

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

MINUTES

Date: Friday, September 28, 2018

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
Terrence H. Aratani, Member
Christopher Lee, CPA, Member
Gabriel Lee, Member
Gary Y. Miyashiro, 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

Excused: Edward L. Punua, CPA, Member

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 August 31, 2018 Board Meeting: DAG Moriarty suggested for the following amendment on page 2, Chapter 92, HRS, Adjudicatory Matters, to correct the HRS chapter:
“Chapter [~~92~~] 91, HRS, Adjudicatory Matters:”

Chairperson Taketa requested for the following amendment on page 14, first paragraph:

“After discussion, it was moved by Mr. Williams, seconded by Mr. Roberts, and unanimously carried to approve [~~the aforementioned proposed amendments to~~] the entire Title 16, Chapter 71 of the Hawaii Administrative Rules with the aforementioned proposed amendments.”

After discussion, it was moved by Vice-Chairperson Komo, seconded by Mr. Aratani, and unanimously carried to approve the minutes of the August 31, 2018 meeting, with the aforementioned amendments (with new material underscored and repealed material bracketed and stricken through).

Executive Session:

At 8:35 a.m., it was moved by Mr. Aratani seconded by Mr. Roberts, 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 8:41 a.m., it was moved by Mr. Aratani, seconded by Mr. Roberts, and unanimously carried for the Board to move out of Executive Session, and to immediately recess the meeting.

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

Applications for
CPA Certification:

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

- 1) DANG, Michelle Mei-Yan
- 2) FERGUSON, Elisabeth Charlotte
- 3) HOFSCHEIDER, Andrea M. B.
- 4) JENKINS, Brenda G.
- 5) RO, Courtney F.
- 6) YOO, So Young Lee

After discussion, it was moved by Mr. Aratani, seconded by Mr. G. Lee, and unanimously carried (Mr. C. Lee recused

himself from the vote) to approve the following application for certification:

- 1) FUJIEKI, Sally C.

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

- 1) OKADA, Chad K.

Ratification of
Individual CPA
Permits to Practice:

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

- 1) CRONE, Timothy J.
- 2) DEMELO, Milena Cvjetkovic
- 3) KANEKO, Kitt Y.
- 4) KUBLY, Nichole M.
- 5) LAPIER, Nicholas
- 6) LEWCZYK, Megan D.
- 7) MADDEN, Catherine E.
- 8) MEYERS, Jennifer M.
- 9) NADRASIK, Jerrilyn N.
- 10) RASMUSSEN, Kristin N.
- 11) REBELLA, Monica J.
- 12) SOARES, Abel, III
- 13) SOBERMAN, Jesse C.
- 14) WENGEL, Michael W.

Ratification of
Issued Firm
Permits to Practice:

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

- 1) CMS ACCOUNTING SERVICES LLC
- 2) JOHN HIGGINS CPA LLC
- 3) BRYSON S B LUM
- 4) THE CPA COLLECTIVE LLC
- 5) RJK LLC
- 6) MISTY L O'BRIEN
- 7) MEGAN D LEWCZYK CPA LLC
- 8) HUI MALAMA TAX AND ACCOUNTING LLC

Executive Officer's
Report:

A. DCCA Disciplinary Actions Through August 2018

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

B. NASBA Newsletter

Executive Officer Kobashigawa reported the following from the NASBA Newsletter:

Prometric announced new International test locations effective October 1, 2018: England, Germany, Ireland, and Scotland.

Discussion ensued on states that sponsor international test candidates, to qualify to sit for the Uniform CPA exam. Executive Officer Kobashigawa stated that ten (10) states do not participate in sponsoring international test candidates, Hawaii is not one of those states.

Mr. Roberts commented how is this Board allowing/ sponsoring international test candidates when we have a restriction for license (in order to qualify for a license, the applicant needs to be a U.S. citizen, a U.S. national, or an alien authorized to work in the U.S.).

C. Executive Directors' Newsletters

Executive Officer Kobashigawa reported the following from the Executive Directors' Newsletters:

California Board of Accountancy reported of a bill that would make permanent the Board's current mobility program (allow non-California CPAs to practice with no notice and no fee). They also have another bill that limits their Board's ability to deny a license based on criminal history; criminal conviction cannot be used as a basis to deny a license unless it is related to the practice.

Kentucky has full mobility for firms and they have the ability to issue private reprimand for CPAs.

D. Other States' Newsletters

Other States' newsletters were circulated to the Board.

