

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

MINUTES

Date: March 25, 2021

Time: 08:30 a.m.

Place: Virtual Videoconference Meeting – Zoom Webinar
(use link below)
<https://dcca-hawaii-gov.zoom.us/j/93408356637>

Present: Darryl T. Komo, CPA, Chairperson
Gary Y. Miyashiro, CPA, Vice-Chairperson
Carleton L. Williams, CPA, Member
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”)
Kedin Kleinhans, Executive Officer
Micah Cadalzo, Secretary
Ahlani Quiogue, Licensing Administrator
Kerrie Shahan, Executive Officer
James Skizewski, Executive Officer
Candace Ito, Executive Officer
Jenny Yam, Executive Officer
Christine Dela Cruz, Office Assistant
Stephanie Karger, Office Assistant

Guest(s): Colleen Conrad, National Association of State Boards of
Accountancy (“NASBA”)
James
Adrian Hong

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
8:33 a.m. by Chair Komo.

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

Chair 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.

Chair Komo announced an amendment on the agenda as follows: (with repealed material bracketed and stricken through)

Agenda Item #3 A. "CPA Certification"

~~{2} BARTHEL, Melanie}~~

Approval of the
Minutes of the
February 26, 2021
Board Meeting:

Chair 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-Chair Miyashiro, and unanimously carried to approve the February 26, 2021 meeting minutes, with the following amendment (with new material underscored in bold and repealed material bracketed and stricken through):

On page 2, sixth paragraph, last sentence:

"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 ~~[subpart]~~ subsection 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]~~ EY offices in Cayman Islands."

Applications:

At 8:39 a.m., it was moved by Mr. Punua, seconded by Mr. Aratani, 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 Microsoft Teams.)

EXECUTIVE SESSION

By consensus, the Board moved this agenda item out of order:

New Business:

- A. Inquiry requesting the reconsideration of the Board's opinion that an audit report provided to the Hawaii Insurance Commission for a Hawaii insurance company, including captive insurance companies, must be signed by a Hawaii licensed CPA.

By consensus, the Board returned to the regular order of the agenda.

At 9:00 a.m., it was moved by Mr. Aratani, seconded by Vice-Chair Miyashiro, and unanimously carried for the Board to move out of Executive Session.

Applications:

- A. CPA Certification

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

- 1) BAILITZ, Joseph
- 2) COURTER, Melanie
- 3) GIANG, Kennie W.
- 4) KAPISI, Keoni
- 5) KUEHN, Tracey
- 6) LOPEZ, David
- 7) MARTIN, Nina
- 8) NESVOLD, Alice
- 9) REYNOLDS, Katheryn
- 10) ROURICK, Thomas
- 11) SUMILE, Beaumont J.D.

After discussion, it was moved by Mr. Punua, seconded by Mr. Aratani, and carried by a majority, with the exception of Mr. Williams, who recused himself from discussion and voting on this application, to approve the following for certification:

- 1) KIYOTA, Matthew

- B. Ratification of Firm Permit to Practice trade name

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

- 1) Alan Levine CPA MBA (FFTP-1266)

2) Kalea DeYoung CPA (FFTP-818)

Old Business:

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

A. Board's position on exam remote testing and possible acceptance of the Pilot Test scores – presentation by NASBA's Colleen Conrad

Ms. Conrad entered the meeting at 9:05 a.m.

Ms. Conrad from NASBA was in attendance to present information regarding a pilot testing program, to answer any questions, and address any concerns the Board may have.

Ms. Conrad shared information to the Board as follows:

- Prometric test centers located in the United States and Canada closed on March 17, 2020 and re-opened on May 1, 2020; however, several locations remained closed. Upon reopening, test centers operated at 50% capacity, and steadily increased until reaching 100% capacity. Although, several test centers remained under 100% capacity, depending on the jurisdiction's current guidelines and executive orders.
- The American Institute of Certified Public Accountants ("AICPA") and NASBA leadership noted that there was no contingency constructed, should there be another spike of COVID-19 cases or of any type of emergency that requires a shutdown of the testing centers. The AICPA and NASBA leadership felt it was prudent to look at an alternative.
- Prometric had a tool available called "ProProctor" which allows remote examination.
- The AICPA and NASBA had brought forward the concept of using the ProProctor, during the Regional Meeting in 2020 to the executive directors in attendance. Live webcasts followed, and in December, a live demonstration of the ProProctor was presented.

Ms. Quiogue entered the meeting at 9:10 a.m.

