority to go ahead and approve it.

EO Teshima stated that Mr. Lee is correct, that when Mr. Lee and/or Mr. Johnson reviews the applications, the recommendation to the full board is to approve the applications because the applicant has met the education, exam, and experience requirements. She clarified that one of the reasons for this is based on the decrease in the Board meetings from monthly to every other month which may also be changed to quarterly, if directed by admin, but another reason is that this is one of the few boards that require you to review a "list" even though the application was already reviewed by a member of the applications review committee which was appointed by the board to review the applications.

The Vice-Chair was concerned with the liability.

EO Teshima explained that the board is still required to ratify the list, but this process is to try to expedite the process. She stated that processing applications timely is an issue due to staffing shortages and cautioned the Board that delays in processing applications for CPA license may be used to support any mobility proposals if it is taking too long to obtain a Hawaii CPA license.

EO West clarified the application review process as applications are initially received/reviewed by our Licensing Branch who reviews for documents. Upon receipt of a "complete" application, the application is reviewed by the EO who also prepares a summary/checklist sheet to ensure that the applicant has met the requirements. Mr. Lee and/or Mr.

Johnson is notified and make themselves available to review each application in order to make a recommendation if an applicant has met the requirements or if additional information is required.

Mr. Lee stated in regard to the sunshine law, if he and Mr. Johnson are stuck on a candidate, then they going to Chair (for example), and if at that point if they need further clarification, then they go to The Vice-Chair, but as long as they don't meet together at the same time if that is a violation of the sunshine law.

DAG Leong stated that this example, based on the series of communications, appears to violate the spirit of the sunshine law.

EO Teshima recommended that if Mr. Lee and Mr. Johnston can't make a determination and the application may need further review, then it should be brought to the Board.

DAG Leong stated that the board may delegate the EO to process application(s) that are complete and clearly meet the requirements for licensure, and that should there be any question by the EO or Board member reviewing the application, the application should be reviewed by the board. He stated that is how the other boards operate as well and something that needs to be looked at by the board, even if delegation is setup, still go to the board.

EO Teshima states that when EO West prepares the application for Mr. Lee and Mr. Johnson to review and they request more information, EO West will reach out and send a deficiency or request additional information. These applications are not normally reviewed by the Board as they are still considered deficient and until the applicant cures the deficiency, normally the application is not provided to the Board for consideration because it is considered deficient or incomplete.

The Vice-Chair stated that if the reviewers are unable or unsure, they push that applicant forward, that person can operate, or if you think you have the right answer, but maybe you don't, what we're getting into is the judgement of how this is going to be at that point that this is a personal thing, there's no system in place.

He stated that the delegates need a level of awareness, there is a built in some kind of issue, not all of us have the same level of awareness at what we're looking at and that is why it is done in a group or a board. But now it is put on the delegate and secondly based on the inquiry that needs to be a determination, determination by definition is a judgement.

EO Teshima stated the Board only review a summary of an application that was previously reviewed by a Board member and not the application, so she doesn't understand what the issue is.

The Vice-Chair stated he would not be in favor of this process because for example, today's candidate that is being deferred for lack of quorum due to the recusals of some Board members, is being included in this unfairly because the solution to that candidate is that we simply need to add board members and board members fall off. He stated that the solution is not the committee, quorum is something that we are just a little shorthanded right now. Maybe the board needs to meet more frequently.

There being no further discussion, Chair stated there is no action on this recommendation.

Election of Chair
and Vice Chair
HRS §436B-6

Upon a motion by Mr. Lee, seconded by the Vice Chair, it was voted on and unanimously carried to have the current Chair and Vice Chair continue as the Chair and Vice Chair.

Next Board
Meeting

Friday, September 29, 2023.
8:30 a.m.
PVL Exam Room 330
335 Merchant Street, 3rd Floor
Honolulu, HI 96813

Adjournment:

The meeting adjourned at 9:54 a.m.

Reviewed by:

Taken by:

/s/ Hector West

/s/ Kai Cockett

Hector West
Executive Officer

Kai Cockett
Secretary

HW: kc

07/28/23

[x] Minutes approved as is.
[] Minutes approved with changes. See minutes of _____.