

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

MINUTES

Date: Friday, December 21, 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  
Christopher Leong, Deputy Attorney General (“DAG”)  
James Kobashigawa, Executive Officer  
Relley W. Araceley, 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.

Chairperson Taketa welcomed Mr. Relley Araceley to the Board. Mr. Araceley is replacing Executive Officer Kobashigawa who is retiring on December 31, 2018. Chairperson Taketa congratulated and expressed the Board’s appreciation to Executive Officer Kobashigawa.

Chairperson Taketa also welcomed DAG Christopher Leong to the Board. DAG Leong has been assigned as the Board’s Deputy Attorney General.

Approval of  
Minutes of the  
October 26, 2018  
Board Meeting:

After discussion, it was moved by Vice-Chairperson Komo, seconded by Mr. G. Lee, and unanimously carried to approve the October 26, 2018 meeting minutes, as circulated.

Approval of  
Minutes of the  
November 16, 2018  
Board Meeting:

After discussion, it was moved by Mr. Punua, seconded by Mr. Aratani, and unanimously carried (Messrs. Roberts and Williams recused themselves) to approve the November 16, 2018 meeting minutes, as circulated.

Executive Session:

At 8:34 a.m., it was moved by Mr. Aratani, seconded by Vice-Chairperson Komo, 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. Roberts, seconded by Mr. Aratani, 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. Aratani, seconded by Mr. Roberts, and unanimously carried to approve the following applications for certification:

- 1) DISMUKE, Andrea L.
- 2) GOLDENHERSH, Todd J.
- 3) GONG, Xun
- 4) JAMES, Rebecca J.
- 5) LEWIS, Cody P.
- 6) RAMIREZ DE ARELLANO, Tatiana L.
- 7) STRUBE, Karl J.

After discussion, it was moved by Mr. Aratani, seconded by Mr. Roberts, and unanimously carried (Chairperson Taketa recused himself) to approve the following application for certification:

- 1) GALLAGHER, Cristin M.

After discussion, it was moved by Mr. Aratani, seconded by Mr. Roberts, and unanimously carried to defer decision making pending clarification of accountancy experience on the following application for certification:

- 1) HAMANO, Atsuko

Ratification of  
Individual CPA  
Permits 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 individual CPA Permits to Practice:

- 1) BRADHAM, Robert P.
- 2) CALIO, Christian N.
- 3) CARLILE, Ashley N.
- 4) DE LIMA, Tonia R.
- 5) FAGARAGAN, Aleli S.
- 6) FERGUSON, Nathan E.
- 7) FERREIRA, Lindsay A.
- 8) HACKETT, Erin E.
- 9) HADLEY, Sandra A.
- 10) HAMMONDS, Robert C.
- 11) POMPONI, William L.
- 12) SAKAMOTO, Darren J.
- 13) SASLOW, Glenn D.
- 14) SEGORIA, Joseph M.
- 15) WEHLAGE, Laura M.

Ratification of  
Issued Firm  
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 issued Firm Permits to Practice:

- 1) NATHAN FERGUSON CPA LLC
- 2) MANN, URRUTIA, NELSON CPA'S & ASSOCIATES LLP
- 3) COTTON & COMPANY LLP
- 4) DIXON HUGHES GOODMAN LLP

Ratification of  
Approval of Firm Name:

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

- 1) Howard Loo CPA, LLC
- 2) Sarah C. Correa, CPA, LLC

Executive Officer's Report:

A. DCCA Disciplinary Actions Through November 2018

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

Executive Officer Kobashigawa informed the Board that the Regulated Industries Complaints Office ("RICO") has made available on their website a listing of unlicensed activity cases that they prosecuted.

B. AICPA State Regulatory Update

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

- Michigan and Missouri legalized use of recreational marijuana.
- Utah legalized use of marijuana for medical purposes.

C. Other States' Newsletters

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

Georgia

- Provided their CPA exam scoring and provided their statistics

Arkansas

- 120 continuing professional education ("CPE") hours every 3 years required for renewal
  - 4 CPE hours in ethics required every year
- Recently implemented mandatory peer review
  - 18 months/3 years – same as Hawaii
  - 2 consecutive Pass with Deficiency or one Fail – Board may issue an accelerated peer review.

D. Application Historical Statistics for Board

Application statistics (pertaining to this Board) was circulated to the Board, which included data going back to fiscal year 2007. Executive Officer Kobashigawa provided the following statistics from fiscal year 2018 (July 1, 2017 to June 30, 2018):

- Current licensees:
  - 3,002 CPAs and 1 PA
  - 918 Firm Permits to Practice (“FPTP”)
- Applications processed:
  - 141 CPA applications received, of which 111 were issued a license
  - 85 FPTP applications received, of which 72 were issued a license

Chairperson Taketa commented on the importance of identifying CPA firms who perform attest work; thus, are subject to peer review. He inquired if this information could be obtained and requested the Executive Officer to check on this matter.

