

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

MINUTES OF MEETING

Date: Friday, July 26, 2024

Time: 8:30 a.m.

In-Place Meeting Location: King Kalakaua Conference Room, First Floor
HRH King Kalakaua Building
335 Merchant Street
Honolulu, Hawaii 96813

Virtual: Virtual Videoconference Meeting – Zoom Webinar (use link below)
<https://dcca-hawaii-gov.zoom.us/j/86022338500>
Zoom Phone Number: (669) 900 6833
Meeting ID: 860 2233 8500

Zoom Recording Link: <https://youtu.be/cIFarCoZUME>

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).

Members Present: Gary Y. Miyashiro, CPA, Chairperson (“Chairperson”)
Jon Arbles, CPA, Vice-Chairperson (“Vice Chairperson”)
Robert Kawahara, CPA, Member
Wendell Lee, CPA, Member
Alexander Smith, CPA, Member
Isabella Gary, Public Member

Members Excused: Christopher Lee, CPA, Member
Brian Uemori, Public Member
Zachary Johnson, CPA, Member

Staff Present: Ahlani Quiogue, Licensing Administrator (Virtual)
Candace Ito, Acting Supervising Executive Officer (“SEO”)
Lee Ann Teshima, Executive Officer (“EOTeshima”)
Hector West, Executive Officer (“EO West”)
Christopher Leong, Deputy Attorney General (“DAG”)
Marc Yoshimura, Divisional Secretary
Mia Hoang, Technical Support
Johnny Li, Technical Support

Guest(s): Les Kondo
Megan Johnson
Virginia Jacinto (Virtual)
Rachelle Moulton (Virtual)
Rey Anne Banes (Virtual)
Applicant (Virtual)
Applicant (Virtual)

Virtual Meeting
Instructions:

A short video regarding virtual meetings was played for attendees.

Chairperson Miyashiro provided information on internet and phone access for today's virtual meeting and announced that today's meeting was being recorded and that the recording will be posted on the Board's web page.

Call to Order:

Chairperson Miyashiro took a roll call of the Board members and asked all Board members attending virtually to confirm if they were alone in a nonpublic location in accordance with Act 220, SLH 2021.

After taking roll, quorum was established, and the meeting was called to order at 8:33 a.m.

Chairperson's Report:

a. Announcement

None.

b. Report on Attendance at NASBA Western Regional Meeting, June 26-27, 2024, Omaha, Nebraska

Chairperson Miyashiro stated he and Alex Smith attended the meeting and summarized some of the topics:

- National Pipeline Advisory Group ("NPAG"). The Structured Professional Program ("SPP") within the NPAG is exploring options to the 30 credit rule that a lot of states have. These are ideas on how to structure a program to get credit for licensing.
- How states are moving from 150 credits to 120 credits. Some states have established alternatives to the additional 30 credits such as going back to 120 credits plus two years of experience. Some states that are moving toward this alternative are Minnesota, South Carolina, and Arkansas.
- Private Equity Investments in Accounting Firms. There was discussion on how the states are dealing with it because the owners of those firms are not CPAs. In Hawaii, you must be a CPA to be an owner of an accounting firm.
- Outreach to the state societies and universities. The Board may wish to consider to get input from state societies and universities on how they feel about certain Board actions and decisions.

There was discussion at the Chairperson's roundtable regarding whether boards had written policies and procedures. Chairperson Miyashiro reminded the Board that their written policies and procedures are in HRS chapter 84 (Standards of Conduct) and Chapter 92 (Public Agency Meeting & Records – Sunshine Law).

Approval of Minutes:

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

Approval of the Minutes of the May 31, 2024 Open Session and Executive Session Minutes

Chairperson Miyashiro asked the members if there were any corrections or discussion of the open session minutes and executive minutes for the May 31, 2024 meeting.

EO Teshima asked Chairperson Miyashiro whether he would like to go back to agenda 2. b. i. to discuss and consider the alternative of 120 credits with two years of experience. Chairperson Miyashiro stated that he would like to go back to agenda item 2.b.i. and opened the floor for discussion. Chairperson Miyashiro stated that he feels the board should look for an alternative to the additional 30 credits whether it's one or two years of experience.

Mr. Lee stated that he agreed with Chairperson Miyashiro. He stated that there is a lot of momentum behind removing the 30 credits and felt that it was unnecessary because applicants are required to pass a national test. He added that it creates a financial burden to folks that just graduated from college and the requirement for another 30 credits is a barrier to entry for the CPA. He stated that the accounting faculty at UH - West O'ahu support removing the 30 credits because they see firsthand how it prevents or dissuades a lot of students from going into accounting and choose other majors that only require a baccalaureate to start their career.

