

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

MINUTES

Date: Friday, October 26, 2018

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  
Terrence H. Aratani, Member  
Christopher Lee, CPA, Member  
Gabriel Lee, Member  
Gary Y. Miyashiro, CPA, Member  
Edward L. Punua, CPA, Member  
John W. Roberts, CPA, Member  
Carleton L. Williams, CPA, Member  
Mana Moriarty, Deputy Attorney General (“DAG”)  
James Kobashigawa, Executive Officer  
Lori Nishimura, Secretary

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 September 28, 2018 Board Meeting: After discussion, it was moved by Mr. Williams, seconded by Mr. G. Lee, and unanimously carried to approve the minutes of the September 28, 2018 Board meeting as circulated.

Executive Session: At 8:33 a.m., it was moved by Mr. Aratani, 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 8:37 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 reconvene its scheduled meeting.

#### Board Member Disaster/ Emergency Preparedness:

The Board viewed the *AVOID/DENY/DEFEND* training video developed by Advance Law Enforcement Rapid Response Training (ALERRT™).

At 8:51 a.m., the Board recessed the meeting.

At 8:55 a.m., the Board reconvened its scheduled meeting.

#### 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) BAUGHMAN, Kalani D.
- 2) CALIO, Christian N.
- 3) DIFRUSCIO, Aaron M.
- 4) FERGUSON, Nathan E.
- 5) HAMMONDS, Robert C.
- 6) HO, Kelvin T. B.
- 7) NAKAMURA, Erica N.
- 8) POMPONI, William L.
- 9) THRELKELD, Brandon W.
- 10) WEHLAGE, Laura M.

After discussion, it was moved by Mr. Aratani, seconded by Vice-Chairperson Komo, and unanimously carried (Mr. Williams recused himself from the vote) to approve the following application for certification:

- 1) DE LIMA, Tonia R.

After discussion, it was moved by Mr. Aratani, seconded by Vice-Chairperson Komo, and unanimously carried (Mr. C. Lee recused himself from the vote) to approve the following application for certification:

- 1) DIXON, Vineza L.

Ratification of  
Individual CPA  
Permits to Practice:

After discussion, it was moved by Mr. G. Lee, seconded by Mr. Aratani, and unanimously carried to ratify the approval of the following individual CPA Permits to Practice:

- 1) CHEE, Lance K.Y.K.
- 2) CHIU, Ka Man Maria
- 3) DANG, Michelle Mei-Yan
- 4) DOMINGUEZ, Jenny N.
- 5) FAN, Kathy
- 6) FERGUSON, Elisabeth Charlotte
- 7) MINCKS, Aaron C.
- 8) SALVERSON, Elizabeth A.

After discussion, it was moved by Mr. G. Lee, seconded by Mr. Aratani, and unanimously carried (Mr. C. Lee recused himself from the vote) to ratify the approval of the following individual Permit to Practice:

- 1) FUJIEKI, Sally C.

After discussion, it was moved by Mr. G. Lee, seconded by Mr. Aratani, and unanimously carried (Mr. Williams recused himself from the vote) to ratify the approval of the following individual Permit to Practice:

- 1) OKADA, Chad K.

Ratification of  
Issued Firm  
Permits to Practice:

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

- 1) NICHOLAS LAPIER CPA PC
- 2) SAITO LLP
- 3) HU & COMPANY LLC

After discussion, it was moved by Mr. Punua, seconded by Mr. G. Lee, and unanimously carried (Mr. Williams recused himself from the vote) to ratify the approval of the following issued Firm Permit to Practice:

- 1) REBECCA L INAFUKU

Ratification of  
Approval of Firm Name:

After discussion, it was moved by Mr. Aratani, seconded by Mr. G. Lee, and unanimously carried to ratify the approval of the following firm name:

- 1) Megan D Lewczyk, CPA LLC
- 2) Nick Chu, CPA, LLC
- 3) Robert Fujinaka CPA LLC

Executive Officer's  
Report:

A. DCCA Disciplinary Actions Through September 2018

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

B. AICPA State Regulatory Update

Executive Officer Kobashigawa reported the following from the AICPA State Regulatory Update:

- October is National Cyber-Security Awareness month. Nine (9) states passed legislation relating to cyber security and some directly involves accountancy firms (in relation to client records).
- Texas Sunset Review of the Texas State Board of Public Accountancy found they may need to decrease the number of CPA members in their Board composition, (may be in light of the North Carolina dental case).

C. Other States' Newsletters

Other States' newsletters were circulated to the Board. Executive Officer Kobashigawa provided a brief summary:

North Dakota:

- New Executive Director.
- Three (3) year license cycle requires completion of 120 continuing professional education ("CPE") hours (of which 6 CPE hours are in ethics and minimum of 20 CPE hours earned each year).

