

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

MINUTES

Date: Friday, January 25, 2019

Time: 8:35 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
Edward L. Punua, CPA, Member
John W. Roberts, CPA, Member
Carleton L. Williams, CPA, Member
Christopher Leong, Deputy Attorney General (“DAG”)
Relley W. Araceley, Executive Officer
Lori Nishimura, Secretary

Guest: Karl Fujii
Danny Rank
Marilyn M. Niwao, Hawaii Association of Public Accountants
 (“HAPA”), Legislative Committee Chair of HAPA

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 8:35 a.m. by Chairperson Taketa.

Approval of
Minutes of the
December 21, 2018
Board Meeting: Mr. Punua requested for a correction on page 5, mid-page:
“E. ~~[NSABA]~~ NASBA Communications”
After discussion, it was moved Mr. Punua, seconded by

Mr. Aratani, and unanimously carried to approve the minutes of the December 21, 2018 meeting, with the aforementioned amendments (with new material underscored and repealed material bracketed and stricken through).

Executive Session:

At 8:36 a.m., it was moved by Mr. Aratani, seconded by Mr. G. Lee, 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 8:48 a.m., it was moved by Mr. Roberts, seconded by Mr. G. Lee, 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 Vice-Chairperson Komo, seconded by Mr. Roberts, and unanimously carried to approve the following applications for certification:

- 1) BEZY, Carol J.
- 2) HAMANO, Atsuko
- 3) OBENOUR, James D., III
- 4) PAUKERT, Emily J.
- 5) PEDREGON, Adrienne R.
- 6) SUNNA, Ayoub F.
- 7) WATKINS, Wade K.

Ratification of
Individual CPA
Permits to Practice:

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

- 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.
- 8) ZHANG, Didi

After discussion (from which Chairperson Taketa recused himself), it was moved by Mr. G. Lee, seconded by Mr. Punua, and unanimously carried to ratify the approval of the following individual CPA Permit to Practice:

- 1) GALLAGHER, Cristin M.

Ratification of
Issued Firm
Permits to Practice:

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

- 1) GLENN N SHIGETOMI
- 2) ANDREA L DISMUKE
- 3) KARL J STRUBE
- 4) SARAH C CORREA CPA LLC
- 5) CALVIN K MIYAMOTO
- 6) HOWARD LOO CPA LLC
- 7) DIDI ZHANG

After discussion (from which Chairperson Taketa recused himself), it was moved by Mr. Aratani, seconded by Vice-Chairperson Komo, and unanimously carried to ratify the approval of the following issued Firm Permit to Practice:

- 1) CRISTIN GALLAGHER LLC

Ratification of
Approval of Firm Name:

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

- 1) David M CPA LLC
- 2) Calvin K Miyamoto CPA

Executive Officer's
Report:

A. DCCA Disciplinary Actions Through January 2019

Executive Officer Araceley circulated the informational monthly report of the DCCA (Department of Commerce and Consumer Affairs) disciplinary action through December 2018, that includes sanctions

DCCA had taken relating to various Boards and Programs.

B. AICPA State Regulatory Update

Executive Officer Araceley circulated the AICPA State Regulatory Update.

C. Other States' Newsletters

Executive Officer Araceley stated he has no report as he did not receive newsletters from other states.

D. NASBA Communications

1) Proposed Changes to the Uniform Accountancy Act

Executive Officer Araceley informed the Board the deadline date for comments on the proposed changes to the Uniform Accountancy Act has been extended to June 30, 2019.

E. NASBA Center for the Public Trust Newsletter

Executive Officer Araceley stated he has no report as he did not receive the NASBA Center for the Public Trust newsletter.

F. Email from Patrick K. Kelly, Esq., Department of the Attorney General, Regarding Hawaii Supreme Court Order for the Suspension of Mr. Wing Ng's Practice of Law.

After discussion, Chairperson Taketa requested Executive Officer Araceley to gather more information from the Attorney General's office regarding Hawaii Supreme Court Order for the suspension of Mr. Wing Ng's practice of law to determine if it relates to his CPA practice.

Chairperson's Report:

A. Communications with NASBA and Oregon Society of CPAs

Chairperson Taketa informed the Board that he contacted Katrina Salazar, NASBA Pacific Regional Director, for her assistance in spreading word of this Board's new Executive Officer, Relley Araceley.