Mr. Lee stated that AICPA is for it as well. It's encouraging that NASBA and the AICPA are now considering it, and the four international firms came out with an article saying they support it too and have put some pressure on the AICPA to endorse that as well. He felt that it would be good for Hawaii to be ahead of the curve for once and endorse and pass a law that changes that barrier to entry into the accounting profession.

EO West asked Ms. Gary for input as she represents the public. Ms. Gary stated the Board should find an alternative with 120 credits plus experience. She knows of CPAs that felt the extra classes they took to almost get a master's degree did not help them to become better CPAs.

Mr. Kawahara stated that he was licensed under the old standard when the requirement was 120 credits.

Chairperson Miyashiro stated that at the regional meeting, the alternative used was 120 plus two years of experience. The Board is considering 120 credits plus one year of experience. NASBA's position in support or opposition was not as strong as it was before. "Substantial equivalency" was discussed because to have license mobility, the license requirement must be substantially equivalent. Chairperson Miyashiro remembers when the requirement was 120 credits plus two years of experience and would support that alternative if that is what the Board wants.

Mr. Smith stated that he is not sure whether the requirement should be one or two years of experience. Currently mobility is a concern to ensure that there is equivalency to allow people to still practice across states in the country.

Mr. Lee asked if there was discussion regarding one year versus two years at the regional meeting. Chairperson Miyashiro stated that the one year option wasn't discussed; the discussion was mainly about 120 credits plus two years of experience. Chairperson Miyashiro stated that he agrees with that option because that was the requirement when he got licensed.

Vice Chairperson Arbles echoed Mr. Lee's concerns. He stated that the cost is the primary issue and dropping the requirement back to 120 credits gets rid of that barrier. He is uncertain what issue the one or two years of experience addresses. If two years is still limiting people from entering the profession, then the board can revisit that requirement. At this point everybody who is an industry member on the Board here has done two years of experience. Mr. Lee stated that people learn a lot in the second year of employment. Vice Chairperson Arbles was concerned about public protection because he is uncertain if a CPA with one year of experience would be

qualified to sign an audit report. However, he is in agreement with lowering the requirement to 120 credits.

Chairperson Miyashiro shared that at the regional meeting they were provided an article, "From California to South Carolina, States Address CPA Shortages" which discusses how states are moving away from the extra 30 credits.

The Board discussed a statutory change to implement the 120 credits plus two year experience requirement. EO Teshima informed the Board that it may not be an administration bill and recommended that the Board begin drafting a bill and to start looking for an organization to introduce the bill. EO Teshima stated that she will help draft the bill. She suggested that the Board gather data on the states that have changed their requirement to 120 credits plus two years of experience. She also recommended to involve all the stakeholders now so that when it gets to the hearing, everybody is on the same page.

The Board came to a consensus to amend the statutes to require 120 credits and two years of experience. Mr. Smith stated that NASBA is trying to come up with model language for states to adopt. EO Teshima asked for clarification whether the 120 credits plus two years of experience is another pathway in addition to the 150 credit pathway or are they eliminating the 150 credit pathway. Chairperson Miyashiro stated that the 150 credit pathway would still be an option similar to a masters degree in lieu of experience. Vice Chairperson Arbles stated if the years are different then it is considered an option. If it is just the credits, then that just lowers the bar. On the way to 150, one must pass the 120. It is only an option if the Board explores a third year of experience and drop to 120 credits. Now we're seeing 120 credits plus two years of experience and he thinks this is the new way. Nothing stops an individual from getting 150 credits or 180 credits.

Chairperson Miyashiro stated that when the Board changed the requirement in 2000 there was a grandfather clause and it is still being used today. Under the statutes, certain applicants are grandfathered so they must be approved if they apply under the old rule. EO Teshima asked if the Board knows why the requirement was changed from 120 credits to 150 credits. Chairperson Miyashiro stated that nationwide they wanted to elevate the profession; they wanted more advanced degrees like the attorneys, doctors, and dentists.

EO Teshima asked if 120 credits are equivalent to a bachelor's degree. The Board responded yes. Mr. Smith stated that there was discussion on changing 120 credits to a bachelor's degree. Vice Chairperson Arbles stated that the law does not require a bachelor's degree in accounting; it requires a bachelor's degree and specific accounting credits and business related credits. And there are different pathways to meet that requirement.

