

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

MINUTES

Date: Friday, July 26, 2019

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  
Carleton L. Williams, CPA, Member  
John W. Roberts, CPA, Member  
Christopher Leong, Deputy Attorney General (“DAG”)  
Relley W. Araceley, Executive Officer  
Olga Reppun, Secretary  
Leanne Abe, Secretary

Excused: None.

Guests: Rodney Harano, CPA, CW Associates  
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 8:33 a.m. by Chairperson Taketa.

Election of Officers: Chairperson Taketa requested that Board members could either indicate their interest in or nominate member(s) for the position of Board Chairperson and Vice-Chairperson. It was

moved by Mr. Aratani and seconded by Mr. Roberts to nominate and elect current Chairperson Taketa for the position of Board Chairperson and current Vice-Chairperson Komo for the position of Board Vice-Chairperson. The motion was unanimously adopted.

Approval of the  
Minutes of the  
May 24 and June 28,  
2019 Board Meetings:

DAG Leong requested for the following amendments on page 1 of both the May 24 and June 28, 2019 minutes:

May 24, 2019 minutes: “Time: [~~8:32~~] **8:30** a.m.”

June 28, 2019 minutes: “Time: [~~8:40~~] **8:30** a.m.”

Vice-Chairperson Komo requested for an amendment on page 10, second to last paragraph of May 24, 2019 minutes:

“Executive Officer Araceley informed the Board members that the Board’s office sent out 132 (one hundred and **thirty** two) letters and received 101 (one hundred and one) responses from the firms.”

After discussion, it was moved by Mr. Aratani, seconded by Mr. Punua, and unanimously carried to approve the minutes of the May 24, 2019 meeting, with the aforementioned amendments (with new material underscored in bold and repealed material bracketed and stricken through).

Mr. Punua requested for corrections to be made on page 7, first and last paragraph of June 28, 2019 minutes:

“...whether a new license is required for an entity in case of ownership changes/conversions is by looking [~~as~~] **at** the Business Registration’s determination of whether this is still the same entity or if a new entity was formed.”

“Vice-Chair Komo advised the Board that, in his opinion, in this case HRS Section 466-10 (a) (2) would apply:

No partnership [~~of~~] **or** corporation shall assume or use the title or designation ‘certified public accountant’ or the abbreviation ‘CPA’ or any other title, designation, words, letters, abbreviation, sign, card, or device likely to be confused with ‘certified public accountant’ or ‘CPA’ or tending to indicate that such partnership or

corporation is composed of certified public accountants, unless each of the..”

Mr. Punua requested for a correction to be made on page 8, first paragraph of June 28, 2019 minutes:

“partners of the partnership who are in the [~~practiced~~] **practice** of public accountancy in this State, or each of the shareholders of the corporation who are in the practice of public accountancy in this State, holds a current license of certified public accountant issued under this chapter and a current permit to practice issued under this chapter.”

After discussion, it was moved by Mr. Aratani, seconded by Mr. G. Lee, and unanimously carried (Roberts abstained himself from voting) to approve the minutes of the June 28, 2019 meeting, with the aforementioned amendments (with new material underscored in bold and repealed material bracketed and stricken through).

Chapter 91, HRS,  
Adjudicatory Matter:

None.

Applications:

At 8:38 a.m., it was moved by Vice-Chairperson Komo, 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 8:45 a.m., it was moved by Mr. Aratani, seconded by Vice-Chairperson Komo, and unanimously carried for the Board to move out of Executive Session, and to immediately recess the meeting.

At 8:50 a.m., the Board reconvened its meeting.

Applications for  
CPA Certification:

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

- 1) CHEN, Sharon
- 2) CLARK, Justin J.
- 3) CONRAD, Kevin M
- 4) FARLEY, Thomas J. Jr.
- 5) FUJII, John Edwards S.
- 6) GOTO, Linda K.
- 7) JACKSON, Chelluh A.
- 8) KIM, Norman S.
- 9) LUI-SPENCER, Courtney J.O.Y.
- 10) MULLIS, Amber R.

Ratification of  
Individual CPA  
Permits to Practice:

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

- 1) PARNELL, Cory M.
- 2) DELA CRUZ, Lorena A.

Ratification of  
Issued Firm  
Permits to Practice:

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

- 1) SQUIRE & COMPANY
- 2) LEN K TSUHAKO

Approval of Executive  
Session Minutes of the  
May 24 and June 28,  
2019 Board Meetings:

DAG Leong requested the approval of Executive Session minutes of the May 24 and June 28, 2019 Board meeting to be added to the agenda.

After discussion, it was moved by Mr. Aratani, seconded by Mr. G. Lee, and unanimously carried (C. Lee and Williams abstained themselves from voting) to approve the Executive Session minutes of the May 24, 2019 meeting.

After discussion, it was moved by Mr. Aratani, seconded by Mr. C. Lee, and unanimously carried (Roberts abstained himself from voting) to approve the Executive Session minutes of the June 28, 2019 meeting.

