

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

MINUTES OF THE HEARING

Date: Friday, December 18, 2020

Time: 8:30 a.m.

Place: Virtual Videoconference Meeting – Zoom Webinar
(use link below)
<https://dcca-hawaii-go3v.zoom.us/j/93378571351>

Present: Darryl T. Komo, CPA, Chairperson
Gary Y. Miyashiro, CPA, Vice-Chairperson
Christopher K. Lee, CPA, Member
Terrence H. Aratani, Member
Carleton L. Williams, CPA, Member
John W. Roberts, CPA, Member
Christopher Leong, Deputy Attorney General (“DAG”)
Relley W. Araceley, Executive Officer
Leanne Abe, Secretary
Micah Cadalzo, Secretary
Karyn Takahashi, Secretary to Catherine P. Awakuni Colón,
Director, DCCA
Terry Akasaka-Toyama, Secretary to Jo Ann M. Uchida
Takeuchi, Deputy Director, DCCA

Member(s): Edward L. Punua, CPA, Member

Excused: Brian Uemori, Member

Guest(s): Gregg Taketa, Public
Mike Ching
TJ Strickland
Sandy Bedford, Public
Call-in User_1, Public

Agenda: The agenda for this public hearing 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 hearing was called to order by Chairperson Komo at 8:38 a.m.

Individuals wishing to provide public comment may do so at the beginning of each agenda item. Pursuant to HAR section 16-76-62(a)(5), the Board will limit an individual's public comments to five (5) minutes for each agenda item. Public comment on issues not on the agenda may be considered by the Board at a subsequent meeting. The Board is precluded from discussion or action on items raised by public comment that are not already on the agenda.

Introduction of
Board Members:

Chairperson Komo introduced himself, the members of the Board, and DCCA staff in attendance.

Purpose:

Amendments to Chapter 16-71, Hawaii Administrative Rules

Chairperson Komo announced that the purpose of this public hearing is to afford all interested persons an opportunity to submit data, views, or arguments, orally or in writing, to the proposed amendments to the rules of the Board of Public Accountancy.

Notice of Public
Hearing:

Chairperson Komo read the Notice of Public Hearing as it was published on Tuesday, November 17, 2020, in the Garden Island, Maui News, West Hawaii Today, Hawaii Tribune-Herald, and Honolulu Star Bulletin newspapers.

The purposes of the proposed amendments are to: use consistent language by adding the word "section" to all numerical sections indicated in the definition of "Public accounting practice"; allow an examination candidate to retake a failed section in the same quarter if the candidate's grade for the previous attempt of that same section has been released; change the word "license" to "permit" to clarify that the supervisor of an applicant for a CPA license must hold a permit-to-practice to ensure the applicant has experience under the supervision of a person who performs public accountancy work; add the requirement that a minimum of 20 hours of continuing professional education ("CPE") be completed within each calendar year to ensure that licensees are earning CPE every year of the biennium; update the current names of sponsors from National Society of Public Accountants to "National Society of Accountants" and American Society of Women Accountants to "Accounting and Financial Women's Alliance"; add "manager of a manager managed limited liability company" to clarify

other legal forms of firms and positions of responsibility; and make other non-substantive changes for purposes of style and clarity.

Chairperson Komo briefly described the procedure that would be followed at the public hearing. He stated that the Board will not be discussing any testimony during the public hearing or answering any questions which might be raised by the testimony at this time.

Chairperson Komo noted that the Board will be meeting, after this public hearing, to conduct its regular meeting. At that time, the Board will fully consider each testimony, and any written testimony, which is submitted regarding the proposed amendments to the Rules. He mentioned that the board intends to make its decision during the regular meeting and that the meeting is open to the public.

Testimony:

Chairperson Komo acknowledged three (3) written testimony submitted by the following:

1. Gregg Taketa, Taketa, Iwata, Hara & Associates, LLC,
2. Isaac Choy, State of Hawaii Director of Taxation
3. Marilyn Niwao, Legislative Committee Chairperson, Hawaii Association of Public Accountants

Chairperson Komo asked if any of the testifiers, in attendance, would like to provide oral testimony. There were none.