E. NSABA Communications

Executive Officer Kobashigawa reiterated the Uniform Accountancy Act model rules are being amended to address continuous testing of the Uniform CPA Exam.

F. Governing Article on Bitcoin

Executive Officer Kobashigawa reported that Ohio is the first state that accepts payment with Bitcoin for taxes due.

G. NASBA Center for the Public Trust Newsletter

Executive Officer Kobashigawa reported the following from the NASBA Center for the Public Trust newsletter:

- Congress to propose legislation that will not allow states to take action/penalize licensees for default of their student loan.

Chairperson’s Report:

A. NASBA Regional Directors’ Focus Questions

Chairperson Taketa stated the following focus questions had been provided to Board members to review prior to the meeting. The Board discussed and reached consensus on the following responses:

1.(a) Does your Board specify what courses qualify for the 150 hour requirement beyond the basic requirements in the UAA Model Rules?

Response: No.

(b). Has your Board been asked to provide more specificity and, if so, how did your Board respond? If yes, please explain below.

Response: No.

2.(a) What process does your Board have for granting hardship exceptions for meeting CPE requirements?

Response: HAR section 16-71-46 allows for exceptions "caused by reason of:  
(1) Health, as certified by a medical doctor;  
(2) Military service on extended active duty with the armed forces of the United States; or  
(3) Other good and valid causes, as determined and approved by the board."

(b). Approximately how frequently are these requested?

Response: 1-2 every renewal/2 years.

3.(a) Does your Board have the ability to influence the selection of Board members?

Response: No.

(b). If yes, what have you done to increase the diversity of the membership of your Board?

Response: n/a.

4. What is happening in your jurisdiction that is important for other State Boards and NASBA to know about?

Response: Ongoing process of proposed Administrative Rules; and the Peer Review administering entity transition to the Oregon Society of Public Accountants.

5. Can NASBA be of any assistance to your Board at this time?

Response: Yes, continue to serve as a source of information to the Board, and assist with circulating information and/or posing questions for feedback (as like a liaison) to other state Boards of Accountancy.

Mr. Williams stepped out of the meeting at 9:15 a.m.

6. NASBA's Board of Directors would appreciate as much input on the above questions as possible. How were the responses shown above compiled? Please check all that apply.

Response: Input from all Board Members.

Chairperson Taketa stepped out of the meeting at 9:17 a.m.

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) Taketa, Iwata, Hara & Associates, LLC

After discussion, it was moved by Mr. Punua, seconded by Mr. G. Lee, and unanimously carried to approve the peer review 90-day extension request from Taketa, Iwata, Hara & Associates, LLC.

Mr. Roberts commented that it appears only Board member's firms are requesting for peer review extension requests, and that there may be a bigger issue with CPA firms not knowing that they should also be requesting for extension request. Vice-Chairperson Komo commented that the requests and Board action thus far are setting a precedence for other CPA firms.

Chairperson Taketa returned to the meeting at 9:20 a.m.

2) Update on Mandatory Peer Review  
Compliance Check for 2018-2019 Biennium

Executive Officer Kobashigawa stated that due to the lack of staff and staffing resources, he has no further update to the mandatory peer review compliance check since Chairperson Taketa's "initial matching" to confirm receipt of compliance reporting form and supporting document(s). Mr. Roberts commented that Board members may be able to assist with the compliance check; Executive Officer Araceley stated he may be reaching out to Board members for assistance in the near future.

B. Legislation and Rules

1) Update on Status of Proposed Administrative  
Rules

Executive Officer Kobashigawa stated he was recently apprised of a new administrative rules amendment flow chart; thus, the current status will be to submit the proposed rules to the Attorney General's office for review and approval as to substance. Board members requested for a copy of the new *Hawaii Administrative Rules Rulemaking Flowchart*.

C. Continuing Professional Education

1) Status of CPE Audit Compliance

Committee Chairperson Roberts summarized the progress of the CPE audit compliance:

CPA license audit:

- 133 sampled
  - 129 successful, compliant
  - 2 found deficient
  - 2 no replies - to be referred to the Regulated Industries Complaints Office (“RICO”)

Permit to Practice audit:

- 127 sampled
  - 97 successful, compliant
  - 28 adjustments or are deficient (most may be adjustments to licensee’s carryover CPE credits)
  - 1 passed away
  - 1 no reply – to be referred to RICO

D. CPA Examination

1) Update on Q-3, 2018 Multiple Restarts

Committee Chairperson Punua provided an update on the multiple restarts reported on Q-3, NASBA Candidate Care Quarterly Report. CPA Examination Services found the restart issues were due to internet connectivity (connection glitches) at the Prometric test-sites.

Mr. Williams returned to the meeting at 9:30 a.m.