Chairperson Miyashiro asked if anyone wished to provide testimony on the approval of the meeting minutes. There were none.

Executive Session:

At 9:03 a.m., it was moved by Vice-Chairperson Arbles, seconded by Mr. Lee, and unanimously carried to enter into executive session pursuant to HRS section 92-5(a)(1), to consider and evaluate personal information relating to individuals applying for professional or vocational licenses cited in HRS section 26-9, and to consult with Christopher Leong, Deputy Attorney General, on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities pursuant to HRS section 92-5(a)(4).

At 9:43 a.m., it was moved by Vice Chairperson Arbles, seconded by Mr. Smith, and unanimously carried to move out of executive session and to reconvene to the Board's regular order of business.

Chairperson Miyashiro returned to agenda item "Approval of Minutes" and requested the following amendments to the open session meeting minutes:

- (1) Under agenda item "Correspondence" on page 4, line 10, which states, "They do have Permits-to-Practice (PTP), they do have associate with that PTP, principals who are licensed and permitted in the State of Hawaii." It should state, "They do have permits to practice. They do have to associate the PTP with a FPTP";
- (2) The following sentence on page 4 line 13, states that "the contracts are signed by the firm as the author"; it should be "auditor" instead of "author"; and
- (3) On page 5, second paragraph, "Mr. Konda" should be "Mr. Kondo".

It was moved by Mr. Smith, seconded by Vice Chairperson Arbles, and unanimously carried to approve the open and executive session minutes of the May 31, 2024 meeting as amended.

Executive Officer's Report:

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

(a) Bloomberg News Article, "From California to South Carolina, States Address CPA Shortages"

EO West stated there was an article from Bloomberg related to the Board's earlier discussion on alternatives to the 150 credit requirement. The article talked about states offering CPA so that the education requirement will be 120 credits and the issue now is just looking for alternative pathways for either 1 year or 2 years of experience. The AICPA is concerned about mobility. If a state moves to 120 credits plus 1 or 2 years of experience, the standard is gone and some states may not recognize that license. However, if they can say 120 credits is the standard, the AICPA may be okay with it. It appears that most states are moving toward 120 credits.

(b) CPA/FPTP Audit

EO West stated that in about two to three weeks, random audits will be sent out to ten percent of the CPAs, Permit-to-Practice (PTP), and Firm-Permit-to-Practice (FPTP) license holders. Those that have a CPA, the Board's office will be checking that they have four credits of Ethics. For those that have a Permit-to-Practice (PTP), the Board's office will check the CE credits that they attested to. And for the Firm-Permit-to-Practice, the Board's office will be asking if they have been participating in the peer review and will ask for documentation. Licensees that are audited will have one month to provide their documentation to the Board's office .

Correspondence:

Request from the Office of the Legislative Auditor regarding Permit-to-Practice – Deferred from the May 31, 2024 Meeting

Chairperson Miyashiro asked if any members of the public would like to provide testimony on this agenda item. The Board will discuss the questions submitted by Les Kondo, Legislative Auditor, who was present at the meeting.

Question #1.

May the firm lawfully issue reports on financial statements solely under the legal name of the firm, without attribution to an individual principal of the firm?

Chairperson Miyashiro stated that you can issue a financial report under the firm. With regard to attribution, it does not reference the individual person or partner of the firm in the report, but you can issue a report on financial statements under the legal name of the firm. The engagement partner, who is an individual principal of the firm, would be the person responsible for issuing the report. The AICPA audit standards refer to the responsibility of the engagement partner as an individual principal of the firm.

Mr. Kondo introduced himself as the State Auditor. He stated that he is interested in understanding how the Board interprets its statutes and administrative rules. He stated that he has attorneys and CPAs in his office that can interpret the AICPA, other standards and other requirements. Mr. Kondo clarified that his questions relate to how the Board construes the law and the administrative rules, because that is much more of the Board's purview versus other requirements. It really is about how the Board construes the legal requirements for the practice of public accountancy in the State of Hawaii. He appreciates the Board referring to the AICPA standards and other standards, but the question is really the legal framework in the State of Hawaii.

Chairperson Miyashiro stated that under the definition of practice of public accountancy in HRS section 466-3, the firm may lawfully issue reports on financial statements solely under the legal name of the firm provided that certain conditions are met; you must have the firm permit to practice, properly licensed personnel, and the firm accepts responsibility for that report. That is where the AICPA professional standards applies, including how an engagement partner would act as the person responsible for the report.

