

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

MINUTES

Date: Friday, December 20, 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
Rochelle Araki, Secretary

Excused: None.

Guests: Esther Brown, Complaints and Enforcement Officer,
Regulated Industries Complaints Office ("RICO")

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
November 22, 2019,
Board Meeting: After discussion, it was moved by Mr. G. Lee, seconded
by Vice-Chairperson Komo, and unanimously carried to
approve the November 22, 2019 open session meeting
minutes, as circulated.

After discussion, it was moved by Mr. Punua, seconded by Mr. Aratani, and unanimously carried to approve the November 22, 2019 executive session meeting minutes.

Guest Speaker/
Presenter:

Chairperson Taketa introduced Esther Brown, Complaints and Enforcement Officer of RICO to the Board.

Ms. Brown introduced herself and provided a brief summary of her role at RICO and RICO's role of regulating the fifty-two (52) different boards and commission and licensing programs. She explained that RICO consists of three areas called the consumer resource center, field investigation, and a legal section consisting of attorneys. RICO investigates allegations of professional misconduct by licensees and unlicensed activity that may be occurring within the state of Hawaii.

Chairperson Taketa inquired if a warning letter falls under the scope of disciplinary action and whether it is part of the licensee's record.

Ms. Brown responded that warnings are not considered to be disciplinary action because they are not defined as disciplinary action in the statutes. A warning is a type of enforcement tool RICO uses to try and correct/mediate behavior without taking disciplinary action. She explained that warnings usually result from mitigating circumstances. She provided the Board examples of mitigating factors such as licensee's cooperation with an investigation, no prior disciplinary history, no other complaints pending, an isolated incident with no pattern or intent to deceive, no financial or property harm/damage, and no excuses of personal accountability.

Chairperson Taketa inquired with Ms. Brown if it would be possible for the Board to get some feedback from RICO regarding the number of warnings dealing with a particular rule or statute that may need to be looked at for further clarification for licensees. He stated that feedback would be helpful for the Board to see if there is a pattern of warnings within a specific area that the Board may need to look into.

Ms. Brown stated that she would need to speak with her supervising attorney and legal section to see if they would be able to identify and pull data to provide to the Board. She suggested the Board to look at the final orders issued and what the Board is seeing a lot of and what needs to be addressed.

Mr. Roberts briefly spoke about a preliminary sub study (database) available to the Board to help identify problems and what the Board can do to help clarify a law/rule that is unclear and triggering unintentional violations from licensees. He inquired if the Board is authorized to issue its own warning letters to licensees before it gets referred to RICO.

Ms. Brown responded that the Board should refer to DAG Leong regarding taking initiative to issue its own warning letter to licensees. She stated that a newsletter can be an effective tool to officially inform licensees to clarify issues.

Chairperson Taketa asked if RICO can publish information regarding warning letters so all Boards can understand the level of what a warning letter represents.

Ms. Brown responded that RICO has a website to communicate to the public and will take Chairperson Taketa's request into consideration.

Mr. Roberts inquired if the state of Hawaii has a website that posts complaints filed under a professional.

Mr. Brown responded that RICO has a complaints history website. If a complaint has been filed and is pending, it will show up on the website. A warning is not considered disciplinary action, so when that case concludes the complaint will be removed from the website. Complaints that can or may remain on the website indefinitely are cases if licensee has been disciplined and haven't met the requirements. Once licensee complies, it will stay on RICO complaints history website for five (5) years per RICO's record's retention policy.

Mr. Williams stated that under some circumstances, a person is convicted and still has a license. Is there anything the

Board can do to be more proactive to help protect their profession.

Ms. Brown responded that one particular commission has quarterly newsletters and offers educational classes.

Discussion ensued, but the Board had no further questions. Chairperson Taketa thanked Ms. Brown for her time and the informative insight on RICO's role and process.

Esther Brown left the meeting at 9:29 a.m.

Applications:

At 9:30 a.m., it was moved by Mr. C. Lee, 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 8:48 a.m., it was moved by Mr. Punua, seconded by Vice-Chairperson Komo, and unanimously carried for the Board to move out of Executive Session, and to immediately recess the meeting.

At 9:35 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.

Applications for
CPA Certification:

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

- 1) BLACKWELL, Morgan T.
- 2) CRISWELL, Derek D.
- 3) MIYASHIRO, Brandon T.
- 4) NELSON, Michelle O.
- 5) PEERS, Theresa
- 6) ROBBINS, Erin N.
- 7) ROBERTS, Samuel Leo
- 8) SHELTER, Kristn W.

