

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

MINUTES

Date: Friday, May 24, 2019

Time: 8:32 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
Gary Y. Miyashiro, CPA, Member
Edward L. Punua, CPA, Member
John W. Roberts, CPA, Member
Christopher Leong, Deputy Attorney General (“DAG”)
Relley W. Araceley, Executive Officer
Olga Reppun, Secretary

Excused: Christopher Lee, CPA, Member
Gabriel Lee, Member
Carleton L. Williams, CPA, Member

Guests: Lei Fukumura, Special Deputy Attorney, PVL
Marilyn M. Niwao, J.D., CPA, Hawaii Association of Public Accountants

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 8:32 a.m. by Chairperson Taketa.

Approval of the Minutes of the April 26, 2019 Board Meeting: Mr. Roberts and Mr. Punua recused themselves from voting on this matter. As a result, the Board only had four voting members left, and the matter was deferred until the next Board meeting.

Chapter 92, HRS,
Adjudicatory Matter:

Chair Taketa called for a recess from the meeting at 8:34 am. to discuss and deliberate on the following adjudicatory matter pursuant to Chapter 91, HRS:

A. In the Matter of the Certified Public Accountant's License of DAVID M. KOSTECKI; ACC 2014-7-L; Settlement Agreement Prior to Filing of Petition for Disciplinary Action and Board's Final Order.

After discussion, it was moved by Mr. Aratani, seconded by Vice-Chair Komo, and unanimously carried to approve the Settlement Agreement Prior to Filing of Petition for Disciplinary Action and Board's Final Order relating to the Matter of the Certified Public Accountant's License of DAVID M. KOSTECKI; ACC 2014-7-L;

Following the Board's review in this matter pursuant to Chapter 91, HRS, Chair Taketa announced that the Board reconvene to its regular Chapter 92, HRS, meeting at 8:54 a.m.

Applications:

At 8:55 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 9:07 a.m., it was moved by Mr. Punua, seconded by Mr. Aratani, and unanimously carried for the Board to move out of Executive Session.

Applications for
CPA Certification:

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

- 1) DELA CRUZ, Lorena A
- 2) PASCOE, Juli C.

- 3) RAZZAQUE, Shawn E.
- 4) THRONSON, Michael R.
- 5) TSOI, Kahung (Kevin)
- 6) WILLIAMS, Jeremy C.
- 7) WU, Daniel

After discussion, it was moved by Mr. Aratani, seconded by Mr. Punua, and carried to defer the following application pending receipt of additional information:

- 1) KIM, Haewon (Julie)

Ratification of
Individual CPA
Permits to Practice:

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

- 1) ANDERSON, Joan, K.
- 2) FAHNESTOCK, Yi-Ding
- 3) HEILSBURG, Jacob J.
- 4) KANAZAWA, Shintaro
- 5) MOON, Christopher C.
- 6) MILLS, Jason J.
- 7) NESTICO, Steven T.
- 8) PADILLA, Geraldine D.
- 9) SIEGFRIED, Brett A.
- 10) TERRY, Madelaine J.
- 11) WIJESEKERA, Jessica K

After discussion, it was moved by Mr. Aratani, seconded by Vice-Chair Komo, and carried by a majority, with the exception of Mr. Miyashiro who recused himself from voting on this matter, to ratify the approval of the following individual CPA Permit to Practice:

- 1) TIRU, Czarina Marie P.

Ratification of
Issued Firm
Permits to Practice:

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

- 1) MARIA M HASHIMOTO
- 2) LANIGAN RYAN MALCOLM & DOYLE P C
- 3) STEVEN L THOMPSON
- 4) SHINTARO KANAZAWA

Executive Officer's
Report:

A. DCCA Disciplinary Actions Through April 2019

Executive Officer Araceley circulated the informational monthly report of the Department of Commerce and Consumer Affairs ("DCCA") disciplinary action through April 2019, which includes sanctions that DCCA had taken relating to various boards and programs.

B. American Institute of Certified Public Accountants ("AICPA") State Regulatory Update

Executive Officer Araceley stated that no update was received since the previous Board meeting.

C. Other States' Newsletters

Executive Officer Araceley circulated the newsletters of the Arkansas State Board of Public Accountancy and Nebraska Board of Public Accountancy.

D. National Association of State Board of Accountancy Communications

Executive Officer Araceley informed the Board members that the deadline to submit the questionnaire for the Western Regional Conference was set for the week before the May Board meeting. However, Mr. Araceley was informed by the NASBA representatives that the Board was able to make changes to the contents after the questionnaire was submitted.

Executive Officer Araceley asked the Board members to email him if they had any feedback regarding the NASBA questionnaire for the Western Regional Conference.

E. NASBA Center for the Public Trust Newsletter

Executive Officer Araceley circulated a NASBA Center for the Public Trust newsletter.