Mr. Kondo stated that their question is about firms that are not local firms. He appreciates the Board's response but it would be helpful if the Board could state the statutory or the specific rule requirement that supports their response. The rules are not very clear and not well written. It seems like there was an attempt to somehow capture the national firms that don't have a local presence and in his opinion, it is not captured very well. That is why they are asking questions about when you have a firm that has a permit to practice, but you have a principal, a manager, or somebody else that is not licensed and permitted in the State of Hawaii and has no local presence, it is unclear how that person is required to have a permit and a license. And then that goes up to, whether it's the review partner or somebody that's doing quality control review, and it goes down to people that are in the field doing the actual work. He stated that the Board is not exactly responding to the question he is asking.

Chairperson Miyashiro stated that all of the questions are related. He stated that the Board's position is that the engagement partner who is in charge of the engagement is the one who signs the report on behalf of the firm. Mr. Kondo asked if the engagement partner signs the firm's name. Chairperson Miyashiro stated that is correct; the engagement partner is the one that needs to have proper licensing in Hawaii with an individual permit to practice. Mr. Kondo asked whether the Chairperson is stating his position or the Board's position. Chairperson Miyashiro stated that is his understanding of the AICPA standards under the definition of an engagement partner in the audit standards, the engagement partner has the ultimate responsibility of performing the engagement. It cannot be somebody else performing the engagement and the engagement partner just signs the report. Mr. Kondo stated that they don't know who signed the report because the signature is the firm's name. It is not known if the managing partner or the engagement partner signed the report, all they know is it says the firm's name. They do not require any disclosure as to who actually signed the firm's name. If you're suggesting that the engagement partner is required to sign the firm's name, they contract with the firm. They do not

contract with the individual. They have no knowledge as to who is signing the report on behalf of the firm. They are not sure if there's any other kind of requirements anywhere else, whether it's the AICPA guidance or statutory legal requirements on that issue.

Mr. Kondo stated that local firms are really easy because all of the individuals in a local firm are licensed and permitted. It's the mainland guys that are the question. Based on what the Board related, it would be a violation for anyone who is not the engagement partner to sign the report but they really don't know that because we have to do further inquiry to establish who signed the document or not on behalf of the firm.

Vice Chairperson Arbles stated that a step is missing. At the beginning you get an engagement letter. The engagement letter must be signed by the partner that is responsible for that engagement, not the firm. Mr. Kondo stated that the RFP requires the identity of the team, and that would include the engagement partner. Vice Chairperson Arbles stated the engagement partner is the person that is responsible to sign the report, even if you're signing as a firm. Mr. Kondo asked where that is required, somewhere in the AICPA standards? Mr. Kondo stated that it certainly is not in the statutes or the rules. Vice Chairperson Arbles stated that it would go back to the engagement letter which would go into the AICPA rules.

Mr. Kondo said he understood the engagement partner is the person responsible for the engagement. He stated that he does not know where the AICPA provision is that requires the engagement partner to sign the firm's name. It's unclear as to where that requirement is coming from. Maybe that's a separate issue. Maybe if the engagement partner, whether he signs or not, if he has to be licensed and permitted to lead the audit, then we avoid the question about who signs the document. It's just the board believes the engagement partner needs to be licensed and permitted, and how far that goes into different levels of engagement. He asked for guidance and asked again to look into the rule or the statute so they can tell people that it's based upon the board's interpretation of these provisions. Mr. Kondo looked at it many, many times, and honestly can see why the firm permit to practice is all that is needed. And maybe that's a defect in the rules because there's so many references to the firm permit to practice. Even in the definition in the rules about what constitutes the practice of public accountancy, it's an individual or a firm, not and a firm, or a firm that holds itself out to provide these services. When it says "or the firm", the firm seems to be practicing public accountancy under the definition in the rules. He said it could be just a defect in how the rules are drafted.

Chairperson Miyashiro stated Mr. Kondo referenced HAR section 16-71-24, in his inquiry on obtaining a firm permit to practice under section 466-7 and section 16-71-24. Mr. Kondo stated that he was just talking about the definition in 16-71-8, and it includes the definition of public accountancy practice or public practice. Chairperson Miyashiro stated HAR section 16-71-24(b)(1) states, "For a firm to practice public accountancy, a firm engaged in public accounting in this State shall file an application listing the principals of the firm". He further stated that HAR section 16-71-24(b)(1)(B) states, "If the firm has no permanent office in this State, and no principals who are residents of this State or principals who are engaged in public accounting practice in this State, the firm shall list a principal with a current Hawaii individual permit to practice".