Executive Officer Kobashigawa reported on the recent DCCA news release – thirteen (13) state bank regulators are urging Congress to consider legislation that creates a safe harbor for financial institutions to serve businesses engaged in cannabis related activities legally under State law. Currently, financial institutions are hesitant to get involved with cannabis related businesses due to the uncertainty, as it remains illegal under Federal law; thereby creating a cash industry.

Chairperson's Report:

A. NASBA Pacific Region Conference Call

Chairperson Taketa stated he participated in the NASBA Pacific Region conference call held on September 5, 2018, noting that all jurisdictions participated. He provided the following summary:

- Proposed technology pathway for CPAs – idea has been disbanded and may modify existing pathway to attract IT candidates.
- Two regional meetings will continue, will not combine into one meeting for two regions.
- Chairperson Taketa gave a report on the Board's transition of working with the Oregon State Society of CPAs ("OSCPA") as the new administering entity; also mentioned the proposed administrative rules changes. He did mention budget issues and of the Board's assistance with the checking of the audit and peer review compliance. Chairperson Taketa commented that budget issues were a common theme with other jurisdictions too.
- Alaska – approved a new definition of attest.
- Arizona – created a baseline matrix for disciplinary guidelines.
- California – Bill 2138 that would limit the authority to consider an individual's criminal history.

- Guam – revenue from testing centers are declining which will affect the University of Guam’s accounting program (they were getting ~ 1.8 million/year).
- Washington – proposed administrative rules changes: proposing to accept nano-learning and require 20 CPEs/year.

B. NASBA Regional Director’s Focus Questions

Chairperson Taketa stated that 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. Has legislation that seeks to deregulate professions been introduced in your state? If so, please give details.

Response: No legislation proposed in my state.

2. It has been mentioned that many colleges are bringing IT courses into their accounting programs.
 - (a) Can you identify any schools in your jurisdiction which have done so?

Response: Not to their knowledge.

- (b) Does your Board permit IT courses to be counted as accounting or business courses?

Response: Accounting – Yes; and Business – Yes

- (c) If so, are there additional criteria those courses must meet?

Response: Based on classification.

3. (a) As your rules are currently written, could your candidates take the Uniform CPA Examination continuously throughout the year?

Response: Yes

- (b) Can they only take sections once per window?

Response: Yes

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

Response: 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: No

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.

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

Standing Committee Reports:

A. Peer Review

1) Report on conference call with Phyllis Barker, COO, Oregon Society of Certified Public Accountants on September 12, 2018

Mr. Miyashiro provided a summary of his conference call with Chairperson Taketa and Ms. Barker of OSCPA on September 12, 2018:

- Peer Review Process with OSCPA – vacancy in the PROC; OSCPA will be informed of vacancy appointment.
- PROC confidentiality agreement – draft was presented to Ms. Barker, who then recommended a change: reference to Board must be omitted as the Board is not purview to the same information as the PROC due to confidentiality issues.

- Compliance with HRS section 466-40(a) – a request was made for a copy of OSCPA’s Peer Review Administration Plan; they are in the process of updating their plan but a current copy (which is outdated) will be forthcoming to the Executive Officer. Administrative Fee is the same for members and non-members of the AICPA, and subject to the same due process. Monitoring their compliance with AICPA standards for performing peer reviews – OSCPA is oversighted by AICPA and that report is forthcoming.
- RAB (Report Acceptance Body) – they meet ~ 9-10 times a year. They have fourteen (14) members with a cross mix of CPAs, comprised of Oregon and Hawaii CPAs. The cross mix may address concerns with familiarity for technical reviews as Hawaii members will review Oregon firms and vice versa; thus, may have some form of control.

Time lines were discussed - engagement reviews may take ~ 60 days from receipt of a completed review. Technical reviewers can accept an engagement review without taking it to the RAB. System reviews take ~ 120 days from receipt of a completed review. Delays to system reviews may be 1) RAB needs clarification and 2) deferral – issues need to be addressed/investigated; thus, deferred to the next RAB meeting. PRIMA is getting better at tracking.

Mr. G. Lee returned to the meeting at 9:24 a.m.

Vice-Chairperson Komo commented that PRIMA was down for couple of weeks this month – suggesting it may have been weather related.

- 2) Approval of changes to the memorandum of understanding – removing “and/or Board” on page 3 of the draft

After discussion, it was moved by Mr. Aratani, seconded by Mr. G. Lee, and unanimously carried to amend the Peer Review Memorandum of Understanding by removing the reference of “and/or Board” due to confidentiality issues as all communication is made only to the PROC.