Chairperson's Report: A. NASBA response to Representative Kobayashi's inquiry on CPA mobility in Hawaii

Chairperson Taketa reminded the Board members that, at the March Board meeting, the Board asked Executive Officer Araceley to check whether Representative Dale Kobayashi held a current CPA license/permit at the time when he sent an email to NASBA claiming to be a CPA and whether there was a warning issued in the past to Rep. Kobayashi by RICO regarding holding out as a CPA.

Executive Officer Araceley reported that, according to the DCCA's database, Representative Dale Kobayashi has been licensed as a CPA since 1987 (CPA-2412), but he holds no permit to practice.

Mr. Araceley also informed the Board members that, while RICO provided a copy of the letter to him in response to his request for records, a RICO attorney advised to him that this letter could not be circulated at the Board meeting.

Regarding the RICO warning letter, Mr. Araceley reported that he was able to confirm that a RICO complaint against Rep. Kobayashi was filed in 2016. RICO opened an investigation and found that, indeed, according to some of the campaign materials, it appeared that Rep. Kobayashi Executive Officer was holding himself out as a CPA. A warning letter was sent by RICO to Rep. Kobayashi to inform him that, in order to be able to hold yourself out as a CPA, one has to hold a current CPA license and a permit to practice.

Executive Officer Araceley stated that it was his understanding that RICO closed this investigation on 12/01/2016 as there was no evidence that Rep. Kobayashi continued to hold himself out as a CPA.

Mr. Aratani addressed the Board members and stated that, based on the email correspondence between Rep. Kobayashi and NASBA, it appears that Rep. Kobayashi is holding himself out as a CPA again,

without being able to do it legally. Mr. Aratani stated that he feels that his matter should be referred to RICO for investigation.

It was moved by Mr. Aratani, seconded by Mr. Roberts, and unanimously carried to have the Board's Executive Officer refer this matter to RICO on the Board's behalf.

Chair Taketa stated that the Board needs to know if a warning letter is issued to its licensee. The Board members expressed their agreement.

Chair Taketa asked Executive Officer Araceley and DAG Leong if they knew what the legal reasons were for RICO's not providing copies of the warning letter to the Board. Mr. Araceley and DAG Leong responded in the negative.

Chair Taketa suggested that the Board should inquire how it can receive such letters, if and when they are issued.

It was moved by Mr. Aratani, seconded by Vice-Chair Komo, and unanimously carried to have the Board's Deputy Attorney General look into a possibility of requesting that RICO provide to the Board copies of all warning letters issued to the Board's licensees.

Standing Committee
Reports:

A. Legislation and Rules

- 1) Hawaii Administrative Rules ("HAR") Amendments – Legislative Reference Bureau ("LRB") review

Mr. Aratani reported that he has not received any emails with suggestions.

Chair Taketa stated that there might be some suggestions after the Board discusses items (2) and (3) of this agenda section.

- 2) Request to include House Bill No. 751/Senate Bill No. 1317 of the 2019 legislative session to the 2020 DCCA Administrative Bill Package.

Executive Officer Araceley informed the Board that he was advised by the Licensing Administrator and Supervising Executive Officer that putting in requests to add to the Administrative Bill Package would be very challenging this year.

The best routes would be either reintroducing the bills through the legislature or making changes in the HAR. For instance, currently the peer review process is not discussed in the HAR, so, by making amendments to HAR, the Board could make clarifications regarding peer review.

Chair Taketa suggested that reintroduction of the last session's bill might be a better option.

Mr. Aratani stated that since the bill is already at the legislature and it would carry over to the 2020 session, continuing to work on it would be a good idea.

- 3) Discussion regarding HRS466-35(b)(2)

Chair Taketa brought it to the Board's attention that HRS 466-35 (b) states that:

(b) A firm shall include, with the peer review compliance reporting form, the contemporaneous Hawaii supplement to the peer review report pursuant to section 466-36, if:

(1) A peer review report from an approved sponsoring organization does not include the selection of a Hawaii office or Hawaii attest engagement;

(2) The peer reviewer does not hold permits to practice public accountancy under section 466-7 or is not licensed to practice public accountancy in any other state, except inspectors for the public company accounting oversight board; or

(3) The final report resulting from any inspection by the public company accounting oversight board firm inspection program does not include the firm's Hawaii offices, if any, and Hawaii attest engagements in the scope of the inspection, and the firm is not required to enroll in another peer review program under section 466-34.

Chair Taketa informed the Board members that his initial concern was that, because HRS466-35(b)(2) did not apply anymore, section HRS466-35(b) could be interpreted that the contemporaneous Hawaii supplement is no longer required. However, after more careful review, he concluded that, since sections (1), (2), and (3) were connected by “or”, not “and”, even if one of the items did not apply anymore, there would be still two others to consider.

Ms. Niwao inquired whether there is any criteria in place that one has to meet in order to become a peer reviewer.