Chairperson asked if any of the public attendee would like to provide oral testimony. The following individual provided oral testimony:

1. TJ Strickland, Strickland Hardee PLLC

Mr. Strickland introduced himself and mentioned he was interested in today's meeting regarding captive insurance company. He mentioned he is located outside of Oahu and that he has clients

contacting him for services this year. However, he stated that there being no current reciprocity with Hawaii, he will need to obtain a Hawaii CPA license to provide services. He added that he has no plans of coming to Hawaii. He stated that there are few current vendors available for captive insurance companies are. He thinks that it will be helpful for captive insurance company and for the management insurance companies that there be a way for him to help clients without obtaining a Hawaii CPA license. He thanked the Board.

2. Mike Ching, Ernst & Young LLP

Mr. Ching thanked the Board for having him and allowing him to speak. He proceeded with introducing himself. He stated that he has a similar question or guidance from the Board that is tied to the last topic but not specifically for captive insurance company but clarification in general about whether a temporary permanent or permanent license are required to getting work done on the mainland for clients in Hawaii. Prior guidelines that he has seen, it was noted that as you are not physically in Hawaii, you do not need a temporary permit or permanent license. He wanted to confirm these with the Board.

Mr. Aracely stated that this topic Mr. Ching brought up will be discussed during the regular meeting as it is listed on the agenda.

Procedures After
Hearing:

Chairperson Komo asked if there was anyone else who wished to present testimony at this time. There were none. Chairperson Komo announced that discussion of and final

decision on the proposed amendments to the rules would be made by the Board at its regularly scheduled meeting to be convened immediately after the conclusion of this public hearing. Chairperson Komo thanked everyone for attending and participating in the public hearing.

Adjournment:

There being no further discussion, the public hearing adjourned at 8:50 a.m.

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MINUTES OF THE MEETING

The agenda for this public hearing was filed with the Office of the Lieutenant Governor, as required by Hawaii Revised Statutes (“HRS” section 92-7(b)).

Date: Friday, December 18, 2020

Time: Immediately following the public hearing

Place: Virtual Videoconference Meeting – Zoom Webinar
(use link below)
<https://dcca-hawaii-gov.zoom.us/j/93378571351>

Present: Darryl T. Komo, CPA, Chairperson
Gary Y. Miyashiro, CPA, Vice-Chairperson
Christopher K. Lee, CPA, Member
Terrence H. Aratani, Member
Carleton L. Williams, CPA, Member
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Takeuchi, Deputy Director, DCCA

Member(s) Edward L. Punua, CPA, Member

Excused: Brian Uemori, Member

Guest(s): Mike Ching
TJ Strickland
Sandy Bedford
Call-in User_1

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).

A brief video was played to explain procedures for this virtual meeting and how members of the public can participate and interact with the Board during the meeting.

Call to Order: Chairperson Komo proceeded with roll call. Chairperson Komo, Vice-Chairperson Miyashiro, Mr. Lee, Mr. Aratani, Mr. Williams, and Mr. Roberts confirmed they were present. Mr. Punua and Mr. Uemori were excused.

There being a quorum present, the meeting was called to order at 8:55 a.m. by Chairperson Komo.

Chairperson Komo provided verbal instructions to attendees on how to connect to the meeting via internet or through phone access. He reminded attendees that all microphones will be muted. If anyone would like to speak, they should raise their hand and when called upon they will be limited to five minutes of testimony per agenda item.

Approval of the Minutes of the October 30, 2020 Board Meeting: Chairperson Komo asked if any members of the public would like to provide oral testimony on this agenda item. There were none.

After discussion, it was moved by Mr. Aratani, seconded by Vice-Chairperson Miyashiro, and unanimously carried to approve the October 30, 2020 meeting minutes.

Applications: Chairperson Komo asked if any members of the public would like to provide oral testimony on this agenda item. There were none.

At 9:00 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). (Note: Board and staff moved to Teams.)

EXECUTIVE SESSION

At 9:11 a.m., it was moved by Mr. Aratani, seconded by Vice-Chairperson Miyashiro, and unanimously carried for the Board to move out of Executive Session.

Chairperson Komo proceeded with roll call. All Board members were present.

A. CPA Certification

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

- 1) AVALLONE, David J.
- 2) BARTHEL, Melanie Rae
- 3) CORNELL, Kent T.
- 4) GILBERT, Robert L.
- 5) MOSHIRZADEH, Kian
- 6) SWORD, Curtis
- 7) WIOLI, Brandon W.

The Board deferred the following applicant to the next board meeting, as they were not able to evaluate his application at this time.

- 1) PARK, Chang JE

B. Consideration for application

- 1) Alaa Eldin Ismail requested for application and acceptance for CPA licensure

Mr. Williams stated that the Board received Mr. Ismail's email correspondences but it was not clear on what the question was. Mr. Williams questioned Mr. Araceley if Mr. Ismail had applied for certification.

