

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

MINUTES

Date: April 30, 2021

Time: 08:30 a.m.

Place: Virtual Videoconference Meeting – Zoom Webinar
(use link below)
<https://dcca-hawaii-gov.zoom.us/j/91038295097>

Present: Darryl T. Komo, CPA, Chairperson
Gary Y. Miyashiro, CPA, Vice-Chairperson
Brian Uemori, Member
Carleton L. Williams, CPA, Member
Christopher K. Lee, CPA, Member
Edward L. Punua, CPA, Member
John W. Roberts, CPA, Member
Terrence H. Aratani, Member
Christopher J. I. Leong, Deputy Attorney General (“DAG”)
Kedin C. Kleinhans, Executive Officer (“EO”)
Micah A. Cadalzo, Secretary
Keawe Y. Hurst, Secretary
Christine V. Dela Cruz, Office Assistant
Stephanie M. Karger, Office Assistant

Guest(s): Mike Ching
James
C.J.
Edward Suematsu
Jon Arbles
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: Chair Komo welcomed everyone to the meeting and proceeded with a roll call of the Board members. All Board members confirmed they were present.

There being a quorum present, the meeting was called to order at 8:33 a.m. by Chair Komo.

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.

Approval of the
Minutes of the
March 25, 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 Mr. Punua, and unanimously carried to approve the March 25, 2021 meeting minutes.

Applications:

At 8:40 a.m., it was moved by Mr. Aratani, seconded by Vice-Chair Miyashiro, 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 8:54 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/defer the following applications for certification:

- 1) COVENEY, Gerald W. – Approve
- 2) DUNKLEE, Katherine M. – Approve
- 3) FRANCE, Charles J. – Approve
- 4) LAU, Nikki B. – Approve
- 5) MARAVILLA, Philip G. – Defer: requesting clarification if employer is a private entity or government agency.
- 6) ROBINSON Jr., John G. – Approve

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. Inquiry from Mike Ching: 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.

Mr. Ching was recognized by Chair Komo and promoted as a "panelist" at 8:58 a.m.

Mr. Ching introduced himself and thanked the Board for continuing to look into the matter, and for providing clarification. He acknowledged that there is confusion, in terms of CPA licensure requirements, between the Hawaii Insurance Commissioner's ("Commissioner") administrative rules and the Board's administrative rules.

Mr. Ching asked what of the Board's position, in matters they can opine to in their jurisdictions, on how licensees or Hawaii captive insurance companies can proceed.

Chair Komo thanked Mr. Ching for providing information in his email, as circulated.

DAG Leong related that there was brief discussion at its last meeting of a possible conflict between the Commissioner's rules and the Board's rules regarding the requirements of audit reports for Hawaii captive insurance companies that are submitted to the Commissioner; however, upon reviewing both respective rules, he indicated there is less concern of conflict.

DAG Leong explained that Hawaii Administrative Rules ("HAR") Title 16 Department of Commerce and Consumer Affairs Chapter 185 Annual Audited Financial Reporting references accountants and requirements of insurance companies when submitting annual audits. The rules recognize there are accountants licensed in other jurisdictions who submit these statements, and these accountants have to be licensed with the Commissioner, even if they are located out-of-State.

In reference to HAR section 16-185-102 and section 16-185-106, companies will have to retain an accountant in order to file their audit with the Commissioner, and the

accountant has to be duly licensed, active, and in good standing wherever he/she is licensed.

DAG Leong related that the matter is a separate question from accountants that need to be licensed in Hawaii in order to do work in Hawaii for Hawaii companies. He added that providing services to clients that are in the State, or whose home office is within the State, etc., those would fall under the practice of public accountancy in the State, which means the provider has to be Hawaii licensed and permitted CPA.

DAG Leong clarified further that the Board only has jurisdictions on its licensing laws and rules and does not have authority to opine or interpret on other rules, such as the Commissioner's rules.

Mr. Ching asked for further clarification regarding work that is done outside of Hawaii. For example, if a team is based and licensed in California, would they need a Hawaii license?

DAG Leong asked Mr. Ching if he has reached out to the Commissioner regarding this particular matter.

Mr. Ching answered in the negative and indicated that the Commissioner's rules are explicit.

Chair Komo related that the Board previously determined that a Hawaii licensed CPA signs the audit report for the firm.

Mr. Ching asked if a report submitted to the Commissioner that is signed by a non-Hawaii licensed CPA is considered not valid?

Vice-Chair Miyashiro responded that the auditor is not in compliance with the Board's licensing requirements.

Mr. Roberts added there may be implications unlicensed activity. With respect to whether the report is acceptable, the matter would have to be referred to the Commissioner.

Mr. Ching asked for clarification for services that is done outside of Hawaii.