The Board agreed by consensus to take the following agenda item out of order to accommodate guest, Mr. Harano.

Standard Committee

B. Peer Review

Reports:

1) Peer Review Update

Executive Officer Araceley informed the Board members that out of the 132 (one hundred and thirty two) letters sent out, 16 (sixteen) firms have not responded. He will be drafting a letter to mail out within the next week to the 16 (sixteen) firms that have not responded back. This letter is to inform them that they need to submit a peer review or some sort of notification to the Board before renewal at the end of the year (December 31, 2019), or they will not be able to renew their license.

2) Oregon Society of Certified Accountants Report  
Acceptance Board (“OSCPA RAB”)

Chairperson Taketa introduced guest Rodney Harano to the Board to share how the OSCP A RAB is operating.

Mr. Harano shared that he has been serving as a Hawaii member on the OSCP A RAB for about a year. It is made up of around 20 (twenty) practitioners throughout the state of Oregon, including two members from Hawaii. The OSCP A RAB staffs three full-time individuals dedicated to the peer review process to remain one of the administering entities for the peer review program. The three full-time staff ensures a quick turnaround time for the peer review process. He confirmed that the OSCP A RAB schedules meetings six months out, with one meeting per month.

Chairperson Taketa asked if OSCP A RAB has a Certified Public Accountant (“CPA”) on staff. Mr. Harano responded that they are working towards that goal of staffing a CPA.

Vice-Chairperson Komo commented that he understands it is very difficult to get a peer review extension deadline from the OSCP A RAB. Mr. Harano responded that he hasn’t seen a peer review extension request get denied since he’s been on the board.

Mr. Roberts asked if The American Institute of CPAs (“AICPA”) has given any feedback to the OSCP A RAB.

Mr. Harano responded that AICPA did their bi-annual onsite oversight, and they were very impressed.

Mr. Williams asked how many states OSCPA RAB covers. Mr. Harano responded that the organization covers two states (Oregon and Hawaii) and one U.S. territory (Guam).

Chairperson Taketa asked if each OSCPA RAB member goes over each peer review. Mr. Harano confirmed that each member is assigned one to two peer reviews to present to the board.

Chairperson Taketa asked if 120 (one hundred and twenty) days is the average turn-around time for the entire peer review process from submission to completion. Mr. Harano responded that if there are matters or findings for further consideration, a 120 (one hundred and twenty) day period would be the worst-case scenario.

Mr. Punua asked if the feedback improved for the Peer Review Integrated Management Application ("PRIMA"). Mr. Harano responded that feedback has improved. A list gets sent out to all the reviewers and state societies about all the changes.

Mr. Miyashiro asked if an administering state is required to have members on the RAB. Mr. Harano responded that he does not have an answer but did mention that it would be great for that state to have representation on the board.

Chairperson asked Mr. Harano to share how the peer review program has evolved in recent years that the Board of Public Accountancy should be aware of as the regulator. Mr. Harano commented there's not much change from the Board's perspective.

Chairperson asked about the frequency of pass with deficiencies and fails. Mr. Harano confirmed he has seen more pass with deficiencies than fails. The Board is going to see more pass with deficiencies, some fails and ethics violations from firms.

Mr. Harano brought to the Board's attention that there are firms doing audits that haven't been peer reviewed yet. He questioned how the Board regulates that. Chairperson Taketa responded that it is only caught through a complaint. The compliance check is based on the firm's permit to practice renewal application. It is up to the firm to confirm if they are subject to the peer review program. If firm checks off no on application, they are excluded from compliance check, and that would be an ethical issue.

Mr. Harano was thanked for his updates on the OSCPA RAB and for attending today's meeting.

Executive Officer's Report:

A. DCCA Disciplinary Actions Through June 2019

Executive Officer Araceley circulated the informational monthly report of the Department of Commerce and Consumer Affairs ("DCCA") disciplinary action through June 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 he emailed Board members the AICPA State Regulatory Update.

C. Other States' Newsletters

Executive Officer Araceley circulated newsletters and updated the Board that NASBA CPE Audit System has launch.

D. National Association of State Board of Accountancy ("NASBA") Communications

Executive Officer Araceley circulated the NASBA State Board Report.

E. NASBA Center for the Public Trust Newsletter

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

F. Inquiries Regarding Licensure in Hawaii:

- 1) Does an out-of-state accountant working from home in Hawaii need a Hawaii license if they do not have any Hawaii clients?

Executive Officer Araceley circulated Ms. Roseanne Carlton Martin's response to the Board for the Board members to review.

Discussion ensued, and the Board reiterated from the last Board meeting that it is the Board's opinion that she is required to obtain a Hawaii CPA license and a permit to practice, as it appears that she is holding herself out as a Hawaii based CPA.

G. RICO Response to Reporting Activity to the Board:

Chairperson Taketa circulated the response letter from Complaints and Enforcement Office for RICO, Esther Brown, for the Board members to review.