- Retired status available for retired CPAs over the age of 60 and not practicing public accounting.
- Owner of firm involved with fraud/dishonesty may be divested within 6 months if directed by the Board.

North Carolina:

- Annual CPE hours requirement – 40 CPE hours earned with at least 2 CPE hours in ethics; maximum carryover of 20 CPE hours (ethics may not carryover).

Standing Committee Reports:

A. Peer Review

- 1) Extension to Complete Peer Review Pursuant to HRS section 466-34
  - a) Peer Review Extension Request to the Board of Public Accountancy
    - (1) Robert H Y Leong & Company CPAs APC

Vice-Chairperson Komo stepped out of the meeting at 9:04 a.m.

After discussion, it was moved by Mr. Williams, seconded by Mr. Roberts, and unanimously carried to approve the peer review 60-day extension request from Robert H Y Leong & Company CPAs APC.

Vice-Chairperson Komo returned to the meeting at 9:06 a.m.

2) AICPA Peer Review Board Open Session

Mr. Miyashiro stated he and Chairperson Taketa participated in the tele-conference of the AICPA Peer Review Board open session on October 19, 2018. Mr. Miyashiro provided a brief summary:

- Peer Review Information Form requirement - AICPA will require all firms completing a peer review to complete this form, implementation

may be May 1, 2020. The objective of the form is to obtain data from firms for the functionality of PRIMA, to be responsive to firms and offer resources prior to their peer review. This may provide AICPA/PRIMA an opportunity to inform firms of the applicable resources available to them before they start their peer review.

- There is a bill to amend the Sarbanes-Oxley Act for non-carry brokers and dealers to perform audits under GAAS and not PCAOB standards. Anticipate the bill will pass by the ending of this year.
- Report from Oversight Task Force – peer reviewers are still noticing documentation issues for risk assessment; firms are not being complete on their risk assessments.
- Peer Review Board is working on a standards clarity project – to make the standards more understandable/clearer for peer reviewers.
- QCM (quality control material) project – update oversight on how to review quality review items.
- Revised oversight handbook related to RABs (Report Acceptance Body) and PROCs (Peer Review Oversight Committee) for state boards should be out in January 2019.

Chairperson Taketa also provided a brief summary:

- Annual oversight report by the AICPA - on-sight oversight of administering entities, the Oregon Society of Certified Public Accountants had just completed their on-sight review for 2016. The Board's PROC should get a copy for their review.
- Annual oversight report also included a summary of the peer reviewers' resume – they

are evaluated every three (3) years. Chairperson Taketa commented that Hawaii is one of the states with the fewest number of peer reviewers and that according to the report, Hawaii has only seven (7) peer reviewers.

Mr. Williams commented that Hawaii has one of the least number of CPAs (as may be due to the state's population; thus, fewer CPAs and peer reviewers).

3) Interpretation of HRS section 466-42(c),  
Regarding PROC Membership

Executive Session:

At 9:17 a.m., it was moved by Mr. Aratani, seconded by Mr. Roberts, 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 9:53 a.m., it was moved by Mr. Aratani, seconded by Mr. Punua, and unanimously carried for the Board to move out of Executive Session.

After discussion, it was moved by Mr. Williams, seconded by Mr. Roberts, and unanimously carried to submit a formal request to the Attorney General's office for their interpretation of HRS section 466-42(c), specifically if a "pass with deficiency" qualifies as a "pass" for a PROC member's firm.

Mr. Williams commented that the Board may want to consider amending the statutes to clarify HRS section 466-42(c). After discussion, it was moved by Mr. Williams, seconded by Mr. Punua, and unanimously carried to delegate Mr. Aratani to further proceed with this matter. Vice-Chairperson Komo suggested the wording of "pass" should be replaced with "non-fail" as this

may alleviate future word(s) that may be used with “pass”.

B. Legislation and Rules

1) Status of Proposed Administrative Rules

Executive Officer Kobashigawa reported the proposed administrative rules is still pending processing by the DCCA’s Administrative Service Office (“ASO”) for drafting of the proposed rules in Ramseyer format. He commented that ASO is experiencing staffing issues (short staffed); thus, causing unanticipated delays.

C. Continuing Professional Education

1) Status of CPE Audit Compliance

Committee Chairperson Roberts provided a handout to the Board that included the current status/summary of the Board’s audit. He commented that the Board may want to explore communication with auditees/licensees by other means besides postal mail, such as email.

