

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

MINUTES

Date: Friday, October 25, 2019

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
Christopher Lee, CPA, Member
Terrence Aratani, Member
Gary Y. Miyashiro, CPA, Member
Edward L. Punua, CPA, Member
Carleton L. Williams, CPA, Member
Gabriel Lee, Member
John W. Roberts, CPA, Member
Christopher Leong, Deputy Attorney General ("DAG")
Relley W. Araceley, Executive Officer
Leanne Abe, Secretary

Excused: None.

Guests: Lei Fukumura, Special Deputy Attorney General ("SDAG"),
PVL

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.

Approval of the
Minutes of the
September 27, 2019, Mr. Roberts requested for an amendment on page 7,
second bullet point:

Board Meeting:

“The next steps will be to the [~~small business regulatory review board~~] **Small Business Regulatory Review Board (SBRRB)** for approval before it goes to the public hearing.”

Mr. Roberts requested for an amendment on page 7, second to last paragraph:

“Executive Officer Araceley briefly reported on the latest draft version of the rule package. He updated the Board that he found the repeal dates to continue the rule changes process and was awaiting confirmation and approval from supervisors before moving on to submitting it for the Small Business [~~Review Regulatory~~] **Regulatory Review** Board (SBRRB).”

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of the September 27, 2019 meeting, with the aforementioned amendments (with new material underscored in bold and repealed material bracketed and stricken through).

After discussion, it was moved by Mr. Aratani, seconded by Mr. Punua, and unanimously carried to approve the September 27, 2019 executive session meeting minutes, as circulated.

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

Applications:

At 8:36 a.m., it was moved by Mr. Punua, 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 8:42 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 8:56 a.m., the Board reconvened its meeting.

Applications for
CPA Certification:

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

- 1) CHANDRAPPA, Sudha
- 2) HERSCEND, Steffan J.
- 3) MARTIN, Rosanne C.
- 4) MASSIMI, Thomas F.
- 5) SANDERS, Kinley R.
- 6) SERIKAKU, Michele L.
- 7) YAMADA, Ashley K.

After discussion, it was moved by Vice-Chairperson Komo, seconded by Mr. Roberts, and carried by a majority, with the exception of Mr. Williams, who recused himself from the discussion and voting on these applications, to approve the following applications:

- 1) NARCISO, Jerome
- 2) NICHOLSON, Zara N.

Ratification of
Individual CPA
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 individual CPA Permits to Practice:

- 1) SCHIMBKE, Taylor Alexandra Irene

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 Permit to Practice:

- 1) PORTER & LASIEWICZ CPAS
- 2) ABE CONSULTING GROUP
- 3) THE COBALT GROUP INC
- 4) AURWAY CPA LLC

Ratification of Firm
Name Approval:

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

- 1) Sophinity CPAs LLP
- 2) Aurway CPA LLC

Executive Officer's
Report:

A. DCCA Disciplinary Actions Through September 2019

Executive Officer Araceley circulated the informational monthly report of the Department of Commerce and Consumer Affairs (DCCA) disciplinary action through September 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 circulated digital copies of the AICPA state regulatory updates to board members prior to meeting.

C. Other States' Newsletters

Executive Officer Araceley circulated digital copies of the newsletters of the Arkansas State Board of Public Accountancy, Kansas Board of Public Accountancy, Maryland Board of Public Accountancy, and North Carolina State Board of CPA Examiners to board members prior to meeting.

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

Executive Officer Araceley circulated digital copies of the NASBA State Board Report to board members prior to meeting.

E. NASBA Center for the Public Trust Newsletter

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

F. Inquiries Regarding Licensure in Hawaii:

- 1) Changing the statute to make passing the exam easier

Executive Officer Araceley informed the Board that Senator Karl Rhoads' office reached out for an update of the discussion in March 2018 meeting regarding increasing the credit hours of upper division accounting courses required to sit for the exam.

Mr. Williams commented that more candidates are sitting for the exam, but the pass rate has been very low. He stated that rather than discouraging candidates from sitting for the exam, continue to encourage them to sit for the exam and work on the passing rate.

Chairperson Taketa expressed his agreement. He encourages candidates to sit for the exam as soon as possible. He emphasized that the quality of the education is a factor in the pass rates, but there are other factors including the following.

- how soon the exam is taken after graduation
- what kind of preparation taken before the exam

Chairperson Taketa stated that the quality of the education shows in the pass rates of the different institutions. However, it is not consistent across the board. They need to look at the individual institutions as far as the curriculum and quality of the courses that are offered.