Mr. Kondo stated that was the situation that they had except the principal who was listed on the audit and associated with the firm to practice was not on the audit; it was not the principal that led the engagement.

Chairperson Miyashiro stated that although the statutes and rules may not specifically state that the engagement partner is the person that is responsible to sign the report, the AICPA rules on how a licensed CPA should act requires the engagement partner to be a properly licensed member of the profession, and the Code of Professional Conduct states that the engagement partner is responsible for the performance of the audit; not just a random person who is listed as the individual permit holder linked to the firm permit to practice.

Mr. Kondo stated there is no disagreement that the engagement partner is responsible. In situations where the engagement partner did not have a permit to practice, there is no doubt in his mind that the person is licensed somewhere else, and is responsible for the audit. He stated that their question is, is the engagement partner required to be licensed and permitted? That's a different question. If he's responsible, we're going to hold him responsible and we're going to hold the firm responsible. The firm is permitted, it's just unclear whether or not that engagement partner needs to be permitted and licensed. A lot of the people below the engagement partner, even though they may not be responsible for the report, they're doing the real work. It's the manager, it's other people that are reviewing work papers who are really doing the real work and the engagement partner may not be reviewing it as thoroughly as the managers, but they are taking responsibility for the audit. He stated the practice of accountancy appears to be below the level of the engagement partner who is required to be licensed and permitted because he's taking responsibility for the report, other people who are actually performing public accountancy may be performing more accountancy work than the engagement partner.

Vice Chairperson Arbles stated that the assumption that the engagement partner is not doing as thorough a job as the manager is flawed in that the engagement partner must ensure that those people are doing the job because the engagement partner is held accountable for that work.

Vice Chairperson Arbles stated that the audits are being performed in Hawaii. The Board's purview is protection of the public of the State of Hawaii. The engagement partner would have to be a CPA licensed in the State of Hawaii to be able to represent to anybody in Hawaii that he is a CPA. If the engagement partner was licensed in another state, he cannot say that he is a CPA. The moment he signs that engagement letter and hands it to the client, he is making a representation that he is licensed and permitted in the State of Hawaii.

Mr. Kondo stated it is very clear that you cannot represent yourself as a CPA without a license. He added, it would be a violation for a person to reference, for example in an email or signature block, that they are a CPA if they are not licensed and permitted in Hawaii. His office looked at that and there is no reference in any documents, proposals, engagement letters, email, signature blocks where the guy puts CPA after his name.

Mr. Kondo stated that the engagement partner signs the engagement letter. They contract with the firm, not the individual who signs the engagement letter. Someone signs the contract on behalf of the firm and they check that this person is authorized to sign on behalf of the firm. In terms of other kinds of documents that they get from them, there is a signature on the engagement letter but it's very modified because the engagement is with his office but the expectations are to the auditee. Generally because the relationship is usually auditor to auditee, that letter is expressing what you're going to do but also your expectations and additional costs. We don't allow that because there's no contractual relationship between the auditor and the auditee; they are the contractor in the middle position. They provide them with an engagement letter but it's very different. Mr. Kondo stated he is sure it is signed by the engagement partner.

Mr. Kondo stated that their process is very different, however, if that's what the board believes, they will let everyone know at this point they are requiring the engagement partners to be

licensed and permitted in Hawaii. Their policy also requires project managers who are CPAs to be licensed and permitted in the State of Hawaii because they believe the manager is more into the dirt of the audit.

Mr. Kondo wants to understand the legal requirement or at least get the Board's guidance on the legal requirement. He suggested that the Board ask their Deputy Attorney General to help provide the specific provisions because it seems like there is ambiguity in how the AICPA requirements are hooked into the statute and rules. As a lawyer we look at the legal requirements, but if that's the Board's guidance that is fine because their policy right now requires CPAs to be licensed and permitted in Hawaii. If they push back, his office will tell people that it is not only their policy but the Board's guidance that you need to be licensed and permitted in Hawaii.

EO Teshima stated under the AICPA standard AU-C Section 220A, subsection .09, the definition of engagement partner is "The partner or other person in the firm who is responsible for the audit engagement and its performance and for the auditor's report that is issued on behalf of the firm and who, when required, has the appropriate authority from a professional legal or regulatory body." Based on the Board's statutes referring to AICPA standards, the requirement for licensure is based on this definition. If you're asking specifically if the engagement partner must be licensed, the answer is yes.

