

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

MINUTES

Date: Friday, August 31, 2018

Time: 8:35 a.m.

Place: PVL Examination Room
King Kalakaua Building
335 Merchant Street, 3rd Floor
Honolulu, Hawaii 96813

Present: Gregg M. Taketa, CPA, Chairperson
Darryl T. Komo, CPA, Vice-Chairperson
Terrence H. Aratani, Member
Christopher Lee, CPA, Member
Gabriel Lee, Member
Gary Y. Miyashiro, CPA, Member
Edward L. Punua, CPA, Member
John W. Roberts, CPA, Member
Carleton L. Williams, CPA, Member
Krishna F. Jayaram, Deputy Attorney General (“DAG”)
James Kobashigawa, Executive Officer
Lori Nishimura, Secretary

Guest: none.

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).

Call to Order: There being a quorum present, the meeting was called to order at 8:35 a.m. by Chairperson Taketa.

Approval of Minutes of the July 27, 2018 Board Meeting: Chairperson Taketa requested for the following amendment on page 5, last paragraph:
“MRA (Mutual Recognition Agreement). NASBA queried as to what does the Boards think about one year experience. General consensus was that one year is not adequate.”

Mr. Roberts requested for the following amendment on page 4, second to last paragraph:

“Chairperson Taketa suggested in light of this ruling, the Board may want to consider re-visiting its discussion for proposed rules amendment, to require CPA firms to disclose their GET number on their firm renewal form, and that there was a clause for firms to opt out of that requirement. Mr. Roberts commented that there is “merit to re-visit” but noted that Board members were not in agreement to require “anything that is related to tax, on [~~principal~~] principle”.”

After discussion, it was moved by Mr. Aratani, seconded by Vice-Chairperson Komo, and unanimously carried (Messrs. Miyashiro and Williams recused themselves) to approve the minutes of the July 27, 2018 meeting, with the aforementioned amendments (with new material underscored and repealed material bracketed and stricken through).

Executive Session:

At 8:37 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).

EXECUTIVE SESSION

At 9:05 a.m., it was moved by Mr. Aratani, seconded by Mr. Roberts, and unanimously carried for the Board to move out of Executive Session.

It was noted that Mr. C. Lee arrived to the meeting during Executive Session.

At 9:05 a.m., the Board recessed the meeting to discuss and deliberate on the following adjudicatory matter pursuant to HRS chapter 91.

Chapter 92, HRS,
Adjudicatory Matters:

- A. In the Matter of the Certified Public Accountant’s License of ALICIA M. SITAN; ACC 2018-1-L; Settlement Agreement Prior to Filing of Petition For Disciplinary Action and Board’s Final Order

After discussion, it was moved by Mr. Aratani, seconded by Mr. G. Lee, and unanimously carried to approve the Settlement Agreement relating to the Matter of the Certified Public Accountant's License of ALICIA M. SITAN; ACC 2018-1-L.

At 9:12 a.m., the Board reconvened its meeting.

Applications for
CPA Certification:

After discussion, it was moved by Vice-Chairperson Komo, seconded by Mr. G. Lee, and unanimously carried to approve the following applications for certification:

- 1) CHIU, Ka Man Maria
- 2) COPLEY, John C.
- 3) CRONE, Timothy J.
- 4) DEMELO, Milena Cvjetkovic
- 5) KANEKO, Kitt Y.
- 6) KUBLY, Nichole M.
- 7) LAPIER, Nicholas
- 8) LOPEZ, Liberty A.
- 9) MEYERS, Jennifer M.
- 10) MINCKS, Aaron C.
- 11) RANK, Danny
- 12) RASMUSSEN, Kristin N.
- 13) REBELLA, Monica J.
- 14) WENGEL, Michael W.

After discussion, it was moved by Vice-Chairperson Komo, seconded by Mr. G. Lee, and unanimously carried to defer decision-making on the following application pending receipt of his foreign academic credentials evaluated by a Board-approved evaluation service - National Association of State Boards of Accountancy ("NASBA") International Evaluation Services ("NIES"):

- 1) SUGIMOTO, Majo Roland

Ratification of
CPA Certification:

After discussion, it was moved by Vice-Chairperson Komo, seconded by Mr. Aratani, and unanimously carried to ratify the approval of the following individual CPA certification:

- 1) CHEE, Lance K.Y.K.
- 2) LEWCZYK, Megan D.