- 9) SULLIVAN, Damon N.
- 10) YU, Rachelle

Ratification of
Issued Firm
Permits to Practice:

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

- 1) SUDHA CHANDRAPPA
- 2) LDDI LLC
- 3) TAX & ACCOUNTING ADVISORY GROUP LLC

Ratification of Firm
Name Approval:

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

- 1) JUSTIN W. CHO, CPA
- 2) CINDY M. FUJII CPA LLC

Executive Officer's
Report:

A. DCCA Disciplinary Actions Through October 2019

Executive Officer Araceley stated he has no report as he did not receive the informational monthly report of the Department of Commerce and Consumer Affairs (DCCA) disciplinary action through November/December 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 has no report as he did not receive 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. National Association of State Board of Accountancy ("NASBA") Communications

Executive Officer Araceley stated he has no report as he did not receive NASBA communications.

E. NASBA Center for the Public Trust Newsletter

Executive Officer Araceley circulated the NASBA State Board Report.

F. 2020 Board Meeting Schedule

The Board members were provided the 2020 meeting schedule to review and discuss any changes to the upcoming scheduled meeting dates.

Chairperson Taketa requested to move the February 28, 2020 scheduled meeting to February 21, 2020.

The Board unanimously agreed to move the November 27, 2020 scheduled meeting to November 20, 2020.

Executive Officer Araceley stated that Ms. Abe will check availability of conference rooms and will confirm back to the Board.

G. Inquiries to the Board

- 1) Tax preparers and individuals who sign-off on tax returns without a CPA license

Discussion ensued, and the Board cited Hawaii Revised Statutes ("HRS") §466-3(5)(3):

"Practice of public accountancy" means the performance or the offering to perform, by a person or firm holding itself out to the public as a licensee, for a client or potential client of one or more kinds of services involving the use of accounting or auditing skills, including the issuance of reports on financial statements, or of one or more kinds of management advisory or consulting services, or the preparation of tax returns or the furnishing of advice on tax matters.

The Board discussed tax preparations and who can sign off on tax returns. Discussion ensued that anyone can sign off on tax preparations as a tax preparer. However, if an individual signs off as a CPA and is holding themselves out to the public as a licensee, then one would need a CPA and Permit to Practice.

2) Firm partners and their CPA licensing

Discussion ensued, and the Board cited Hawaii Administrative Rules ("HAR") §16-71-24(b)(1):

Firm permit to practice. For a permit to practice public accountancy, a firm engaged in public accounting in this State shall file an application listing the principles of the firm (i.e., sole proprietor, partners in a partnership, shareholders, of a professional accounting corporation, or members of a limited liability company).

The Board discussed that anyone can form an LLC but cannot claim to be a CPA firm unless all members have a CPA and Permit to Practice license.

Chairperson's Report:

A. NASBA Enforcement Resource Committee

At 9:46 a.m., it was moved by Mr. G. Lee, seconded by Mr. Punua, and unanimously carried to enter into Executive Session 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 10:03 a.m., it was moved by Mr. G. Lee, seconded by Mr. Aratani, and unanimously carried for the Board to move out of Executive Session.

Standing Committee Reports:

A. Legislation and Rules

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

Executive Officer Araceley discussed the flowchart. The flowchart has eighteen (18) steps and the current rule amendments are currently in step nine (9). Executive Officer Araceley noted that steps nine through ten (9-10) could likely occur in January or February 2020, steps eleven (11) and twelve (12) in either February or March 2020, and the remaining steps to be completed by late May, June, or July 2020.

Chairperson Taketa noted that the Board should be provided with written documentation from the Attorney General’s Office verifying a previous opinion that continuous testing can be implemented as it is projected to be a part of the pending rules changes.

B. Peer Review Committee

1) Peer Review Oversight Committee (“PROC”) Report

Chairperson Taketa stated that this was mistakenly added to the agenda and that Mr. Miyashiro already provide a PROC report at the previous meeting, reflected in the November 22, 2019 meeting minutes.

Open Forum: None.

Next Board Meeting: Friday, February 21, 2020
8:30 a.m.
King Kalakaua Conference Room
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335 Merchant Street, 1st Floor
Honolulu, Hawaii 96813

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

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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

01/01/20

☐ Minutes approved as is.

☒ Minutes approved with changes. See minutes of the January 31, 2020, meeting.