Mr. Kondo asked what is the section in the statute that refers to the AICPA standards? EO Teshima stated the definition of attest under section 466-3.

Vice Chairperson Arbles clarified that the law does not require the manager to be licensed in the State of Hawaii. The State Auditor's Office may require it, but it is not a requirement under chapter 466. The manager could conceivably, and again, in theory, not ever use the title CPA, and never represent that they are a CPA because they would never be signing the engagement letter or the audit report. The signature on the engagement letter and audit report, even if it says the firm's name, makes the representation that the engagement partner is licensed in Hawaii.

Mr. Kondo asked if the Board had a suggestion of how they could identify who is signing. Vice Chairperson Arbles stated that they should. That's part of the AICPA. Chairperson Miyashiro stated that the AICPA Code of Conduct specifies that the engagement lead or the engagement partner must be named in the engagement letter.

Mr. Kondo asked how can they verify who signed the audit report. It appears that the Board is making an assumption that the engagement partner is signing the firm's name to the audit report. Vice Chairperson Arbles stated that the physical act of signing may not be done by the engagement partner, but the engagement partner is responsible for the audit report.

Mr. Kondo stated that he thought the Board was saying that the signature is irrelevant, however, the individual identified as the engagement partner on the project or on the audit is required to be licensed and permitted in the State of Hawaii. Chairperson Miyashiro stated yes. Mr. Kondo stated that is the line that the Board draws, and his office could always lower the floor. Chairperson Miyashiro asked if raising the floor means going down to the staff. Mr. Kondo stated that if he wanted to, he could make the secretary be licensed and permitted in the State of Hawaii, but he can't say that the principal doesn't have to be licensed and permitted in the State of Hawaii in my contracts.

EO Teshima clarified that to have a Hawaii firm permit to practice they need to name a principal, whether they reside in the state or out of state, and the principal must be a licensed CPA with a permit to practice. Mr. Kondo stated that there needs to be one principal associated with the firm that is licensed and permitted in the State of Hawaii.

Vice Chairperson Arbles stated in this scenario, you have a principal that is not part of your engagement but is in the State of Hawaii. The engagement partner must get licensed and permitted in the State of Hawaii; he does not have to live in Hawaii because he already works for a firm with a permit to practice. This engagement partner will be responsible for your engagement and should something go wrong, you have the name of the person that is responsible for the audit report. Mr. Kondo stated that he understood. Even in the situation described where nobody lives in the State of Hawaii, they are still required to have a principal who is licensed and permitted, irrespective of whether they live or reside here.

EO Teshima asked if the board answered all Mr. Kondo's questions. Mr. Kondo answered he thought so.

With regard to Mr. Kondo's question, "Aside from the issuance of reports on financial statements, management advisory or consulting services, or the preparation of tax returns or the furnishing of advice on tax matters, what other kinds of services involving the use of accounting or auditing skills constitute the practice of public accountancy pursuant to section 466-3, HRS," Chairperson Miyashiro stated that the Board is unable to state everything that a CPA may perform because the scope of services under the practice of public accountancy is very broad. It appears that Mr. Kondo is seeking a laundry list of services and the Board will not be able to provide such a list. Mr. Kondo stated that he is coming from the standpoint of a lawyer. In a law firm, there are partners and associates practicing law and are required to be licensed in Hawaii. Similarly, in an accounting firm you have engagement partners and managers that are practicing public accountancy. In his analogy, the manager would be required to be licensed because they are practicing public accountancy even if they do not sign the audit report or engagement letter. Law firms have paralegals similarly accounting firms have people who are not CPAs performing accounting work. His question was in relation to the managers; it is his office policy to require managers to be licensed and permitted in Hawaii because in his opinion, they are practicing public accountancy.

Megan Johnson, General Counsel for the Office of the State Auditor, stated that CPA firms have people performing field work and they are trying to get an understanding of what types of services require a licensed CPA. She asked if the Board would consider the work that the field staff are performing as the practice of public accountancy.

Vice Chairperson Arbles stated that he will try to respond from two perspectives: as a Board member and as the partner in his firm. From the Board's perspective the engagement partner signing the audit report must be licensed and permitted in the State of Hawaii. From the perspective of being the partner of his firm, he is responsible for everybody under him, such as the managers and staffers and whether they fall under their licensing to make sure that they meet their CP requirements, their ethics, all of that falls under that individual firm's purview. If the State Auditor's Office wants to have a higher level of service by demanding that the people engaged on that team have certain licenses and permits, that's awesome. However some firms might not be able to provide you with that level of service.