Chairperson Taketa summarized the Board's request to receive notification of any correspondence dealing with disciplinary actions versus complaints.

The Board had a discussion whether they consider a warning letter the lowest level of a disciplinary action.

Mr. Punua questioned the purpose and what the Board would do with a notification of a warning letter sent from RICO to a licensee.

Chairperson Taketa stated that the Board is primarily responsible for disciplining the licensees. It is part of the Board's regulatory duties that they need to know what has transpired with any specific licensee.

DAG Leong commented the warning letter is sent directly from RICO to licensee, and it is not public



information. A licensee will get a warning letter if the conduct investigated didn't violate any law or rule.

Mr. Miyashiro asked DAG Leong where in the process does the Board get involved before RICO takes action. DAG Leong responded that the enforcement authority is delegated to RICO to take action and handle investigations for all State of Hawaii boards.

Mr. Punua stated that after re-reading Esther Brown's response letter and with better understanding, he would not be for getting the warning letter, as it might jeopardize the integrity of RICO's process.

Mr. Roberts commented that the Board has two responsibilities:

- The warning letters give the Board a database about trends. If there is a problem or some confusion that is prompting the warning letters, it can be fixed.
- The Board has some responsibility for monitoring the timeliness of the disciplinary process, even though much of it is outsourced to RICO. A warning letter would let the Board know if things are on track, or if the system is broken and needs more resources.

Chairperson Taketa stated that the Board would need more time to relook into Esther Brown's response letter.

Executive Officer Araceley confirmed that he will reach out to Esther Brown to see if she is able to attend the September Board meeting to clarify and answer specific questions that the Board may have.

H. Update on Peer Review Committee Legislation Request:

Executive Officer Araceley requested that the Board let him know if there is anything in addition that wasn't part of the testimony for last year's Bill that they would like to add.

Chairperson Taketa asked if the Board would be able to review what the language is going to be.

Executive Officer Araceley confirmed that would not be a problem and he will send Board members just the language itself after the Board meeting.

Chairperson's Report: None.

Standing Committee Reports:

A. Legislation and Rules

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

Executive Officer Araceley circulated the latest version of the rules, which was reviewed by the LRB, in order to continue the rule change process.

It was moved by Mr. G. Lee, seconded by Vice-Chairperson Komo, and unanimously carried to approve the corrections made by LRB to the latest draft version of rules.

C. Continuing Professional Education "CPE"

- 1) CPE Provider Standards – IR Global Request

Committee Chairperson Roberts briefed the Board regarding the request to grant CPE credit from the IR Global Annual Conference London 2018. He reported the opinion of the CPE Committee is that it does not qualify under the Hawaii Revised Statutes and Hawaii Administrative Rules.

Discussion ensued, and it was moved by Mr. G. Lee, seconded by Vice-Chairperson Komo, and

unanimously carried to approve the Committee's recommendation to issue an appropriate response to this individual, that CPE credit is not qualified under the Hawaii Revised Statutes and Hawaii Administrative Rules.

D. Exam Committee

1) Second Quarter 2019 (April – June) Testing Window

a) Ratification of Hawaii Candidate Examination Scores

Committee Chairperson Punua presented the statistics for second quarter 2019 (April – June) testing windows as follows:

EXAMINATION RESULTS (BY SCORES)

	Number of Scores	Percentage
Credit	59	44%
No Credit	75	56%
TOTAL	134	100%

TOTALS BY EXAM PARTS (BY SCORES)

	AUD	BEC	FAR	REG	TOTAL
# Attended	29	34	38	33	134
# Passed	12	15	14	18	59
% Passed	41%	44%	37%	55%	44%

SUCCESSFUL CANDIDATES SUMMARY

# of Passing Candidates	14
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After discussion, it was moved by Committee Chairperson Punua, seconded by Mr. Roberts, and unanimously carried to ratify the examination scores from second quarter 2019 (April – June) testing window.

Committee Chairperson Punua provided a performance summary report provided by NASBA:

- Pass rate 44% Q2 2019, down from 48% Q1 2019
- Current ranking of 49 out of 53 jurisdictions
- Total sections taken in Q2 2019: 134, up from Q1 2019: 109, down from a high of over 200 starting from Q3 & Q4 2016, extending Q1 2017
- Total candidates in Q2 2019: 109, up from Q1 2019: 93, down from older data Q3 2016: 168, Q4 2016: 175, Q1 2017: 176

E. Uniform Accountancy Act (“UAA”)

1) Proposed Changes to Article 7 – Peer Review Model Rules

Committee Chairperson Williams circulated copies of his report and noted that all proposed changes are in line with the standards set in Hawaii.

Open Forum: None.

Next Board Meeting: Friday, August 30, 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. Roberts asked that the exposed draft NASBA AICPA go on August's agenda.

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/ Leanne Abe

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Relley W. Araceley  
Executive Officer

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Leanne Abe  
Secretary

RWA: Or

08/22/19

Minutes approved as is.

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