Mr. Araceley stated that Mr. Ismail is requesting if he is able to be licensed based on his credentials. He is also requesting for a waiver/exemption from CPA exam scores that are needed for licensing.

Mr. Williams inquired if Mr. Ismail had turned in an application. Mr. Araceley confirmed there was none.

After discussion, it was decided to inform Mr. Ismail to apply for his license and the Board will then review his application.

Standing Committee Report:

Chairperson Komo asked if any members of the public would like to provide oral testimony on this agenda item. There were none.

A. Exam Committee

- 1) Ratification of 2020 Hawaii candidate exam scores

Executive Officer Araceley requested and received numbers from NASBA. He presented the statistics for 2020 testing window as follows:

Number of Passing First Time Candidates: 13
27% of total

Number of Passing Re-exam Candidates: 35
72% of total

Number of International Candidates: 1

Total Passing Candidates: 48

After discussion, it was moved by Mr. Aratani, seconded by Vice-Chairperson Miyashiro, and unanimously carried to ratify the 2020 Hawaii candidate examination scores.

Executive Officer's Report:

Chairperson Komo asked if any members of the public would like to provide oral testimony on this agenda item. There were none at this time.

Executive Officer Araceley stated that both attendees, Mr. Ching and Mr. Strickland, sent email correspondence regarding the following:

- A. Does an audit report of a captive insurance company

domiciled, registered, and physically located in Hawaii need to be done by a HI licensed CPA/firm?

Executive Officer Araceley asked if any members of the public would like to provide oral testimony on this agenda item.

Mr. Ching raised his hand and was recognized by Chairperson Komo to present oral testimony

Mr. Ching briefly introduced himself. He stated that he wanted himself to be available for any questions regarding the guidelines and clarifications he is seeking from the Board that was listed in his email correspondence to Mr. Araceley. Mr. Ching requested clarification from the Board regarding work to be performed by his colleagues in the mainland. He noted that per his findings, if the work is not physically being performed in Hawaii, then the CPA does not need to obtain a temporary permit or permanent license to permit-to-practice.

Mr. Roberts asked Mr. Ching if a report will be issued by their firm Honolulu office or from another Ernst and Young ("E&Y") office location. Mr. Ching answered it will probably be issued from another E&Y office. To clarify, Mr. Ching stated that one of his groupings, that happens to be captive insured company domiciled, in Cayman Islands, performed work with captive-insured companies across the US and just so happens to be domiciled in Cayman Islands. Reports are issued by the Cayman island office or under affiliated offices not legally part of U.S. but they all conducted by CPAs.

There were no further questions from the Board.

Mr. Strickland raised his hand and was recognized by Chairperson Komo to present oral testimony. Mr. Strickland briefly introduced himself. He noted that his firm, located and licensed in North Carolina, is currently working with captive insurance companies across the States with reciprocity. They received permission from their State's department of insurance,

and when necessary, obtain a business registration, permit excise tax and etc., He noted that this will be his first time trying to get a CPA license at another state. He stated it would be ideal for him if Hawaii had a reciprocity like the other States or there'd be efficient means for him to be able to work with captive insured company domiciled in Hawaii. He noted that there is limited amount of vendors for CPA services for captive insured companies. He stated that opening these services will be beneficial.

Chairperson Komo thanked Mr. Ching and Mr. Strickland after providing each of their oral testimony and asked the Board if they had any further questions. There were none.

Discussion ensued regarding whether an audit report of a captive insurance company domiciled, registered, and physically located in Hawaii or a company in general located outside of Hawaii need to be done by a Hawaii licensed CPA firm.

After discussion, the Board decided to defer the decision to next Board meeting after DAG Leong further research into Hawaii's statutes and regulations regarding this matter.

Executive Officer Araceley requested to have further discussion in the interim with Mr. Ching and DAG Leong to discuss this agenda while still being compliant with Hawaii's law. Chairperson Komo and DAG Leong agreed.

- B. Is it possible to have the "CPA" next a licensed CPAs name if they do not wish to hold themselves out as a CPA and do not have a permit-to-practice?

Executive Officer Araceley asked if any members of the public would like to provide oral testimony on this agenda item. There were none.