Mr. Kondo stated that he misspoke. You can raise the bar, not lower the bar. But for the local firms, everyone who's a CPA must have a Hawaii license and a Hawaii permit to practice. Vice

Chairperson stated that's not correct. To say you're a CPA and engage in the practice of public accountancy, and to sign an audit report, you must be a licensed CPA with a permit to practice. A person could conceivably be a licensed CPA without a permit to practice and would not be allowed to tell clients or anybody else that they are a CPA. Under their name they must state "not in the practice of public accountancy". A licensed CPA without a permit to practice could work on an engagement as long as they do not sign the audit report and are under the engagement partner. It would be similar to a paralegal. They are still providing work that's eventually aggregating up to an audit report. But the one person responsible for that would be the engagement partner.

Mr. Kondo stated that they had a situation where a firm with a permit issued the report; however, the partner didn't have a permit. The report had to be recalled and reissued once the partner had a permit. And the question is, what about the people below that didn't have a license or permit? He now understands the Board's position is that only the engagement partner needs to be licensed and permitted in the State of Hawaii. They didn't want firms to have to recall and reissue reports when other people were not licensed and permitted. That may be their office's standard, but it's not the Board's position and interpretation. The Board agreed and may encourage people who work on these engagements to be licensed and permitted by the State board, but that's not a requirement.

Mr. Kondo stated that the folks that are doing their audits that don't live here have said that it's a challenge for them to get their license and permit in a timely manner because the board only meets every two months. Sometimes it's a challenge for them to get their license and permit in a timely manner so that they can compete on their project. Because they're waiting, whether it's two months or whatever the period is, for the Board to consider their license application and their permit application. Mr. Kondo thanked the Board for their time and guidance.

Ms. Johnson asked if the Board will be issuing a written response. Mr. Kondo asked if the Board is going to vote on this matter. Chairperson Miyashiro stated that the board will summarize the discussion points in response to the questions. The Board will take some time to put that in a clear, logical response and then issue a letter from the Board. Mr. Kondo stated that there is no emergency given their policy. They have gone through their current cycle of audit fees, so they have contracts in place for the FY 24 cycle. They'll be doing this again in January to February. But given that they've now established this policy to require managers and engaging partners to be licensed and permitted in the State of Hawaii, they appreciate the Board's response and they look forward to it. But at this point, the urgency has dissipated a little bit.

The Board's staff will draft a response based upon today's discussion to be reviewed by DAG Leong, and the Board will review it. SEO Ito asked DAG Leong whether the Board will be answering all of the questions asked, or the question Mr. Kondo asked today? DAG Leong stated that all the questions are related and build off of the first question. DAG Leong stated it would be fairly simple to make a coherent response to all the questions based on the discussion and agreement of what was discussed today.

Vice Chairperson Arbles stated that if we get the core piece right, everything else falls in place; and the core piece is that you cannot sign the engagement letter or the report if you are not licensed and permitted in Hawaii. Mr. Kawahara stated that he wouldn't respond directly question for question because Mr. Kondo re-explained the questions in a different way to the Board. The Board could frame the response as, "in reference to your discussion at the last meeting, this is the Board's response". Mr. Kawahara felt that a general response, rather than respond to each question would be responsive. DAG Leong and the Board agreed.

CPA Scores

Extension Request:

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

Chairperson Miyashiro informed the guests that are participating virtually that the Board will be entering into executive session to discuss applications. EO Teshima asked the guests who signed in under a pseudonym to change their name to the name on their application and the Board will be able to bring them into the executive session meeting if they have any questions.

Executive Session:

At 10:39 a.m., it was moved by Vice Chairperson Arbles, seconded by Mr. Lee, and unanimously carried to enter into executive session pursuant to HRS section 92-5(a)(1), to consider and evaluate personal information relating to individuals applying for professional or vocational licenses cited in HRS section 26-9, and to consult with Christopher Leong, Deputy Attorney General, on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities pursuant to HRS section 92-5(a)(4).

At 10:45 a.m. it was moved by Vice Chairperson Arbles, seconded by Mr. Lee, and unanimously carried to move out of executive session and to reconvene to the Board's regular order of business

Thelma M Merino-Young

It was moved by Vice Chairperson Arbles, seconded by Mr. Kawahara, and unanimously carried to approve the extension request for Thelma M Merino-Young.