Ratification of
Individual CPA
Permits to Practice:

After discussion, it was moved by Vice-Chairperson Komo, seconded by Mr. Aratani, and unanimously carried to ratify the approval of the following individual CPA Permits to Practice:

- 1) BANOVICH, Amy J.
- 2) BRAY, Catherine H.
- 3) COGSWELL, Kanchali
- 4) COOPER, Ernest C.
- 5) DE GUZMAN, Kathleen Marie M.
- 6) EGAMI, Jason M.
- 7) HALVORSEN, James L.
- 8) HAYAMA, Christopher K. K.
- 9) LA CROIX, James T., Jr.
- 10) LI, Sidney
- 11) MILLER, Tylan M.
- 12) OSUCH, Dennis J.
- 13) RODILLAS, Reanne P. S.
- 14) ROESSL-DIMERY, Deborah L.
- 15) STURGIS, Ryan D.
- 16) TSANG, Amy
- 17) UDENZE, Kenneth
- 18) VALENTE, Jennifer L.

After discussion, it was moved by Vice-Chairperson Komo, seconded by Mr. Aratani, and unanimously carried (Mr. Roberts recused himself from the vote) to ratify the approval of the following individual CPA Permit to Practice:

- 1) HASEGAWA, Kelly L.

Ratification of
Issued Firm
Permits to Practice:

After discussion, it was moved by Mr. Roberts, seconded by Mr. G. Lee, and unanimously carried to ratify the approval of the following issued Firm Permit to Practice:

- 1) RACHEL M FUKUMOTO

After discussion, it was moved by Mr. Roberts, seconded by Mr. G. Lee, and unanimously carried (Mr. Aratani recused himself from the vote) to ratify the approval of the following issued Firm Permit to Practice:

- 1) ISAAC W CHOY CPA INC

Ratification of CPA
Firm Name Approval:

After discussion, it was moved by Mr. C. Lee, seconded by Vice-Chairperson Komo, and unanimously carried to ratify the approval of the following CPA firm name approval:

- 1) Reuben G. Wicklund, CPA, Inc.

Executive Officer's
Report:

A. DCCA Disciplinary Actions Through July 2018

Executive Officer Kobashigawa circulated the informational monthly report of the DCCA (Department of Commerce and Consumer Affairs) disciplinary action through July 2018, that includes sanctions DCCA had taken relating to various Boards and Programs.

B. NASBA Legislative E-News

Executive Officer Kobashigawa reported the following from NASBA's Legislative E-News:

- Federal legislation, introduced by Texas Congressman Mike Conaway, has been filed to shield boards, board members and their staff members from antitrust litigation.
- New Hampshire, Kentucky, and Michigan have their Firm Mobility legislation signed into law in 2018; 25 jurisdictions have full firm mobility.
- New Hampshire Attest Legislation signed into law in 2018.
- Connecticut and Michigan have their CPE Reciprocity legislation signed into law in 2018; 27 jurisdictions have CPE Reciprocity.

C. NASBA State Board Report

Executive Officer Kobashigawa reported the following from the NASBA State Board Report:

- NASBA will continue to hold two Regional Meetings instead of having one combined Regional Meeting.

- Proposed technology pathway for CPAs – movement is to not go through the separate alternative pathway; thus, NASBA will continue their study.

D. NASBA Names 2018 Accounting Education Research Grant Recipients

Executive Officer Kobashigawa stated that NASBA has announced the recipients of the 2018 Accounting Education Research Grant. The grant was awarded to faculty and postdoctoral researchers from Drexel University, University of Wisconsin, University of Texas Rio Grande Valley, and Northern Illinois University.

E. NASBA Quarterly Communication Pack

Executive Officer Kobashigawa reported the following from the NASBA Quarterly Communication Pack:

- Wisconsin has been added to the Accountancy Licensee Database (“ALD”).
- Utah has signed a data sharing agreement.
- Hawaii and Delaware both approved participation in the ALD; however, IT arrangements have not been established for both jurisdictions.

F. AICPA State Regulatory Update

Executive Officer Kobashigawa reported the following from the AICPA State Regulatory Update:

- NIES – 50 Boards have now approved NIES to evaluate their applicant’s foreign academic credentials.

G. My CPE Manager

Executive Officer Kobashigawa provided a brief description of MyCPE Manager – a tool that CPAs may join to help manage their continuing education compliance to their jurisdiction(s).

Executive Session:

At 9:23 a.m., it was moved by Mr. Aratani, seconded by Mr. G. Lee, and unanimously carried to enter into Executive Session 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).

EXECUTIVE SESSION

At 9:28 a.m., it was moved by Mr. Aratani, seconded by Vice-Chairperson Komo, and unanimously carried for the Board to move out of Executive Session.