Chairperson Taketa also informed the Board that he contacted Phyllis Barker, Oregon Society of Certified Public Accountant's ("OSCPA") CAE – Vice President/COO. He confirmed with Ms. Barker that the OSCPAs Peer Review Program is in receipt of the Board's Memorandum of Understanding ("MOU").

Chairperson Taketa stated that Ms. Barker inquired about the quarterly reports mentioned in the MOU; he informed her the quarterly reports are "nothing formal, just feedback to the Board", to help the Peer Review Oversight Committee with their annual report on the continued reliability of sponsoring organizations' peer reviews.

Chairperson Taketa commented that OSCPAs should be meeting later this week, at which time the MOU may be signed by their CEO.

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) Merina and Company, LLP

Discussion ensued on the peer review extension request from Merina and Company, LLP ("Merina"). The Board noted that Merina was granted an extension from AICPA until January 31, 2019.

(2) Herman Cheng CPA, AAC

Discussion ensued on the peer review extension request from Herman Cheng CPA, AAC (“Cheng”). The Board noted that Cheng was granted an extension from OSCP A Peer Review Committee until March 31, 2019.

Vice-Chairperson Komo commented that both Merina and Cheng do not need the Board’s approval for an extension as they had already received it from AICPA and OSCP A Peer Review Committee.

Chairperson Taketa stated that Merina and Cheng had already been granted an extension to their peer view; thus, the Board should accept their granted extensions and acknowledge their notification to the Board. No further Board action was taken.

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

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
 - 131 successful, compliant
 - 1 deficient
 - 1 no reply

Committee Chairperson Roberts recommended to refer the deficient and no-reply licensees to the Regulated Industries Complaints Office (“RICO”) for non-compliance. After discussion, it was moved by Committee Chairperson Roberts,

seconded by Mr. Aratani, and unanimously carried to refer the two licensees to RICO.

Permit to Practice audit:

- 127 sampled
 - 124 successful, compliant
 - 1 passed away
 - 2 deficient

Committee Chairperson Roberts stated the two (2) deficient licensees have ongoing communication with Executive Officer Araceley to determine their compliance with the continuing professional education requirement and audit.

D. Uniform CPA Examination

1) NASBA Exam QuickPoll

Committee Chairperson Punua stated the NASBA Exam QuickPoll, on exam related topics, had been provided to Board members to review prior to the meeting. The Board discussed and reached consensus on the following response (same response to each question):

- Security of the Exam
- Quality/Accuracy of score reporting
- Timeliness of score reporting
- The number/type 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.

Committee Chairperson Punua stated he will provide the Board's response to NASBA, noting the deadline for response is February 15, 2019.

2) Fourth Quarter 2018 (October – November)
 Testing Window

a) Ratification of Hawaii Candidate
 Examination Scores

Committee Chairperson Punua presented the statistics for fourth quarter 2018 (October-November) testing window as follows:

EXAMINATION RESULTS (BY SCORES)

	Number of Scores	Percentage
Credit	71	43.8%
No Credit	91	56.2%
Lost Credit	0	0
Voided	0	0
TOTAL	162	100%

TOTALS BY EXAM PARTS (BY CANDIDATES)

	AUD	BEC	FAR	REG	TOTAL
# Attended	31	32	37	62	162
# Passed	14	11	14	32	71
% Passed	45.2%	34.4%	37.8%	51.6%	43.8%

SUCCESSFUL CANDIDATES SUMMARY

# of Passing First Time Candidates	4 (25%)
# of Passing Re-Exam Candidates	12 (75%)
# of International Candidates	1

# of Passing Candidates	16
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After discussion, it was moved by Committee Chairperson Punua, seconded by Mr. C. Lee, and unanimously carried to ratify the examination scores from fourth quarter, 2018 (October-November) testing window.

B. Legislation and Rules

1) Update on Status of Proposed Administrative Rules

Executive Officer Araceley reported the Attorney General's office has approved as to substance the Board's proposed administrative rules. He further reported that based on the new *Hawaii Administrative Rules Rulemaking Flowchart*, the Board is on step #5.

2) Status on Bill to Redefine Peer Review Committee Member Requirements

Committee Chairperson Aratani reported two bills to redefine Peer Review Committee member requirements were introduced, Senate Bill ("S.B.") 1317 and companion House Bill ("H.B.") 751. The two identical bills seek to clarify that a member may qualify for the peer review oversight committee so long as the member's firm did not receive a fail rating from its last peer review. Committee Chairperson Aratani commented the bills accurately reflect the Board's past discussion.