Chair Taketa responded that there are certain safeguards put in place by the Oregon Society of Certified Public Accountants to ensure that the peer reviewers are qualified. Also, the peer review requirements and standards are covered by the HRS.

Mr. Roberts inquired if Chair Taketa was suggesting that section HRS466-35(b)(2) should be struck.

Chair Taketa responded in the affirmative.

Mr. Aratani informed the Board members that the Board can communicate to the Hawaii Legislative Reference Bureau (“LRB”) its recommendation that the statute is amended to remove the obsolete material.

It was moved by Mr. Aratani, seconded by Mr. Roberts, and unanimously carried to direct the Board’s Executive Officer to communicate to the LRB that section HRS466-35(b)(2) is no longer applicable and has to be struck from this Chapter.

B. Peer Review

1) Oregon Society of Certified Public Accountants (OSCPA) Update

a) Memorandum of Understanding (“MOU”)

Mr. Miyashiro informed the Board that the Memorandum of Understanding was signed by OSCPAs with a minor hand-written addition on page 3 and page 4: “in accordance with AICPA Peer Review Standards”.

2) AICPA Peer Review Board Open Session Report

Mr. Miyashiro provided to the Board members his notes from the AICPA Peer Review Board Open Session, which took place on May 3, 2019.

According to Mr. Miyashiro’s report, the issues discussed at the Open Session fell into the following categories:

1. Comments from the State Boards of Accountancy (“SBOA”) Regarding Revisions to Chapter 3 of the Oversight Handbook:

a) the desire for increased transparency in the peer review process;

b) the assertion that limiting access to confidential information is not in the best interest of the general public, if it relates to information that indicates a firm’s work is a threat to the public interest;

c) observations that firms have a lack of knowledge regarding what stage in the process its peer review stands and what information administering entities (“AE”) provides to SBOAs.

2. Approval of Guidance Changes Related to Hearing Panel Referrals:

a) changes to Chapter 6, Part IV, Determining Noncooperation of Reviewed Firms approved by the PRB (addition of the term “fair procedures” and the updated document retention guidelines to update PRIMA);

b) other changes (Standards Task Force, Education and Communication Task Force, and Oversight Task Force).

Mr. Miyashiro informed the Board members that the AICPA Peer Review Board is still a work and progress and there will probably be changes in the near future.

Chair Taketa added to Mr. Miyashiro’s presentation that he, personally, questions the way AICPA Peer Review Board rates its peer reviewers based on the number of identified non-conforming engagements.

3) Compliance Peer Review Update

Executive Officer Araceley informed the Board members that the Board’s office sent out 132 (one hundred and two) letters and received 101 (one hundred and one) responses from the firms. Five of the non-responders do not have their current address listed with PVL. If those firms are still in business, the non-compliance with the address change reporting requirements should be referred to RICO for investigation.

60 (sixty) respondents received a “pass” on their peer review, 7 (seven) of those are “pass with deficiencies”, 10 (ten) firms responded that they did not conduct any attesting, 3 (three) firms failed their peer review. There are 13 (thirteen) responses that still require a follow up due to insufficient information provided. There are 4 (four) responses that require further review.

Chair Taketa recommended filing the submitted peer review forms by permit number.

4) Extension to Complete Peer Review Pursuant to HRS section 466-34:

a) Peer Review Extension Request to the Board of Public Accountancy:

(1) ECA LLP

After discussion, it was moved by Vice-Chair Komo, seconded by Mr. Aratani, and unanimously carried to approve the peer review 90-day extension request from ECA LLP.

Open Forum:

Mr. Roberts suggested that the issue of CPE provider standards is placed on the agenda of one of the subsequent meetings.

Mr. Punua suggested the issue of continuous testing to be placed on the agenda of one of the subsequent meetings.

Mr. Aratani brought it to the Board members' attention that this meeting's agenda erroneously lists the date of the June meeting as June 21st, whereas the meeting is scheduled for June 28th.

Next Board Meeting:

Friday, June 28, 2019
8:30 a.m.
King Kalakaua Conference Room
King Kalakaua Building
335 Merchant Street, 1st Floor
Honolulu, Hawaii 96813

Announcements:

Executive Officer Araceley announced that his cross-referencing of the PETIN report compiled by Mr. Roberts was about 80% (eighty percent) complete.

Ms. Reppun announced that the updated Certification of Public Accountancy Experience fillable form is now posted on the Board's web site.

Adjournment: There being no further discussion, the meeting adjourned at 10:09 a.m.

Reviewed and approved by:

Taken and recorded by:

/s/ Relley W. Araceley

/s/ Olga Reppun

(Mr.) Relley W. Araceley
Executive Officer

(Ms.) Olga Reppun
Secretary

RWA: Or

06/19/19

Minutes approved as is.

Minutes approved with changes. See minutes of the July 26, 2019, meeting.