2018 Attorney General
Memorandum on
Marijuana Enforcement:

Discussion ensued as the consensus of the Board was that their policy/response to all inquiries relating to the provision of accounting services to marijuana businesses in the State of Hawaii, as reflected in the January 8, 2016 Board meeting minutes, remains the same:

"The Board believes that, in general, a Hawaii licensed CPA and/or a CPA firm that has a Hawaii permit to practice should not be subject to disciplinary action under Hawaii Revised Statutes chapter 466 for solely providing CPA services to an MMD [*medical marijuana dispensaries*] or a marijuana business in another state where the marijuana business is legal; provided that the CPA and/or CPA firm is only assisting the MMD or a marijuana business in another state where the marijuana business is legal to comply with the requirements of the state (including but not limited to Act 241) and federal laws (excluding the Controlled Substances Act).

The Board notes that the decision to provide CPA services to an MMD or a marijuana business in another state where the marijuana business is legal is a business decision for Hawaii licensees and permit holders. The Board cautions all Hawaii licensees and permit holders to carefully consider the risks and uncertainty involving federal enforcement of its applicable drug (and other) laws to these types of businesses. As such, the Board recommends that a Hawaii licensee or permit holder interested in providing CPA services to an MMD or marijuana business in another state where the marijuana business is legal consult with private legal counsel prior to providing such services."

Chairperson Taketa commented if the Board's policy should be posted on the Board's website. Executive Officer Kobashigawa stated if the Board requests posting on the website, it can be done.

Standing Committee Reports:

A. Peer Review

- 1) Letter from Frederic N. Pigott, CPA – Final Letter of Acceptance Not Yet Received From OSCPA

After discussion, it was moved by Mr. Williams, seconded by Mr. G. Lee, and unanimously carried (Mr. Punua recused himself) to approve Mr. Pigott's request for an extension to complete the peer review requirement pursuant to HRS section 466-34, and to also notice and/or remind Mr. Pigott about the submission of notices to the Board (i.e. Notice of Enrollment in a Peer Review Program, and Notice of Performing Hawaii Attest Work), that may not have been complied by his firm.

- 2) Extension to Complete Peer Review Pursuant to HRS section 466-34

- a) Peer Review Extension Request to the Board of Public Accountancy

- (1) Doeren Mayhew & Co PC

After discussion, it was moved by Mr. Williams, seconded by Vice-Chairperson Komo, and unanimously carried to approve Doeren Mayhew & Co PC's request for an extension to complete the peer review requirement pursuant to HRS section 466-34 subject to:

- ✓ Submit demonstration/ verification of their three (3) year peer review cycle, to confirm the end date;

- ✓ Submit/verify the Notice of Performing Hawaii Attest Work is on file; and
- ✓ Submit acknowledgement that they understand a Hawaii Supplement is required if their next peer review does not include a Hawaii engagement.

Mr. Williams commented that this will set a precedent as he believes this is not a transitional issue, but rather a recurring issue with “firms entering the state who realize their peer review scheduling may be off”.

- (2) Niwao & Roberts Certified Public Accountants, A Professional Corporation

Mr. Roberts stated that subsequent to submitting his firm’s completion of peer review 90-day extension request, the Oregon Society of Certified Public Accountants accepted their peer review acceptance letter; therefore, his request is a retroactive extension request from June 30, 2018 to early August 2018 (as he has submitted the firm’s Peer Review Compliance Reporting Form).

Mr. Roberts stepped out of the meeting at 9:41 a.m.

After discussion, it was moved by Mr. Aratani, seconded by Mr. G. Lee, and unanimously carried approve the peer review extension request, retroactive from June 30, 2018 to early August 2018, from Niwao & Roberts Certified Public Accountants, A Professional Corporation.

Mr. Roberts returned to the meeting at 9:42 a.m.

- (3) Robert H Y Leong & Company
CPAs APC

Vice-Chairperson Komo stepped out of the meeting at 9:42 a.m.

After discussion, it was moved by Mr. Williams, seconded by Mr. Punua, and unanimously carried to approve the peer review 60-day extension request from Robert H Y Leong & Company CPAs APC.

