

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

MINUTES

Date: June 25, 2021

Time: 8:30 a.m.

Place: Virtual Videoconference Meeting – Zoom Webinar
(use link below)
<https://dcca-hawaii-gov.zoom.us/j/93661089337>

Present: Darryl T. Komo, CPA, Chairperson
Gary Y. Miyashiro, CPA, Vice-Chairperson
Carleton L. Williams, CPA, Member
Christopher K. Lee, CPA, Member
Edward L. Punua, CPA, Member
John W. Roberts, CPA, Member
Jon Arbles, CPA, Member
Terrence H. Aratani, Public Member
James Paige, Deputy Attorney General (“DAG”)
Kedin C. Kleinhans, Executive Officer (“EO”)
LaJoy Lindsey, Secretary
Kawehi Mau, Secretary
Denise Saffery, Secretary (Training)

Excused: Brian Uemori, Public Member

Guest(s): Alicia
James
Kathy HI
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: Chairperson Komo welcomed everyone to the meeting and proceeded with a roll call of the Board members. All Board members confirmed they were present with the exception of Mr. Uemori and Mr. Aratani who were excused.

There being a quorum present, Chairperson Komo called the meeting to order at 8:36 a.m.

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
May 28, 2021
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 Vice-Chairperson Miyashiro, seconded by Mr. Punua, and carried by a majority, with the exception of Mr. Aratani, who abstained from voting on this matter, to approve the May 28, 2021 meeting minutes as circulated.

Applications:

At 8:40 a.m., it was moved by Mr. Aratani, seconded by Mr. Robertson, 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 8:53 a.m., it was moved by Mr. Aratani seconded by Mr. Punua, 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) ANDRUS, James A.
- 2) HUMPHREY, Lindsey K.
- 3) LIM, Seunghwan
- 4) PARK, Chang J.
- 5) SONG, David Y.
- 6) YU, Jongsuk
- 7) ZIKA, Daniel F.

After discussion, it was moved by Mr. Aratani, seconded by Mr. Punua, and unanimously carried to approve the following application for certification, subject to receipt of scores from the Uniform CPA Examination:

1) NUEHRING, Bert M.G.

B. Ratification of Individual CPA Permit to Practice

Ratification List (see attached)

C. Firm Permit to Practice

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

- 1) ASSURANCE DIMENSIONS
(FFTP-1303)
- 2) AYCOCK, MILES & ASSOCIATES CPAS PC
(FFTP-1298)
- 3) CASEY NELION INC
(FFTP-1304)
- 4) CITRIN COOPERMAN & COMPANY, LLP
(FFTP-1309)
- 5) FRAZIER & DEETER LLC
(FFTP-1302)
- 6) GARZON FINANCIAL SERVICES, LLC
(FFTP-1305)
- 7) JENNIFER J LALOULU CPA LLC
(FFTP-1301)
- 8) LORENA A OWINGS CPA LLC
(FFTP-1299)
- 9) LORI A REAM LLC DBA LORI A REAM CPA
(FFTP-1300)
- 10) SIKICH LLP
(FFTP-1297)
- 11) SMITH & DEKAY PS
(FFTP-1308)
- 12) SUZANNE WONG CPA, LLC
(FFTP-1306)
- 13) THOMAS A MARINO
(FFTP-1307)

D. Firm Trade Name

After discussion, it was moved by Mr. Aratani, seconded by Mr. Arbles, and unanimously carried to ratify the approval of the following firm name:

- 1) KATHY L. AU, CPA
(FFTP-760)
- 2) TUDOR WILSON & ASSOCIATES CPAS
(FFTP-311)

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.

A. Audit Reports Provided to the Hawaii Insurance Division

EO Kleinhans followed up with the Hawaii Insurance Division to schedule a meeting to discuss their administrative rules with regard to the Board's administrative rules.

B. MyPVL Public License Search

EO Kleinhans received an inquiry asking if the online MyPVL Public License Search identifies a licensed CPA holds a Permit to Practice. He confirmed that Permit to Practice information is displayed under the "Special Privileges" field.

Chairperson Komo asked if the PVL List Builder also provides Permit to Practice information. EO Kleinhans will inquire with PVL administration.

C. National Association of State Board of Accountancy ("NASBA")

EO Kleinhans reported NASBA's development of the below resources for the accountancy profession:

- 1) Accountancy Licensing Library contains licensing requirements of states and jurisdictions; and
- 2) Accountancy Licensing Database provides license information on a CPA or Firm.

D. Amendments to Hawaii Administrative Rules Chapter 71

EO Kleinhans stated that he reviewed the history of the rule amendment package to provide the dates of each approving agency to the DCCA Administrative Office. He

will inquire with the DCCA Administrative Office on an anticipated timeframe for promulgation.

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, House Draft 1, Conference Draft 1
Relating to the Peer Review Oversight Committee

Mr. Aratani reported that Senate Bill No. 1103, House Draft 1, Conference Draft 1 is currently enrolled to the Governor as of April 29, 2021. He added that the bill is not on the Governor's list of bills with intent to veto; and accordingly, the bill is expected to become law in or around July 2021.