Mr. Roberts commented that there is a quality issue with the candidate, the content of the courses, and how much is rigorously covered. Based on his observations and statistics from multiple universities, he is not comfortable with agreeing that more credit hours is the answer to a higher pass rate.

Mr. Williams commented that if more credit hours are required, some universities like University of Hawaii at Manoa ("UH Manoa") will be able to offer additional accounting classes that may contribute in passing the exam.

Chairperson Taketa expressed his concern regarding the Board supporting a statute that increases the number of credit hours required for candidates to sit for the exam. He believes it may be detrimental to students that attend smaller universities that may have limited resources and cannot offer additional accounting courses. In his opinion, before the Board looks into a statute, the individual institutions should look internally to the pass rates of their graduates to help identify the issue. He briefly reported the following results for 2015, 2016, and 2017, showing a trend of UH Manoa consistently dropping in rank.

- 2015: Brigham Young University Hawaii ("BYU Hawaii"), ranked #1; UH Manoa ranked #2
- 2016: University of Hawaii at Hilo ("UH Hilo"), ranked #1; UH Manoa ranked #3
- 2017 – Chaminade University of Honolulu, ranked #1; UH Manoa ranked #4

Chairperson Taketa commented that it should be the candidate's choice of sitting for the exam after 120 (one hundred twenty) or 150 (one hundred fifty) credit hours and not have it dictated by statute.

Mr. Punua commented that increasing the upper division accounting courses from 18 (eighteen) to 24 (twenty four) required credit hours may contribute to the pass rate, as it's been statistically proven.

Vice-Chairperson Komo stated that if UH Manoa changes their requirement to obtain an accounting degree by increasing their credit hours, it would require the students to take the extra classes to graduate.

Chairperson Taketa replied that is something that the universities can do internally to help increase the pass rate. The Board's job is consumer protection and there are adequate safeguards already put in place such as requiring 150 (one hundred fifty) hours of college education, passing the uniform CPA exam, and two (2) years of full-time professional work experience.

There was no further discussion.

SDAG Fukumura entered the meeting room at 9:24 a.m.

The Board agreed by consensus to take the following agenda item out of order to accommodate SDAG Fukumura.

Chapter 91, HRS,
Adjudicatory Matter:

Chairperson Taketa called for a recess from the meeting at 9:25 a.m., to discuss and deliberate on the following adjudicatory matter pursuant to Chapter 91, HRS:

- A. In the Matter of the Firm Permit to Practice of
MAYER HOFFMAN MCCANN P.C.; ACC 2017-12-L;
Settlement Agreement Prior to Filing of Petition for
Disciplinary Action and Board's Final Order.

After discussion, it was moved by Mr. Williams, seconded by Mr. Roberts, 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 Firm Permit to Practice of MAYER HOFFMAN MCCANN P.C.; ACC 2017-12-L;

Following the Board's review in this matter pursuant to Chapter 91, HRS, Chairperson Taketa announced that the Board reconvene to its regular Chapter 92, HRS, meeting at 9:42 a.m.

SDAG Fukumura left the meeting at 9:42 a.m.

Executive Officer's
Report:

H. Update on PTIN verification versus Hawaii CPA
licensure report

Executive Officer Araceley stated that he did look through the PTIN verification report and briefed the Board on his findings.

- 11 (eleven) individuals who do not have their Hawaii Certified Public Accountant ("CPA") or Permit to Practice ("PTP") licensure but are on the PTIN list (inactive, forfeited or retired).
 - One (1) voluntarily noted retirement
 - Two (2) have a Real Estate Salesperson license
- 51 (fifty one) unidentified individuals who do not have a Hawaii CPA or PTP licensure.
 - Six (6) have applied for either a CPA and PTP licensure and three (3) of the six (6) applications are no longer valid
- 54 (fifty four) individuals who have a CPA but no PTP licensure

Executive Officer Araceley stated that 51 (fifty one) individuals do not have a Hawaii CPA or PTP license would need to be contacted by IRS; 54 (fifty four) individuals have a Hawaii CPA but no PTP license would need to be contacted by either IRS or the Board.

Mr. Roberts commented that there is confusion amongst most CPAs regarding the two-tiered system of needing both a Hawaii CPA and PTP license to practice. Questioned if the Board has failed to communicate the two-tiered system and what a CPA is.

Chairperson Taketa shared a recent NASBA article that stated IRS Deputy Commissioner asked for a list of all CPAs that have been subject to disciplinary action over the past year.