Discussion ensued on the proof of CPEs auditees may submit. At the previous meeting, the Board reaffirmed “that for purposes of the audit for CPE compliance, the Board reaffirms that copies of the certificate of completion must be provided”. After discussion, the consensus of the Board was that while the Board will not accept a listing of CPEs such as a tracking worksheet, the Board will accept a listing of completed courses by the sponsor to participants that includes all the pertinent information one finds on a certificate of completion for one course.

D. CPA Examination

1) HI CPA Exam Performance Summary: 2017 Q-4

Committee Chairperson Punua stated the 2017, quarter 4 edition of the Hawaii CPA Exam Performance Summary was the last edition that the Board has received. He is still working to obtain a subsequent edition as this report provides a comparison of Hawaii's ranking and scores to other jurisdictions.

- 2) 2018 Q-3 (July – August) Testing Window
  - a) Ratification of Hawaii Candidate Examination Scores

Committee Chairperson Punua presented the statistics for third quarter 2018 (July-August) testing window as follows:

**EXAMINATION RESULTS (BY SCORES)**

	Number of Scores	Percentage
Credit	77	52.03%
No Credit	71	47.97%
Lost Credit	0	0
Voided	0	0
<b>TOTAL</b>	<b>148</b>	<b>100%</b>

**TOTALS BY EXAM PARTS (BY CANDIDATES)**

	AUD	BEC	FAR	REG	TOTAL
# Attended	33	26	50	39	148
# Passed	20	15	23	19	77
% Passed	60.6 %	57.7 %	46%	48.7 %	52%

#### SUCCESSFUL CANDIDATES SUMMARY

# of Passing First Time Candidates	7 (33.33%)
# of Passing Re-Exam Candidates	14 (66.67%)
# of International Candidates	0
# of Passing Candidates	21

After discussion, it was moved by Committee Chairperson Punua, seconded by Mr. Aratani, and unanimously carried to ratify the examination scores from third quarter, 2018 (July-August) testing window.

Committee Chairperson Punua provided the following comparison with the previous 2 quarters:

- Observing an improved trends in candidates taking exam, and passing results;
- Total scores: Q1 = 116, Q2 = 134, and Q3 = 148;
- Credit scores: Q1 = 49 (42.2%), Q2 = 60 (44.78%), and Q3 = 77 (52.03%);
- Successful candidates section (all parts completed), first time candidates to number of passing candidates:
  - Q1 = 2 of 10 (20%);
  - Q2 = 2 of 10 (20%); and
  - Q3 = 7 of 21 (33.33%)
- Unaware of any educational courses and/or other programs that may be causing above increases;
- Possibly the new exam, released in April 2018 could be responsible for better passing results as well; and
- According to information from the Gleim Exam Prep website, higher pass rates tend to be in the 2<sup>nd</sup> and 3<sup>rd</sup> quarters, with lower scores in Q1, and Q4.

b) NASBA Score Release

Committee Chairperson Punua had no report commenting that it was a misunderstanding to list "NASBA Score Release" as an agenda item. He stated that the Board has been receiving NASBA score release which contained data of what was being processed; thus, nothing to report to the Board.

3) Candidate Performance on Exam, 2017

Chairperson Taketa provided a brief summary from the 2017 exam Candidate Performance handbook:

- Hawaii was the last state in ranking, overall pass rate 37.81% (whereas the average score was 67.2%)
- Bachelor degree candidates – pass rate percentage results by institution:
  - Chaminade = 50%
  - BYU Hawaii = 47.1%
  - UH Hilo = 44.4%
  - UH Manoa = 32.9%
  - UH West Oahu = 25.6%
  - Hawaii Pacific University = 24.3%

4) NASBA Candidate Care Q-2 Report

Committee Chairperson Punua provided a brief summary of the NASBA Candidate Care Q-2 Report:

Number of incidents reported is on the decline, Q-2 of 2018 received 269 incidents. These include:

- Requesting paper and pencils; and
- Trouble with multiple restarts - computer crashes multiple times during their exam and need to be restarted causing extreme anxiety and disruption. Candidates with two or more restarts may be granted a free retake.

Open Forum: None.

Next Board Meeting: Friday, November 16, 2018  
8:30 a.m.  
King Kalakaua Conference Room  
King Kalakaua Building  
335 Merchant Street, 1<sup>st</sup> Floor  
Honolulu, Hawaii 96813

Announcements: Executive Officer Kobashigawa announced that DAG Krishna Jayaram will be taking on a new position with the Attorney General's office, assistant to the Attorney General; thus, a new DAG will be assigned to this Board.

Adjournment: There being no further discussion, the meeting adjourned at 10:30 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:ln

11/18

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