- Remote testing means taking the examination anywhere, such as a home, office, or place that provides privacy. In addition, the location has to be

- “environmentally sterile”, meaning limited items in the area, such as personal computer equipment.
- Candidates must meet the minimum operating system requirements. Monitors must be a certain size, an external camera is available, adequate internet speed, etc. The requirements are provided upon signing up.
 - A “readiness agent” will require the candidate to show their identification card, arms, and pockets to ensure the room is sterile. The candidate is then transferred to a “remote proctor”, who monitors up to eight candidates at a time during the entire four-hour examination. When a candidate shows suspicious behavior, such as talking or disappearing from the camera, they will be flagged and forwarded to be singularly watched by a “security proctor”. The security proctor has the ability to playback video.

Ms. Ito left the meeting at 9:23 a.m.

- Most state boards have extended notices-to-schedule and examination credits; however, it is in the best interest for candidates to take the examination sooner rather than later.

Ms. Conrad requested the Board to consider a pilot testing program totaling 250 to 1,000 sections, which constitutes the four examination sections. The testing is tentatively scheduled to be held in the last three weeks of June. She added that candidates may only participate if they have taken the examination before, is located within the United States, and do not require special accommodations.

Chair Komo queried if NASBA has reviewed the Board’s laws and rules to determine whether remote testing is authorized.

Ms. Conrad advised that they have evaluated the Board’s laws and rules, but did not find any significant issues. She indicated there were several state boards with laws and rules that required examinations to be administered at “testing centers” only.

Mr. Williams queried whether Artificial Intelligence (“AI”) will be a part of the Pilot Test.

Ms. Conrad responded that Prometric plans to add AI around early April, but indicated they require more information on how AI will be used. She is of the opinion that AI would flag behaviors for proctor review, but there is an option whether to use AI or not.

Mr. Williams questioned whether there would be an increase in fees to cover the cost for examinations.

Ms. Conrad responded that there would no fee increase and does not anticipate one in the near future.

Mr. Williams indicated a positive preference to moving toward the electronic trend and hopes remote proctoring, testing, and meetings will be used in the future regardless of any emergency situation.

Ms. Conrad concurred with Mr. Williams' comment. She advised that the plan at the moment is to use remote testing for emergency use only.

Ms. Conrad left the meeting at 9:38 a.m.

Ms. Quiogue left the meeting at 9:39 a.m.

Ms. Conrad entered the meeting at 9:40 a.m.

EO Araceley queried whether the examination taken during the Pilot Test is approved by AICPA?

Ms. Conrad answered affirmatively.

Mr. Punua queried whether the software, ProProctor, will only be for emergency use or will the software be eventually for regular use?

Ms. Conrad responded that it will be a combination of both emergency and regular use.

The Board thanked Ms. Conrad for her presentation.

Ms. Conrad left the meeting at 9:48 a.m.

Mr. Uemori left the meeting at 9:50 a.m.

Mr. Uemori entered the meeting at 9:50 a.m.

After discussion, it was moved by Mr. Roberts, seconded by Mr. Williams, and unanimously carried to accept the test scores of the Pilot Program.

New Business:

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

- A. Inquiry requesting the reconsideration of the Board's opinion that an audit report provided to the Hawaii Insurance Commission for a Hawaii insurance company, including captive insurance companies, must be signed by a Hawaii licensed CPA.

Chair Komo stated that Mr. Mike Ching from E&Y had sent a letter to the Board, as circulated, asking for clarification of both the Hawaii Insurance Commissioner's ("Commissioner") administrative rules and the Board's administrative rules.

Mr. Williams inquired with DAG Leong on how to approach the matter. He noted there seems to be a potential conflict between both the Commissioner and the Board's administrative rules which may be a legal matter. He added that the Board can only opine to matters of licensure and scope of practice for Hawaii CPAs.

DAG Leong advised that it may be prudent to await Mr. Ching's presence to discuss the matter with him. He added that the concern is regarding the focus on requirements of audit reports for Hawaii captive insurance companies that are submitted to the Commissioner. DAG Leong indicated that the Board, generally, only has jurisdiction on its licensing laws and rules, and cannot opine outside of its authority, but will further explore the matter as there may be a potential conflict if the requirement of one rule conflicts with another.

Mr. Roberts commented that the matter may be broader issue as administrative rules from other regulated industries are involved. He added that the matter may not be limited to captive insurance industries, and may be reviewed by the State Attorney General's office.