Chairperson's Report:

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

A. Report on NASBA Regional Meeting

Chairperson Komo reported his attendance to the virtual NASBA Regional Meeting earlier this month, and provided a summary of the topics discussed:

- Regulatory Differences Between Jurisdictions

Individual Mobility: Hawaii and the Northern Mariana Islands are the two jurisdictions with no individual mobility, and there may be mounting pressure in due course.

Firm Mobility: There is fairly large divide in the regulation of firm registration. Hawaii requires firm registration.

Definition of "Attest": The Board may consider adopting the updated definition; current language is from 2014.

Firm Ownership: Hawaii, New York, and the Northern Mariana Islands are the three jurisdictions that do not allow for non-CPA firm ownership.

CPE Reciprocity: There is a fairly large divide in the provision of CPE reciprocity. Hawaii does not have CPE reciprocity.

Criminal Conviction Laws: Some jurisdictions have active legislation to reduce licensure barriers for individuals with prior criminal convictions.

- Tools of Deregulation

- (1) "Licensure Reduction or Elimination" means a complete or partial de-regulation, or a replacement of occupational licensure with a less stringent form of oversight.
- (2) "Manage Existing Schemes" means eliminating barriers to entry, usually driven by the agency and/or consumer.
- (3) "Sunset Existing Schemes" means the sunset review process.
- (4) "Sunrise New Schemes" means the prevention of new occupations from being regulated, or the prevention of existing occupations from expanding their regulatory oversight.

- Accreditation of Educational Institutions

Goal of Accreditation: To ensure that education provided by institutions of higher education meet acceptable levels of quality. Accrediting agencies, which are private education associations of regional or national scope, develop evaluation criteria and conduct peer evaluations to assess whether those criteria are met.

CPA Examination Pass Rates of Accrediting Organizations (2019):

The Association to Advance Collegiate Schools of Business (AACSB-A):

59.8%

The Association to Advance Collegiate Schools of Business (AACSB):

51.5%

Accreditation Council for Business Schools and Programs (ACBSP):

43.0%

The International Accreditation Council for Business Education (IACBE):

43.4%

Board Objectives: Review laws, rules, and transcript review policies. HAR §16-71-17 provides requirements for education, but not for accrediting bodies. AICPA Uniform Accountancy Act Model Rules section 5-2 may be used as a resource.

- CPA Evolution Initiative; Revision of the Uniform CPA Examination (New Exam Expected January 2024)

Subjects: Accounting, Auditing, Tax and Technology; and choice of one of the following discipline subjects:

- (1) Tax Compliance and Planning
- (2) Business Analysis and Reporting
- (3) Information Systems and Controls

- NASBA Student Surveys (2021)

How does CPA Evolution influence your interest in CPA?

Already very interested, no change: 54%
Less than very interested, no change: 9%
Increased interest: 34%
Decreased interest: 3%

Which discipline would you be most likely to select?

Tax Compliance and Planning: 22%
Business Analysis and Reporting: 54%
Information Systems and Controls: 24%

What skills and competencies are needed by professional staff at the Top 100 public accounting firms?

Digital Acumen: 95%
Types of Data Analysis: 88%
IT Governance and ERM: 72%
IT General Controls and Cybersecurity: 88%
System and Organization Controls: 72%
Information Process Controls: 76%

Enrollment: 54% of accounting programs reported declining undergraduate enrollments compared to historical averages, except in the Midwest states. As a result, there is federal traction to recognize accounting as part of the STEM programs in schools.

- Cybersecurity Statistics (2020) and Tips

Breach Involved a Human Element: 85%
Breach Involved Credentials: 61%
Breach Involved Basic Web Application Attacks: 22%
Average Demand of Ransomware: \$847,344
Average Ransom Paid: \$312,493
Average Cost of Forensic Engagement: \$73,851

Tips to Avoid Ransomware:

- (1) Patch operating systems and software
- (2) Utilize Cloud-based anti-virus services and enforcement
- (3) Internal firewalls and LAN segmentation
- (4) Multifactor VPN, network and email
- (5) Create backups and secure storage
- (6) Egress port, URL, and IP address restrictions

- Peer Review

COVID-19 and Extensions: Firms no longer have automatic extensions, but may request one if they have a clear plan for the review's completion.

Increased Statistics on Audit Quality (2014 to 2019):

Peer Reviewers are Detecting the Issue:

22% (2014)
56% (2016-17)
80% (2019)

Remediation has Desired Effect:

77% (improvement after continuing professional education)
86% (improvement after third-party review of engagements or QC documents)
90% (improvement after pre-issuance review of firm engagements)

Impact When Non-Conformity Noted in 2014 Enhanced Oversight:

53% (of firms no longer performing engagements in that industry/area)
37% (of firms continued to perform and did not have quality issues on their subsequent peer review)
90% (success rate when non-conforming engagements were detected)

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

Announcements: None.

Adjournment: EO Kleinhans announced that it is Chairperson Komo and Mr. Williams's last meeting. He extended his appreciation to both Chairperson Komo and Mr. Williams for serving as a Board member of the Board Public Accountancy. There being no further discussion, the meeting adjourned at 9:32 a.m.

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Reviewed and approved by:

Taken and recorded by:

/s/ Kedin C. Kleinhans

/s/ Leanne Abe

Kedin C. Kleinhans
Executive Officer

Leanne Abe
Secretary

KCK:la

07/22/21

- Minutes approved as is.
 Minutes approved with changes. See minutes of July 30, 2021 meeting.