Executive Officer Araceley stated that based on current rules and laws, to have the "CPA" designation next to a licensed CPA's name, a permit-to-practice is

required which then requires a firm-permit-to-practice or tied to one. Due to individuals inciting that in the past, it was possible to use "CPA" designation if you cite that you are not in public practice or do not have permit-to-practice. Seeking clarification from the Board, Mr. Araceley asked if:

- 1) Is that possible still?
- 2) Was it ever actually possible?

Discussion ensued with the Board, regarding these questions. Mr. Araceley cited Hawaii Revised Status Section: 466-10 (d)(1) which states:

(d) Nothing contained in this chapter shall prohibit any person:

(1) Who holds a current license of certified public accountant issued under this chapter from assuming and using the title and designation "certified public accountant" or "CPA"; provided that if the person does not also hold a current permit to practice issued under this chapter, the person shall clearly indicate in assuming and using said title that the person does not hold the person's self out to be in the practice of public accountancy;

Mr. Williams commented that there are also CPA ethical issues about being a CPA and not holding yourself out.

After discussion, the Board agreed to keep the process of using "CPA" designation, as long as it is cited that the CPA does not hold a current permit to practice as stated in HRS Section 466-10 (d)(1).

C. Oregon State Board survey on firm registration

Executive Officer Araceley asked if any members of the public would like to provide oral testimony on this agenda item. There were none.

Executive Officer Araceley stated that this survey was sent from Oregon State Board to NASBA for quick poll and asked the Board for their input.

Discussion ensued with Board regarding the survey reviewal.

Executive Officer Araceley inquired with the Board's input for one of the survey's question:

- 1) Has your Board discussed whether firms such as H & R Block should be registered?

Discussion ensued and the Board agreed to indicate that while it may have been discussed in the past with the old Board members, the current Board did not have any discussion whether firms such as H & R Block should be registered.

Old Business:

Chairperson Komo asked if any members of the public would like to provide oral testimony on this agenda item. There were none. Chairperson Komo acknowledged the three (3) written testimony received that are in favor of the amendment.

A. Hawaii Administrative Rules Chapter 71 amendments

After discussion, it was moved by Mr. Aratani, seconded by Mr. Roberts and unanimously carried to accept the amendments to Hawaii Administrative Rules Chapter 71.

New Business:

Chairperson Komo asked if any members of the public would like to provide oral testimony on this agenda item. There were none.

A. Peer Review Oversight Committee Legislation for 2021

Executive Office Araceley stated that this bill is similar to the bill that was introduced last legislative session. Mr. Araceley commented that the ending of the bill may post some concerns due to the language used, it leaves the bill open ended. There were no further comments from the Board.

B. Public notary requirement for Certificate of Competence

Executive Officer Relley seeks clarification from the Board regarding the three (3) Certificate of Competence that applicants must submit, which is cited as one of the license requirements listed in the HAR/HRS. One of the requirements is that those certificates are to be notarized. During these times, some applicants brought up their concerns at the Licensing Branch about the difficulty of acquiring notary. Mr. Araceley inquired if this policy was created by the Board previously or if Department of Commerce and Consumer Affairs (“DCCA”) Professional and Vocational Licensing (“PVL”) Division decided on it as this requirement is currently absent from Hawaii’s Laws and Rules and also:

1. Board has knowledge of the history of public notary requirement?
2. Whether or not, because it is absent from the Laws and Rules, will the Board waive the public notary requirement for a certain period of time?

Chairperson Komo inquired what the other Board’s current requirements for Certificate of Competence during these times.

Discussion ensued regarding the requirement for certificate of competence to be notarized during these current times and situation.

After discussion, the Board agreed to defer this to the next meeting and requests further information before providing a response. Executive Officer Araceley will inquire with other Boards’ current requirements.

Next Board Meeting: Friday, January 29, 2021
8:30 a.m.
Virtual Videoconference Meeting Zoom Webinar

Announcements: Executive Officer Araceley informed the Board to reach out to him should they want anything to be discussed. Mr.

Araceley also informed the Board that today will be the last time both Ms. Takahashi and Ms. Akasaka-Toyoma are attending their virtual board meeting and thanked them for their help and support with the board's virtual meetings. The Board will continue on with the remote-virtual meetings.

Adjournment: There being no further discussion, the meeting adjourned at 10:03 a.m.

Reviewed and approved by:

Taken and recorded by:

/s/ Relley W. Araceley

/s/ Micah Cadalzo

Relley W. Araceley
Executive Officer

Micah Cadalzo
Secretary

RWA:mc

12/28/20

- Minutes approved as is.
 Minutes approved with changes. See minutes of January 29, 2021 meeting.