Mr. Williams related that there would be concerns of public policy if the rules of one agency overruled the rules of another agency.

By consensus, the Board agreed to defer the discussion and decision to the next Board meeting.

Ms. Ito entered the meeting at 9:58 a.m.

B. Emailed request from Jason Dabney to extend his Financial Accounting and Reporting (“FAR”) examination credits

EO Araceley briefed the members regarding Mr. Dabney’s inquiry. He cited Hawaii Administrative Rules (“HAR”) Section 16-71-19(k), which states:

(k) Notwithstanding any other provision to the contrary, conditional credits that have expired may be extended only for good and valid reasons as determined by the board.

Ms. Dela Cruz left the meeting at 10:01 a.m.

Mr. Punua stated that the Board previously approved the extension of examination credits to June 30, 2021; however, noted that an additional thirteen-month extension based on the requestor’s case may be irregular as precedence is based on examination schedules. He added that the matter may be handled on a case-by-case basis as the requestor has underlying health conditions.

EO Araceley advised that the Board would need to inform NASBA of its decision regarding the grant of examination credits extension, but the requestor would need to inquire with NASBA regarding their Notice to Schedule.

Chair Komo expressed his concern that a thirteen-month extension is discretionary and would start a new precedent.

Mr. Williams indicated that discretion may be needed as it is pandemic related.

By consensus, the Board moved this agenda item out of order:

Executive Officer’s Report:

C. March 9, 2021 NASBA Executive Director meeting

EO Araceley reported that other jurisdictions have received an uptick of requests for extension of examination credits, and have asked for more information aside from a pandemic-related statement. He added that the Board

received a fair number of requests after the Board granted the extension up to June 30, 2021, and noted it would be prudent for the Board to grant additional extension requests, but the Board would need to determine whether the statement provided is a “good and valid” reason.

Ms. Dela Cruz entered the meeting at 10:06 a.m.

By consensus, the Board returned to the regular order of the agenda.

New Business:

- B. Emailed request from Jason Dabney to extend his Financial Accounting and Reporting (“FAR”) examination credits

After discussion, it was moved by Mr. Williams, seconded by Mr. Punua, and anonymously carried to extend Mr. Dabney’s FAR examination credits to thirteen months.

- C. Emailed request from Jason Kim to extend exam credits

EO Araceley cited HAR Section 16-71-19(k). He briefed the members on the requestor’s inquiry. He noted that the requestor requested for an extension beyond June of 2021 but did not specify a date or a timeframe.

The Board requested that EO Araceley inquire a date or a period of time from the requestor before making a decision.

Standing Committee Report:

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

- A. Legislative Committee

- 1) Senate Bill 1103, HD1 – Peer Review Oversight Committee

Mr. Aratani reported that the Senate Bill 1103, HD1 was passed by the House Committee on Consumer, Protection & Commerce, and will be heard by the House Committee on Finance.

EO Araceley indicated that the House Committee on Consumer, Protection & Commerce added a defective date for further discussion.

Executive Officer’s

Chair Komo asked if any members of the public would like to

Report: provide oral testimony on this agenda item. There were none at this time.

A. Introduction of Mr. Kedin Kleinhans

EO Araceley announced that upon his departure, Mr. Kleinhans will be taking over as the new Executive Officer of the Board.

B. Inclusion of Hawaii to NASBA Accountancy Licensing Database (“ALD”)

EO Araceley reported that the discussion is ongoing with NASBA. He added that EO Kleinhans will continue the discussion with NASBA for further facilitation of the matter.

C. March 9, 2021 NASBA Executive Director meeting

EO Araceley indicated that the meeting primarily involved discussion of requests for extension of examination credits.

D. Hawaii Administrative Rule amendment update

EO Araceley reported that the draft amendments to HAR Chapter 71 was routed to the Administrative Services Office for review and final processing. Upon completion, the draft will be forwarded to the Governor’s Office for signature.

Next Board Meeting: - Friday, April 30, 2021
8:30 a.m.
Virtual Zoom Webinar

Announcements: Chair Komo thanked EO Araceley for his service and wished him well.

Adjournment: There being no further discussion, the meeting adjourned at 10:28 a.m.

Reviewed and approved by:

Taken and recorded by:

/s/ Kedin C. Kleinhans

/s/ Micah Cadalzo

Kedin C. Kleinhans
Executive Officer

Micah Cadalzo
Secretary

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KCK:mc

04/16/21

- Minutes approved as is.
- Minutes approved with changes. See minutes of.