The following agenda items were taken out of order.

4) NASBA Candidate Care Quarterly Report, Q3

Committee Chairperson Punua commented that he spoke with Mr. Mike Decker of NASBA for information about the CPA candidate pipeline and its “sharp decline”. Mr. Decker provided studies completed in 2015 and 2017; Mr. Punua provided a summary from those studies:

Strongest drivers among graduates who want to pursue a CPA license:

- ✓ On-campus college recruitment;
- ✓ Availability of special majors; and
- ✓ Overall pro-CPA culture on campus.

Strongest drivers among individuals who sit for the CPA exam:

- ✓ Work place requirements;
- ✓ Employer reimbursement/incentives;
- ✓ Work place encouragements; and
- ✓ On-campus college recruitment.

Top 3 obstacles to the CPA license (pertaining to the CPA exam):

- ✓ Exam is difficult;
- ✓ Exam requires time to study; and
- ✓ Exam creates conflict with work obligations.

Committee Chairperson Punua stated that the studies also found that convenient exam processing is important to candidates including extending the 18-month time frame to complete the exam, reducing or eliminating testing black-out windows, and allowing re-testing of a failed section within the same testing window.

3) Change to Address Continuous Testing

This agenda item was taken simultaneously with the following agenda item.

2) Request for Comments on CPA Examination Rules

Executive Officer Kobashigawa informed the Board the deadline date for comments on the proposed language for CPA Examination Rules which includes continuous testing and eliminating testing windows is February 11, 2019.

New Business:

A. Discussion on Performance Audits Performed in Accordance with Government Auditing Standards Issued by the U.S. Government Accountability Office

Mr. Roberts stated that he has been approached by CPAs who raised concerns with him about the scope of practice of CPAs relating to performance

assessments and how non-CPA companies are able to do that. Mr. Roberts stated he believes public perception of an audit report is that it is completed by an auditor, and an auditor is a CPA.

Discussion ensued with Chairperson Taketa commenting that the Board should initiate an investigation/research into the standards to clarify whether this is allowed or not. Mr. Williams commented that anyone questioning unlicensed activity should consider filing a complaint to RICO.

Executive Officer Kobashigawa commented that this issue may be addressed by the Board initiating a complaint to be sent to RICO. DAG Leong stated that the Board could send an inquiry to the Attorney General's office asking whether it is within the scope of practice.

Mr. Punua commented that he would rather have the public submit that inquiry so there is no questioning of conflict of interest by Board members.

Vice-Chairperson Komo commented that this is a more general question, as it affects the whole profession in general.

After discussion, the consensus by the Board was to take no action in the absence of a specific complaint.

B. Discussion on Qualifying for Licensure Based on Passing the CPA Examination Before December 2000 – Email from Yi-Ding Fahnstock

Executive Session:

At 9:59 a.m., it was moved by Mr. Roberts, 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 10:06 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.

Discussion ensued on Ms. Fahnestock's inquiry on the education requirement for applicants who passed the Uniform CPA Exam prior to December 2000.

After discussion, it was moved by Vice-Chairperson Komo, seconded by Mr. Roberts, and unanimously carried to inform Ms. Fahnestock that her foreign education needs to be evaluated by NIES.

C. Inquiry from Alan Cantrell of NASBA Regarding Qualifying for the CPA Examination Based on Accreditation from The Association of Advanced Rabbinical and Talmudic Schools, Accreditation Commission

This agenda item was taken simultaneously with the following agenda item.

D. Discussion on Written Guidelines on Colleges and Universities "Acceptable to the Board" (Regional and National Accrediting Agency) – HAR section 16-71-17(a)(1)

After discussion, the Board's consensus was that the Association of Advanced Rabbinical and Talmudic Schools is recognized by the Department of Education as an accrediting body; thus, education from a college/university accredited by that association is acceptable to the Board.

E. Discussion on Written Guidelines on Evidence of Attendance Issued to Attendees of CPE Group Sessions - HAR 16-71-37(5)

Chairperson Taketa requested for the Executive Officer to keep a reference source, an index system that includes the meeting date and page number.

Open Forum: None.

Next Board Meeting: Friday, January 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:

Mr. Williams stated the Hawaii Society of Certified Public Accountants is holding a professional development course on peer review on January 25, 2019. He commented that it should help you to “be prepared for your peer review” and extended an invitation to Executive Officer Araceley to attend.

Adjournment:

There being no further discussion, the meeting adjourned at 10:22 a.m.

Taken and recorded by:

/s/ Lori Nishimura

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Lori Nishimura, Secretary

Reviewed and Approved by:

/s/ Relley W. Araceley

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Relley W. Araceley, Executive Officer

RWA:ln

01/18/19

[ ] Minutes approved as is.

[X] Minutes approved with changes. See Minutes of January 25, 2019.