

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

MINUTES

Date: January 29, 2021

Time: 08:30 a.m.

Place: Virtual Videoconference Meeting – Zoom Webinar
(use link below)
<https://dcca-hawaii-gov.zoom.us/j/98066945846>

Present: Darryl T. Komo, CPA, Chairperson
Gary Y. Miyashiro, CPA, Vice-Chairperson
Christopher K. Lee, CPA, Member
Terrence H. Aratani, Member
John W. Roberts, CPA, Member
Edward L. Punua, CPA, Member
Brian Uemori, Member
Christopher Leong, Deputy Attorney General (“DAG”)
Relley W. Araceley, Executive Officer (“EO”)
Leanne Abe, Secretary
Micah Cadalzo, Secretary
Lei Ana Green, Executive Officer
Candace Ito, Executive Officer

Member(s) Carleton L. Williams, CPA, Member

Excused:

Guest(s): Mike Ching, Ernst & Young
James
Username: BW
Username: roda001
Donald Mehling

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:

There being a quorum present, the meeting was called to order at 8:38 a.m. by Chairperson Komo.

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

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
November 23, 2020
and December 18,
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 Mr. Punua, and unanimously carried to approve the November 23, 2020 meeting minutes.

After discussion, it was moved by Mr. Aratani, seconded by Mr. Roberts, and unanimously carried to approve the December 18, 2020 meeting minutes with the following amendments (new material added italicized in bold):

On page 11, section B:

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

Applications:

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

At 8:43 a.m., it was moved by Mr. Aratani, 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). (Note: Board and staff moved to Teams.)

EXECUTIVE SESSION

At 9:13 a.m., it was moved by Mr. Aratani, seconded by Mr. Roberts, and unanimously carried for the Board to move out of Executive Session.

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

A. CPA Certification

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

- 1) ANGELL, Brett D – approved
- 2) BENEVEDES, Ryan J.K. – approved
- 3) FORD, Renee B. – approved
- 4) GAVER, David L. – approved
- 5) JENSEN, Jeffrey A. – approved
- 6) KAPISI, Keone L. – deferred
- 7) LAI, Jane G. – approved
- 8) ODA, Randon J.K. – approved
- 9) PATRICIO, Jeremy G. – approved
- 10) KO Alfred C. – approved
- 11) QUITANA, Christine M. – approved
- 12) RIGLER, Russell J. – approved
- 13) ROURICK, Thomas J. – deferred
- 14) SCHROEDER, Dillon K. – approved
- 15) WANG Chenchu – approved
- 16) WATANABE Mieko - deferred
- 17) WILLIAMS, Justin J. – approved
- 18) TRAN, Huy H. – approved
- 19) MEHLING, Donald - deferred
- 20) TANAKA, Mikayo – approved
- 21) LEI, Karen Q. – approved
- 22) KWOK, Wing Ying – approved

- 23) STEGEMAN, Craig – approved
- 24) TORRES, Christine – approved

Old Business:

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

- A. Public notary requirement for Certificate of Competence. Is there an exemption to this requirement for licensure?

EO Araceley noted that after discussion with DAG Leong, he found there is no specific rule or law that states this requirement, but it may be a practice that was incorporated to ensure that the submittal of Certificate of Competence, someone other than themselves is signing off on those forms. EO Araceley noted that he will still be checking with other Board/Programs to ensure that the practice is something we do on our end. EO Araceley clarifies that there is no rule or law that specifically requires this practice, at least, in regard to the Board of Public Accountancy.

- B. 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?

Chairperson Komo asked if any members of the public would like to provide oral testimony on this agenda item. Mr. Ching was recognized by Chairperson Komo.

Mr. Ching introduced himself to the Board. He stated that he is there should the Board have questions and to also clarify that the question is not specifically for captive insurance companies but to seek clarification based on the paradigm they received which is if a Certified Public Accountant ("CPA") is working on an audit or any services in which they are holding themselves out to be a CPA by performing the work remotely or while not physically in Hawaii for Hawaii domiciled company, doesn't need to obtain either a permit to practice ("PTP") or temporary permit to practice ("TPTP") so long as you're a CPA licensed in another state and doesn't set foot in Hawaii.

DAG Leong stated that if a company is domiciled in the State of Hawaii, there is a requirement that states services are to be performed by a CPA that is licensed and permitted to practice in Hawaii. He also stated that there is no way around that. DAG Leong further clarified that the statement was in reference to Hawaii Revised Statutes Chapter 466. Services that are provided to any person, entity/firm, or trust that is domiciled within the State or principle/home offices that are physically located within the State are to be performed by a CPA that is licensed or permitted to practice in Hawaii, as that is the requirement.