- 3) Report on Peer Review Board Open Meeting

Chairperson Taketa provided a brief report from the AICPA Peer Review Board open meeting he participated in August 2, 2018:

- Focus on defining non-conformity engagement - if an auditor fails to comply with the requirements of AU-C section 315, Understanding the Entity and Its Environment, or AU-C section 330, Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained, then the objectives of these standards would not be met as the audit would not be conducted in accordance with GAAS; therefore, difficult to conclude that such an engagement conforms with professional standards from a peer review perspective.
- 1 in 10 firms failed to comply with AU-C section 315 and AU-C section 330.
- Observation that some firms may be over auditing, disregarding the risk assessment.
- State Board Peer Review Oversight Committee (“PROC”) – standard confidentiality agreement:

Chairperson Taketa sent a copy of the standard confidentiality agreement to Executive Officer Kobashigawa to forward to the Board's PROC members who were asked to sign and return to Board. Signed agreements will be sent to OSCP. Two of the three members signed the agreement; Mr. Wilcox Choy did not agree to continue as a PROC member.

Chairperson Taketa stated that he is scheduled for a telephone meeting with Phyllis Barker from OSCP on September 12, 2018, to discuss the PROC's abilities to oversee OSCP's Peer Review program. He will also ask for their Plan of Administration and reassure Ms. Barker that the confidentiality agreements will be sent to her. He also will ask about the expected time table as to when their RAB (Report Acceptance Body) meets and when firms may get their acceptance letter, for firms to adequately plan their peer review to meet the deadline.

Committee Chairperson Miyashiro commented that "he heard" their RAB meets every month and also requested to be included in the telephone meeting with Ms. Barker. He further commented that he would like to know when they will specifically cover Hawaii peer reviews, to obtain more details to help the PROC.

Mr. Roberts inquired about the price structure – if OSCP charges for AICPA membership or OSCP membership to Hawaii firms; as our statute state the charge is the same for non-member firms.

Mr. Williams commented that they seem to not like certain type of audit packages, which shouldn't be a concern. He commented that he is concerned that they are setting their own standards. Chairperson Taketa commented

that it may be a conflict if they are a vendor of their own product.

B. Uniform CPA Examination

- 1) Second Quarter 2018 (April–May) Testing Window
 - a) Ratification of Hawaii Candidate Examination Scores

Committee Chairperson Punua presented the statistics for second quarter 2018 (April-May) testing window as follows:

EXAMINATION RESULTS (BY SCORES)

	Number of Scores	Percentage
Credit	60	44.78%
No Credit	74	55.22%
Lost Credit	0	0
Voided	0	0
TOTAL	134	100%

TOTALS BY EXAM PARTS (BY CANDIDATES)

	AUD	BEC	FAR	REG	TOTAL
# Attended	34	29	30	41	134
# Passed	17	13	10	20	60
% Passed	50.0	44.8	33.3	48.8	44.8

SUCCESSFUL CANDIDATES SUMMARY

# of Passing First Time Candidates	2 (20%)
# of Passing Re-Exam Candidates	8 (80%)
# of International Candidates	0
# of Passing Candidates	10

After discussion, it was moved by Committee Chairperson Punua, seconded by Mr. Roberts, and unanimously carried to ratify the examination scores from the April-May 2018 testing window.

Vice-Chairperson Komo returned to the meeting at 9:58 a.m.

C. Legislation and Rules

- 1) Proposed Amendments to Title 16, Chapter 71 of the Hawaii Administrative Rules
 - a) Section 16-71-21(c)(3) and (d) – change supervision by an individual who holds or has held a “permit” instead of “license”.
 - b) Section 16-71-33(a) – add to the end of the last sentence “with a minimum of 20 hours earned within each calendar year.”
 - c) Section 16-71-39(1) - changes in name from:
 - (1) “National Society of Public Accountants” to “National Society of Accountants”
 - (2) “American Society of Women Accountants” to “Accounting and Financial Women’s Alliance”
 - d) Section 16-71-64(e) – insert in the first sentence “managers of a manager managed limited liability company”.

After discussion, it was moved by Mr. Williams, seconded by Mr. Roberts, and unanimously carried to approve the aforementioned proposed amendments to Title 16, Chapter 71 of the Hawaii Administrative Rules.

Open Forum: None.

Next Board Meeting: Friday, September 28, 2018
8:30 a.m.
King Kalakaua Conference Room
King Kalakaua Building
335 Merchant Street, 1st Floor
Honolulu, Hawaii 96813

Announcements: None.

Adjournment: There being no further discussion, the meeting adjourned at 10:00 a.m.

Taken and recorded by:

/s/ Lori Nishimura

Lori Nishimura, Secretary

Reviewed and Approved by:

/s/ James Kobashigawa

James Kobashigawa, Executive Officer

JK:ln

09/11/18

[] Minutes approved as is.

[X] Minutes approved with changes. See Minutes of September 28, 2018.