Mr. Roberts noted that one of the key elements is where the audit entity is domiciled. In this case, it was described as captive insurance companies domiciled in Hawaii.

Chair Komo related that the Board is not questioning where the work was done; but the signer of the report needs to have a Hawaii license.

Chair Komo added that based on the Board's previous ruling, the Board decided that in the case of reports being presented to the Commissioner, there needs to be a CPA partner in the State for the firm that is issuing the audit report or responsible signing the report.

Mr. Ching stated that an appropriate course of action to resolve the conflict would be to amend the laws or rules.

Mr. Roberts indicated that there may not be a conflict as the issue is whether the firm is domiciled in Hawaii.

Chair Komo requested Mr. Ching to clarify if he is of the opinion the Board's interpretation is inconsistent with the Board's rules.

Mr. Ching affirmed and asked: (1) if the Board intends to amend its licensing laws and rules; and (2) how would licensees be notified of changes to guidance?

Mr. Williams inquired if the concern is if the laws and rules should address physical presence.

Mr. Ching affirmed.

After discussion, Chair Komo concluded that the Board will further discuss this matter at a future meeting.

Chair Komo thanked Mr. Ching for his presence.

Mr. Ching returned as an "attendee" at 9:29 a.m.

Mr. Suematsu was recognized by Chair Komo and promoted as a "panelist" at 9:30 a.m.

Mr. Aratani's virtual camera turned off at 9:30 a.m.

Mr. Suematsu left the meeting at 9:32 a.m.

Mr. Aratani's virtual camera turned on at 9:32 a.m.

Mr. Suematsu entered the meeting as a "panelist" at 9:34 a.m.

Mr. Suematsu left the meeting at 9:34 a.m.

Due to technical difficulties, Mr. Suematsu was not able to provide his oral testimony. EO Kleinhans will reach out to Mr. Suematsu after the Board meeting.

Correspondence:

A. Emailed Request from Jason Kim: Extension of Exam Credits

EO Kleinhans reported this issue was discussed at the Board's previous meeting, and indicated that Mr. Kim clarified he would like to extend his examination credits by four months.

It was moved by Mr. Punua, seconded by Mr. Aratani, and anonymously carried to extend Mr. Kim's examination credits by four months.

B. Emailed Request from Maryalice Masuda: Extension of Notice to Schedule ("NTS")

EO Kleinhans briefed the members on the requestor's inquiry. He noted that the requestor requested for an extension of one year for her NTS due to medical reasons. He added that the requestor's current expiration is June 30, 2021 and with the extension, the expiration will be moved to June 30, 2022.

Mr. Roberts indicated that he does not recall a similar extension duration request; but given the circumstances provided by the requestor, he is not opposed to accepting the extension.

DAG Leong related that extension requests, whether it is for examination credits or NTS, are discretionary for the Board to decide on by case-by-case review and will not set a new precedence.

After discussion, it was moved by Mr. Punua, seconded by Mr. Aratani, and anonymously carried to extend Ms. Masuda's NTS to June 30, 2022.

Legislative 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. Senate Bill No. 1103, HD1 – Peer Review Oversight Committee

Mr. Aratani reported that the Senate Bill 1103, HD1 was passed by the Legislator and is now enrolled to the Governor's office to be reviewed. He added that during the Conference Committee meeting, the defective date has been changed to "upon approval".

Executive Officer's Report:

A. Senate Bill No. 320, HD1 – Relating to Tax Return Preparers

EO Kleinhans reported that the initial draft of this bill required tax return preparers to complete Continuing Education ("CE") courses. He added that the CE courses would have to be approved by the Board; however, the CD1 draft of the bill removed that requirement.

B. Hawaii Administrative Rules Chapter 71 – Update on Rule Amendments

EO Kleinhans reported the draft amendments to HAR Chapter 71 is currently being processed at the Administrative of Services Office and will follow up with the office for an update. Once the final draft is received, the draft will be forwarded to the Governor for signature.

C. National Association of State Boards of Accountancy ("NASBA") Annual Executive Directors and Board Staff Conference

EO Kleinhans reported that he attended day one of the three-day conference virtual meeting and shared brief information of what was discussed. He added that he was given an informational packet that can be provided upon request.

Mr. Uemori stepped out of the camera view at 9:51 a.m.

Mr. Uemori stepped in within the camera view at 9:51 a.m.

Next Board Meeting:

- Friday, May 28, 2021
8:30 a.m.
Virtual Zoom Webinar

Announcements:

None.

Adjournment: There being no further discussion, the meeting adjourned at 9:52 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

KCK:mc

05/17/21

[] Minutes approved as is.

[x] Minutes approved with changes. See minutes of May 28, 2021.