Applications:

a. Ratification of CPA Permit to Practice

It was moved by Vice Chairperson Arbles, seconded by Mr. Lee and unanimously carried to ratify the approval of the following CPA Permits to Practice:

Taylor A Burns	CPA6315
Kevin K Wilson	CPA6316
Cynthia May Gross	CPA6317
Daniel C Reeves	CPA6319
Jessica N McCloskey	CPA6320
Bryce W Rassilyer	CPA6323
Brett D Ingle	CPA6330
Bryan W Vencill	CPA6336
Cheryl Scheppel Moreno	CPA6337
Michael H Vermut	CPA6343
Debra G C Heiskala	CPA6344
Jason X Lin	CPA6291
Johnann Arlyn Souza	CPA6298
Carol L Koli-Braima	CPA6189
Brian M Michelini	CPA6231
Randy Elizabeth Kanoe Lani Varela	CPA6138
Joel Zablan	CPA5507
Ashley Marie Frase	CPA6340
Shari K Danann	CPA6270
Michael C Wu	CPA6322
Jeremy L Dillard	CPA6327
Sally-Jayne Aubury	CPA6326
Allison F Tamamoto	CPA6247

Rodleene A Tangonan	CPA6341
Pushpita Kotikalapudi	CPA6087
Hui Jin N Kim	CPA6226
Emily Anne Smith	CPA6334
Jean Marie Young	CPA6341
Lauren Hugo	CPA6314
Chelsea C Taketa	CPA6192

b. Approval of Firm and Trade Names:

It was moved by Vice Chairperson Arbles, seconded by Mr. Kawahara to amend the agenda to correct MUN CPA LLC to MAS CPA LLC.

It was moved by Vice Chairperson Arbles, seconded by Mr. Kawahara, and unanimously carried to approve the following trade name(s):

Julie Hartshorn CPA Inc.
CWA, CPAs
MAS CPA LLC

c. CPA Applications

It was moved by Vice Chairperson Arbles, seconded by Mr. Kawahara to amend the agenda to correct Justine Forence Arnold to Justine Florence Arnold.

It was moved by the Vice Chairperson Arbles, seconded by Ms. Gary, and unanimously carried to approve the following applications for CPA license:

Nicholas Lee Hansen
Benjamin W Greene
Bradley Allen Wall
Kristine N Morgan
Jennifer M K Y Taniguchi
Rachael Thomsen
Steven J Cupingood
Virginia L Jacinto
Rumzei Atef Abdallah
Marie Lyn Stiegel
Molly Rose Mulhollen
Huayi Li
Fuminori Matsubara
Lior Temkin
Justine Florence Arnold
Jinhua Li
Rachelle B Moulton
Michelle Ann Jenkins
Yan Liann Bowers
Billy J Kim
Amanda Joy Cronk
Rey Anne F Banes
Weipeng Liang
Kyle A Kernei

d. CPE Sponsor Agreement:

It was moved by Vice Chairperson Arbles, seconded by Mr. Kawahara, and unanimously carried to approve the following CPE Sponsor Agreements:
Hawaii Estate Planning Council

Chairperson Miyashiro asked if any members of the public would like to provide testimony on agenda item 7, Applications. There was none.

Chairperson Miyashiro asked if any members of the public would like to provide testimony on agenda item 8, Election of Chair and Vice Chair Pursuant to HRS §436B-6(a). There was none.

Election of Chairperson
and Vice Chairperson
Pursuant to
HRS §436B-6(a)

It was moved by Mr. Lee, seconded by Mr. Kawahara, and unanimously carried to elect Gary Miyashiro as Chairperson and Jon Arbles as Vice Chairperson.

Next Meeting:

Date: Friday, September 27, 2024
Time: 8:30 a.m.
In-Person: King Kalakaua Conference Room
King Kalakaua Building, 1st Floor 335 Merchant Street
Honolulu, Hawaii 96813
Virtual: Zoom Webinar

Adjournment:

With no further business to discuss, Chairperson Miyashiro adjourned the meeting at 11:08 a.m.

Reviewed and approved by:

Taken and recorded by:

/s/ Candace Ito
Candace Ito
Acting Supervising Executive Officer

/s/ Hector West
Hector West
Executive Officer

09/16/2024

[X] Minutes approved as is.
[] Minutes approved with changes. See minutes of _____