EO Relley shared to the Board the past email correspondences he found dated from year 2014-2015 from the Board's former assigned Executive Officer as stated below :

1) Email from Year 2014

Question: "Our firm is licensed to practice in the State of California but we have clients in California with branches in Hawaii. Can our firm perform audit and/or agreed upon procedures engagement in the State of Hawaii?"

Response from former EO: "If the clients with whom the engagement are scheduled are actually Hawaii subsidiaries/branch offices of the firm's out-of-State clients, the CPAs who will be on the engagement will be able to apply for TPTP that are issued based upon their out-of-State CPA licenses. The application and instructions for the temporary permit are on the Board's website.

However, if the Hawaii clients are NOT subsidiaries/branches of the firm's out-of-State clients, the CPAs must obtain full Hawaii CPA licenses and individual permits to practice in order to engage in the practice in the State of Hawaii. Those applications and instructions are also available.

In either of the above situations, the CPA firm affiliated with these individual CPAs must obtain a Hawaii Firm Permit to Practice ("FPTP "). One of the requirements for that firm permit is that at least one of the partners or principals be licensed as a Hawaii CPA. Another requirement is that the CPA firm hold a Hawaii General Excise Tax License issued by the Department of Taxation."

2. Email from Year 2015

Question: "I am a CPA in Colorado ("CO") and my client, who is in CO, is acquiring a construction company in Hawaii. They would like us to perform an attest engagement on the Hawaii company. We will perform the attest engagement in CO without going to Hawaii. My question is do I need to get a Hawaii CPA license and permit to practice and does my firm need to get a permit to practice?"

Response from former EO: "It appears from the information that you have provided that you may qualify for a TPTP, as you will be in the practice of public accountancy in the State of Hawaii on an "incidental" basis, performing an attest function on a Hawaii branch office or subsidiary of your CO client. Please review the TPTP application form and instructions on the Board's website. Should you determine that you qualify for a TPTP, please be advised that you will be required to be affiliated with a CPA firm that holds a Hawaii FPTP. This typically would mean that, although you would be working under a TPTP, your firm would need to hold a Hawaii FPTP.

One of the requirements of a FPTP is that the firm have a partner or principle who is licensed in Hawaii and hold a Hawaii individual PTP.

A search of our records shows that your firm does not hold a Hawaii FPTP.

In situations such as yours, most out-of-State CPA firms elect to have the CPA who will be performing the engagement obtain a Hawaii CPA license and individual PTP, and then apply for the Hawaii FFTP."

Chairperson Komo stated that in Mr. Ching's case, all the audit functions are being performed outside of Hawaii. He further explained that because the function is outside of Hawaii, they wouldn't need a permit and the question becomes whether the person signing the audit report needs to have a Hawaii license. He stated that because it is a Hawaii domiciled company, the ruling seems to indicate that one of the partners in the firm has to have a Hawaii license, as the person signing that report for the Hawaii engagement is holding themselves out to be a Hawaii CPA.

With further discussion being ensured, Mr. Roberts noted that Mr. Ching raised separate questions and suggested to bifurcate them:

- 1) Does everyone working in that engagement who holds a CPA credentials somewhere in the United States have to be a CPA in Hawaii?

Mr. Roberts answers, no. But, the question regardless of physical presence, whether they set foot in Hawaii, if the subject being audited is domiciled in Hawaii then the person signing the report, or the issuing partner, must have an individual PTP in Hawaii.

Mr. Roberts further clarified that the question in this case, for the purpose of this discussion, they are not CPA unless they are CPA licensed in Hawaii because they are doing work for a Hawaii domiciled entity. In the case of captive insurance companies, it can be said that they're holding themselves out to the State of Hawaii insurance commissions that they are Hawaii CPA. He noted that the minimum standard is the issuing partner must have a PTP in Hawaii.

Mr. Ching inquired where the statement can be found in the statutes/rules.

Mr. Roberts responded that the "holding out" is covered in HRS §466-10(a) and HRS §466-10(c)(1)(b). There is also a subplot that states the signing partner needs to be a U.S. Citizen or a permanent resident alien status with a PTP license that may or may not be applicable to Mr.Ching's offices in Cayman Islands.