After discussion, it was moved by Committee Chairperson Aratani, seconded by Mr. Roberts, and unanimously carried to support S.B. 1317 and H.B. 751.

3) Discussion on Senate Bill No. 208 – Relating to Public Accountancy

This bill seeks to establish procedures for an out-of-state individual licensed as a certified public accountant or certain accountancy firms to be granted practice privileges in this State by the board of public accountancy if the licensee or firm meets certain qualifications and requirements for substantial equivalency. Makes conforming amendments to the laws relating to public accountancy to reflect practice privileges.

Mr. Roberts commented that he re-read RICO's testimony on the similar bill last year and their written concerns on enforcement and fees was not addressed in this year's bill - S.B. 208. He also commented about tax compliance, believes that if there is no audit trail, people will cheat 70% of the time – based on the Duke University Dishonesty Project and the HAPA study; thus, made a motion to oppose S.B. 208 and its companion bill, H.B. 1109. The motion was seconded by Committee Chairperson Aratani.

Mr. Williams commented that S.B. 208 and H.B. 1109 is a clean, standard mobility bill. Further that Hawaii is the only jurisdiction in the entire country that does not have mobility. Mr. Williams stated that he supports these bills.

Vice-Chairperson Komo reiterated that RICO submitted opposing testimony on an identical bill last year with comments that they need to support the bill in order to enforce it, otherwise “we are going to pass something that is not enforceable in this State”. He commented the bill proposes to take away temporary permits to practice. Vice-Chairperson Komo stated that he opposes the bills.

Mr. Punua stated he supports the bills, “it could be hurting our profession by not joining other jurisdictions and recognizing mobility”.

Mr. G. Lee stated support for the bills.

Chairperson Taketa commented that he believes RICO's comments from last year would still apply to this year's bills, as it is the same exact bill. He further commented that RICO testified about protection of the public, expressing concern that the bill fails to require notice to consumers with work that requires a Hawaii license being performed by individuals exercising a "practice privilege". RICO had also recommended language that would allow the Board to impose fees, fines, and costs associated with any investigation/enforcement; otherwise, costs incurred for investigation/enforcement may be borne by Hawaii licensees.

Mr. Punua commented in the many years that mobility was discussed, RICO may have expressed that they don't have the manpower and resources to enforce it, but he believed they may have been in support because it gave them more authority to reach out.

Chairperson Taketa clarified that RICO did not take a position in last year's bill, instead submitted enforcement related comments.

Further discussion ensued on attest services – Mr. Williams suggested the need for a comprehensive definition of attest.

Ms. Niwao stated that HAPA's opposing testimony last year stated that each state has different laws about mobility, and some states are very restrictive as to what they allow under practice privilege. She also mentioned that the bill delegates legislative authority to NASBA and AICPA, the Uniform Accountancy Act ("UAA"). Ms. Niwao noted that "no states follow the UAA, its just a model act for states to consider"; and is therefore dangerous because "you are going to let other people determine what our state laws are going to be". Ms. Niwao expressed her concern with CPAs who may be serving Hawaii clients without knowing Hawaii's tax laws, which

were quoted as “very unique”, and how they would provide competent services.

Mr. Williams commented that Hawaii laws will not be on automatic pilot and Hawaii is not the only state with general excise tax (“GET”). Other states have taxes that Hawaii does not, and ethical standards of a CPA is that they are supposed to know the rules and follow them.

Chairperson Taketa expressed that from a consumer’s point of view, there are inconsistencies between Hawaii licensed CPAs versus CPAs exercising practice privilege, such as:

- Difference in ownership of CPA firms (Hawaii requires 100% CPA ownership versus other states that require simple majority);
- Many states require one year of experience, Hawaii requires two years; and
- Any changes to the UAA is a slow process.

Mr. Punua commented on the opposition for the bill due to Hawaii’s GET and that it is up to the CPAs to find out the tax laws of this State. He believes the mobility law will help to educate them. Mr. Punua questioned if it is the fees that are concerning, as it appears that may be the biggest thing that we are giving up.

Ms. Niwao commented that the GET make up the bulk of the state’s revenue. If the mobility bill is passed, Hawaii would have no notice, no fees, and no GET revenue. Mr. Williams commented that this bill does not modify the tax bill.

A roll call vote was taken and recorded as follows:

Chairperson Taketa: Aye;
Vice-Chairperson Komo: Aye;
Mr. Aratani: Aye;
Mr. C. Lee: Aye;
Mr. G. Lee: Nay;
Mr. Miyashiro: Aye;

Mr. Punua: Nay;
Mr. Roberts: Aye; and
Mr. Williams: Nay.