- 3) Update on mandatory peer review compliance check for the 2018-2019 biennium

Chairperson Taketa commented that his review found ~ 130 firms that did not match (no compliance reporting forms on file) and 33 firms with discrepancies (may need clarification). He stated that he provided his results to Executive Officer Kobashigawa, who stated that he is compiling a list as more forms have been received since Chairperson Taketa’s review.

- 4) Peer Review Oversight Committee (“PROC”) appointment

Executive Officer Kobashigawa suggested/ recommended the appointment of Mr. Nelson Lau, who had expressed his interest to serving on the PROC. No other names were suggested.

After discussion, it was moved by Mr. Williams, seconded by Mr. Aratani, and unanimously carried to approve the appointment of Nelson Lau as a member to the PROC.

- 5) Approval of wording of confidentiality letter to be signed by members of the PROC

Discussion ensued on the modifications/ amendments to the original confidentiality letter to be signed by members of the PROC, as suggested by Ms. Barker of OSCP.

After discussion, it was moved by Mr. Aratani seconded by Vice-Chairperson Komo, and unanimously carried to approve the revised confidentiality letter to be signed by members of the PROC.

- 6) Approval of changes to the Peer Review Compliance Reporting Form – Under the section “Non-Public Hawaii Attest Work Performed by your CPA Firm”:

Chairperson Taketa proposed to change the Peer Review Compliance Reporting Form, under the section “Non-Public Hawaii Attest Work Performed by your CPA Firm” – to be consistent with the statute and to clear up any misunderstanding, as follows:

- We represent that the Peer Review included our CPA Firm’s Hawaii offices, if any, and non-public Hawaii attest engagements [~~in the scope of~~] were selected in the Peer review. (Y/N)
- If the Peer Review Report did not include your CPA Firm’s Hawaii offices, if any, and Hawaii attest engagements [~~in the scope of~~] were not selected in the Peer Review, please provide a copy of the contemporaneous Hawaii Supplement that included your firm’s Hawaii offices, if any, and Hawaii attest engagements.

Vice-Chairperson Komo commented if the wording under the section “Public Company Hawaii Attest Work Performed by Your CPA Firm” be corrected as grammatical, non-substantive, as follows:

- If you answered “yes”, please attach a copy of [~~a copy of~~] any report or Part 1...

After discussion, it was moved by Mr. Roberts, seconded by Mr. G. Lee, and unanimously carried to approve all changes aforementioned (with new material underscored and repealed material bracketed and stricken through) to the Peer Review Compliance Reporting Form (CPA-PR4).

B. Legislation and Rules

- 1) Progress of Proposed Administrative Rules

Executive Officer Kobashigawa reported the proposed administrative rules is pending processing by the DCCA's Administrative Services Office for drafting of the proposed rules in Ramseyer format.

C. Continuing Professional Education

1) Report on CPE Audit Compliance

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

CPA license audit:

- 133 sampled
 - 122 successful, compliant
 - 9 no replies
 - 2 deficient

Permit to Practice audit:

- 127 sampled
 - 69 successful, compliant
 - 2 no replies
 - 55 adjustments or are deficient (most may be adjustments to licensee's carryover CPE credits)

Committee Chairperson Roberts volunteered to gather information from NASBA's Enforcement Resources Committee should the Board want a sampling of other state's sanctions for deficiencies in CPE compliance.

Discussion ensued on the proof of CPEs auditees may submit. Executive Officer Kobashigawa noted that in past, the Board has accepted a firm's listing that attested and summarized the participant's completion of the continuing professional education (usually in-house study/class). Committee Chairperson Roberts commented that course documents as noted in HAR section 16-71-37 states that compliance is at the individual level; thus, believes a listing from the firm is incomplete. He further commented that affected auditees

should be notified to submit the certificates of completion.

After discussion, it was moved by Mr. Roberts, seconded by Mr. G. Lee, and unanimously carried to reaffirm that for purposes of the audit for CPE compliance, the Board reaffirms that copies of the certificate of completion must be provided, pursuant to HAR sections 16-71-37(5) and 16-71-38(2).

Open Forum: None.

Next Board Meeting: Friday, October 26, 2018
8:30 a.m.
King Kalakaua Conference Room
King Kalakaua Building
335 Merchant Street, 1st Floor
Honolulu, Hawaii 96813

Announcements: None.

Adjournment: There being no further discussion, the meeting adjourned at 9:54 a.m.

Taken and recorded by:

/s/ Lori Nishimura

Lori Nishimura, Secretary

Reviewed and Approved by:

/s/ James Kobashigawa

James Kobashigawa, Executive Officer

JK:ln

10/25/18

[X] Minutes approved as is.

[] Minutes approved with changes. See Minutes of _____.