Mr. Roberts further clarified that it does not matter where the work is performed. He noted that the criteria is the client is domiciled in Hawaii, where they are registered. He also stated that the client can engage with anyone they want but the person issuing the report to a Hawaii domiciled client needs to have a license and a PTP license in Hawaii. He noted that the emails EO Araceley previously shared compared to the interim guidance Mr. Ching discussed with DAG Leong recently, that the emails are more authoritative and definitive.

With further discussion being ensued, Mr. Roberts again stated that they are focusing on the issuing partner that signs the report.

Mr. Roberts stated that in the case of captive insurance companies, the reports are going to the insurance commissions, assumedly. If they go to the insurance commission, there's obvious representation to the State of Hawaii and if anyone brings that to the attention to the Board, or the Board chooses to do a sampling and the letterhead didn't match up, then the Board would have the information.

(At 9 :49 a.m., Mr. Aratani's virtual camera turned off and turned back on at 9 :50 a.m.)

Mr. Roberts further clarified that their whole system is a voluntary compliance system and it operates primarily on the basis of people filing a complaint with the Board.

Chair Komo asked Mr. Ching if he has additional comments or questions.

Mr. Ching inquired about what form is there to be used for clarification of rules such as Question and Answers ("Q&A's").

Discussion ensued about how the Board will ensure of public having reference and access for past policies and actions taken by the Board. Chairperson Komo noted Mr. Ching's suggestion of Q&A's is a good idea.

After discussion, it was motioned by Mr. Roberts, seconded by Mr. Aratani, and unanimously voted to agree that the Board's position is that all attestation engagements that are performed for a Hawaii domiciled entity should be issued by a partner or principle who is licensed and permitted to practice in the State of Hawaii.

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) Update on American Institute of Certified Public Accountants ("AICPA") / National Association of State Boards of Accountancy ("NASBA") exam remote testing and possible acceptance of Pilot Test scores

Committee Chairperson Punua stated that AICPA/NASBA held a webinar on January 21, 2021 and gave the Board an update on their efforts of remote testing.

- On year 2020, quarter 2, about 26,000 CPA-candidate appointments were cancelled due to COVID-19 impact.
- Remote Testing Efforts Update
 - A handout of their frequently asked questions (FAQs) and user guides from Prometric were circulated.
 - They are now looking to provide information to State Board to try a pilot/remote testing program that is initially set in March but will likely to move in April.

- AICPA/NASBA is asking the Board's position on remote testing:
 - Will the Board look into the rules/law that will allow the scores to be ratified?
 - Will candidates' scores that participate be accepted by the Board?
- AICPA/NASBA will be sending a letter to the Chairperson of the Board to ask for response/feedback whether the scores will be accepted by the Board from their remote testing/pilot program.
- FAQs most related to the Board
 - Will the boards of accountancy need to change their statutes or rules to allow for remote testing?
 - How is the "emergency period" going to be defined?
 - Test centers are open and operating. Why is remote testing capability necessary?

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.

A. Update on "Listing of Board Action" project

EO Araceley stated that there is currently a Frequently Asked Questions ("FAQs") section on the Board's website. In addition to that, EO Araceley proposed possibly including the date of the meeting minutes when the Board makes a specific motion or action in the FAQ's section.

B. Update on board terms and request for new board membership

EO Araceley announced that two(2) of the Board members' second term are coming to an end and three(3) vacancy positions will need to be filled up.

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. Permit-to-practice (“PTP”) restoration clarification. If a PTP is restored within a biennium, must the CPA also complete 80 hours of continuing professional education for the upcoming renewal or can these hours be prorated based upon when the PTP is restored, similar to the process for initial PTP licensure? (Hawaii Administrative Rules §16-71-33)

Discussion ensued within the Board members in regard to hours being prorated during restoration of PTP within biennium.

After discussion, it was motioned by Mr. Roberts, seconded by Mr. Punua, and unanimously voted to agree that if an individual PTP is restored within a biennium, these hours can be prorated based upon when the PTP is restored, similar to the process for initial PTP licensure.

Next Board Meeting: Friday, February 26, 2021
8:30 a.m.
Virtual Videoconference Meeting Zoom Webinar

Announcements: Executive Officer Araceley informed the Board of the new licensing clerk in the office and also a new internal licensing software that may be going live soon.

Adjournment: There being no further discussion, the meeting adjourned at 10:20 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

02/18/21

Minutes approved as is.

Minutes approved with changes. See minutes of February 26, 2021 meeting.