As the vote was six (6) ayes and three (3) nays, the motion carried to oppose S.B. 208 and its companion bill, H.B. 1109.

4) Discussion on a Proposed Bill Relating to Requirements for Temporary Permit to Practice in Hawaii

Committee Chairperson Aratani reported two bills relating to requirements for Temporary Permit to Practice were introduced, S.B. 1470 and companion H.B. 1084. The two identical bills seek to specify who may be granted a temporary permit to practice public accountancy; specify requirements that must be met prior to obtaining a temporary permit to practice or commencing public accountancy services in Hawaii; specify additional requirements for persons granted a temporary permit to practice; and make conforming amendments to the laws relating to public accountancy.

Mr. Roberts made a motion to support S.B. 1470 and H.B. 1084. The motion was seconded by Committee Chairperson Aratani.

Discussion ensued on the bills as it also proposes to amend HRS section 466-10(d), to disallow current licensees, certified public accountant and public accountant, without a current permit to practice from assuming and using the title and designation of CPA and PA.

Meeting guest, Mr. Fujii commented that the bill would take away his right (as a current CPA licensee without a permit to practice) to use the designation of CPA, not in public practice. He also commented that the bill is about temporary permit to practice, crossing state lines, and does

not understand if there is a correlation with CPA/PA designation and temporary permit to practice. Meeting guest, Mr. Rank also expressed the same concerns. Chairperson Taketa acknowledged the numerous emails the Board received with the same concerns as Messrs. Fujii and Rank.

Mr. Roberts commented that the Board's Administrative Rules were also amended in the past and the section that allowed CPAs without permit to practice licensees to use the designation of CPA, not in public practice was repealed. Chairperson Taketa commented a "remedy is to put back what was taken out in the Administrative Rules". Mr. Williams commented a "remedy is to leave the HRS as is".

Ms. Niwao commented that the public does not know about the two-tier CPA license and that licensees who do not hold a permit to practice are not required to have the continuing professional education.

Chairperson Taketa commented that the purpose of the bills is to amend the temporary permit to practice and that the matters concerning designation should be addressed in a separate bill. He further commented that he does not support the bills as written.

Mr. Williams questioned if there were any statistics or complaints that would warrant a change to HRS section 466-10(d).

A roll call vote was taken and recorded as follows:

Chairperson Taketa: Nay;
Vice-Chairperson Komo: Nay;
Mr. Aratani: Aye;
Mr. C. Lee: Nay;
Mr. G. Lee: Nay;
Mr. Miyashiro: Nay;
Mr. Punua: Nay;

Mr. Roberts: Aye; and
Mr. Williams: Nay.

As the vote was two (2) ayes and seven (7) nays, the motion did not carry.

Mr. Roberts made a motion to support both S.B. 1470 and H.B. 1084 but striking section 6, to amend HRS section 466-10(d). The motion was seconded by Committee Chairperson Aratani.

Further discussion ensued on the bill's proposal to amend the requirements for obtaining a temporary permit to practice public accountancy. Mr. Roberts commented it will be a "de facto mobility", provides for notice and fee, a "click and go". This would streamline the process.

Mr. Williams commented on page 5, line 10, noting that "we have tax laws". Mr. G. Lee expressed concerns with the fees.

Mr. Williams objected to amending the bills, expressing concern with supporting parts of the bill.

Mr. Williams requested for a roll call; a roll call vote was taken and recorded as follows:

Chairperson Taketa: Aye;
Vice-Chairperson Komo: Aye;
Mr. Aratani: Aye;
Mr. C. Lee: Aye;
Mr. G. Lee: Nay;
Mr. Miyashiro: Aye;
Mr. Punua: Nay;
Mr. Roberts: Aye; and
Mr. Williams: Nay.

As the vote was six (6) ayes and three (3) nays, the motion carried to support both S.B. 1470 and H.B. 1084 but striking section 6, to amend HRS section 466-10(d).

Open Forum: None.

Next Board Meeting: Friday, February 22, 2019
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 11:12 a.m.

Taken and recorded by:

/s/ Lori Nishimura

Lori Nishimura, Secretary

Reviewed and Approved by:

/s/ Relley W. Araceley

Relley W. Araceley, Executive Officer

RWA:ln

02/11/19

[] Minutes approved as is.

[x] Minutes approved with changes. See Minutes of February 22, 2019, meeting.