Mr. Williams asked if it is required to be licensed CPA to get a PTIN.

Chairperson Taketa replied no, but some individuals are designating that they are a licensed CPA when applying for PTIN.

Mr. Roberts commented that the issue is if certifying by the IRS, you are holding yourself out as a resident and CPA in Hawaii and therefore are exempt from certain PTIN educational requirements.

Executive Officer Araceley commented that applicants sign the attestation form that they understand the laws and rules listed for their profession. An option that the Board may look into is posting a memo to reclarify to licensees what it means to be a Hawaii licensed CPA with and without a PTP on the Department of Commerce and Consumer Affairs Professional and Vocational Licensing website.

Further discussion ensued, and the Board unanimously agreed to defer this matter and have Executive Officer Araceley communicate with a NASBA committee liaison to ask for clarification regarding the PTIN list.

I. Update on Peer Review Reporting

Executive Officer Araceley reported that everyone has responded back to the Firm Permit to Practice (“FPTP”) letters that were sent out regarding their license renewals.

- Four (4) firms still need to submit their renew date. The firms have the peer review date but haven’t received the peer review report yet.
- Six (6) firms confirmed that they need to update their last peer review date.

J. Discrimination/Harassment-Free Workplace Policy

Executive Officer Araceley distributed the discrimination/harassment-free workplace policy

documents for the board members to review. After discussion, Executive Officer Araceley collected the signed agreement forms from board members.

Chairperson's Report:

A. NASBA Proposed Amendment Bylaws Nominating Committee

Chairperson Taketa stated that he wanted to give the Board an opportunity to comment on the proposed changes. He emphasized the importance of the Nominating Committee. This is the one opportunity for the state boards to have an input on who the nominees will be that will lead NASBA. The committee members are voted by the boards to be selected; each region has one representative. The Board reviewed the proposal with the changes. He briefly listed the committee member requirements:

- Served at least two years on a state board
- Attended at least one NASBA regional meeting in person
- Attended at least one NASBA annual meeting in person
- Served on a NASBA committee board

Standing Committee Reports:

A. Legislation and Rules

1) Hawaii Administrative Rules ("HAR") Amendments – Update on Process

Executive Officer Araceley briefly reported that the memorandum for HAR amendments is currently awaiting review from supervisors before submitting to the Director's office for approval. The goal is to be on the Small Business Regulatory Review Board's (SBRRB) agenda for November 2019.

B. Peer Review Committee

1) Peer Review Oversight Committee ("PROC") meeting

Mr. Miyashiro reported that the PROC met on October 8, 2019. The PROC discussed and reviewed the OSCP A Plan of Administration. Although it is not required, the PROC discussed the idea of teleconferencing in on one of the OSCP A RAB meetings to prepare a report and update to the Board by December 10, 2019.

2) AICPA Peer Review Board Open Session

Mr. Miyashiro provided a brief report to the Board members from the AICPA Peer Review Board Open Session, which took place on October 24, 2019. He briefly went over two major topics of discussion.

1. Access to the information for the facilitated state board access. They are changing it to allow the firms to do the access through PRIMA. This is a new process for the firms granting permission to the administrating entities for the peer review process to provide information to the state boards of accountancy through PRIMA versus facilitated state board access, effective January 2020.
2. Changes to the oversight handbook and to update the confidentiality terms within the oversight; revisions were approved.

Open Forum: None.

Next Board Meeting: Friday, November 22, 2019
8:30 a.m.
King Kalakaua Conference Room
King Kalakaua Building
335 Merchant Street, 1st Floor
Honolulu, Hawaii 96813

Announcements: The Board discussed changing several upcoming meeting dates in 2020 due to individual schedule conflicts. Executive Officer Araceley and Ms. Abe will check availability of the conference rooms for the new dates and will get back to the Board.

Executive Officer Araceley stated that he will follow up with Esther Brown (RICO) to confirm her availability to attend the next board meeting. He will also follow up with Mr. Williams regarding any updates on the Contractor board's financial statement application form.

Adjournment: There being no further discussion, the meeting adjourned at 10:27 a.m.

Reviewed and approved by:

Taken and recorded by:

/s/ Relley W. Araceley

/s/ Leanne Abe

Relley W. Araceley
Executive Officer

Leanne Abe
Secretary

RWA:la

11/14/19

[X] Minutes approved as is.

[] Minutes approved with changes. See minutes of the October 25, 2019, meeting.