

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

MINUTES OF MEETING

Date: Friday, May 31, 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 (“Chair”)
Jon Arbles, CPA, Vice-Chairperson (“Vice Chair”)
Zachary Johnson, CPA, Member
Robert Kawahara, CPA, Member
Wendell Lee, CPA, Member
Alexander Smith, CPA, Member
Isabella Gary, Public Member

Members Absent: Christopher Lee, CPA, Member
Brian Uemori, Public Member

Staff Present: Hector West, Executive Officer (“EO West”)
Christopher Leong, Deputy Attorney General (“DAG”)
Kai Cockett, Secretary
Lionel Rama, Office Assistant

Guest(s): Les Kondo
Megan Johnson

Virtual Meeting Instructions: A short video regarding virtual meetings was played for attendees.

The Chair 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:

The Chair 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 8:32 a.m.

Chair's Report:

National Pipeline Advisory Group (NPAG)

Chair stated he would like to give an update on NPAG. This was brought up at last meeting. This is all related to the CPA pipeline issue. The AICPA and NPAG did a draft report on May 13, 2024. Their points being:

- Telling a more compelling story about careers in accounting
- Creating a more engaging college experience for accounting majors and potential majors
- Reducing the time and cost of education
- Growing support for CPA Exam candidates
- Expanding access for underrepresented groups
- Transforming employer cultures and business models

There is a movement in the works for this. Last week AICPA are pulling back their opposition to reducing the 150 credit hours. They are open to changing the 150 requirement and reducing it and taking off the 30 credit hours requirement. This opens the doorway for us. We are open to support that movement and moving away from the 150-hour requirement with an extra 30-hour requirement to be licensed.

Approval of Minutes:

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

Approval of the March 15, 2024 Minutes

The Chair asked the members if there were any corrections or discussion of the open session minutes for the March 15, 2024 meeting.

Mr. Smith requested the following amendment on page 2, first paragraph, last sentence, in the Chair's Report:

Basically, what they do is they review the ~~organization~~ **Oregon Society** of CPAs, which is our administrative entity, and once a year they are approved.

Upon a motion by Mr. Smith, seconded by the Vice-Chair, it was voted on and unanimously carried to approve the open session minutes of the March 15, 2024 meeting as circulated with amendment.

Executive Officer's
Report:

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

Ethics Training

EO West stated that there is an ethics training scheduled for Wednesday July 24, 2024 and Thursday August 8, 2024 for those Board members that have not completed their training.

Financial Disclosure

EO West stated that today is the last day for Board members to submit their financial disclosure.

Random Audit – Status Report

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

Mr. Kawahara asked if the Hawaii CPA provide us the firm's passing of peer reviews from Oregon Society of CPAs? Or do we have to request that?

EO West answered that firms are supposed to send us letters that they have passed or not passed.

Correspondence:

Request from the Office of the Legislative Auditor regarding Permit-to-Practice.

The Chair asked if any members of the public would like to provide testimony on this agenda item.

Mr. Leslie Kondo, State Auditor for the State of Hawaii introduced himself to the Board. His question which should all be considered within context of a firm with no permanent office in the State of Hawaii and do not have a principal that is a Hawaii resident. The question they would like some guidance on is how does the Board interpret the practice of public accountancy? And the reason why, to him this question seems ambiguous, as to what the definition of the practice of public accountancy means is because if you read the statute section 466-2 HRS, defines the "practice of public accountancy" as "the performance or the offering to perform,

by a person or firm". It's not "AND" firm, it's, "OR" firm. As lawyers, he is sure our attorney general will provide some guidance. If you read every word in the statute to provide meaning unless there is no way that we can interpret it. So, the OR FIRM pauses them to what that means. In the case that they have, they contract for 23 financial audits as well as some single audits for state departments and programs as well as the State of Hawaii Annual Comprehensive Financial Report. They do contract with some firms that do not have permanent offices in the State of Hawaii. They go through state procurement code, and there are firms that they contract that are mainland firms that do not have offices in the State of Hawaii. 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. So, the question they are asking the Board on some guidance on is when they contract with these firms, the contracts are signed by the firm as the author, not the individual principal or someone associated with the firm. The firm is the author. The firm signs the contract. When they see the audit was performed, it is the firm that signs the audit report. Someone signs the firm's name; it doesn't have an individual's name. So, the firm, in his opinion, is in compliant with the requirements, Firm-Permit-to-Practice (FPTP), principals who are licensed, and permitted in the State of Hawaii. So, to him, that box gets checked. The question that he has and would like some guidance on is people who are performing the work, the actual work, do they need to be licensed and permitted? The second question is, at what level does that go down to? Because, as he mentioned, when he looks at the definition of "practice of public accountancy" it says OR FIRM, and to him, the firm is checked. He had some questions by the State Procurement Office, whether the people doing the work need to be licensed and permitted in the State of Hawaii. And the State Procurement Office asked the DCCA for some guidance, and the guidance they received was "if you practice public accounting in the State of Hawaii, you must be a licensed CPA in Hawaii." That's clear. His questions are, when a firm is not a local firm, they are a mainland firm, no permanent office, and no principal in the State of Hawaii, they have a PTP and a FPTP, what about the people that are doing the actual work. This is what he is asking the Board for more guidance on, and more importantly, what level does that go down too? He told the Board that he is happy to answer any questions about how they do things and why they're there.

The Chair asked, when Mr. Kondo says level, does he mean level of staff?

Mr. Kondo answered 'yes'. And the people that are performing the audit they can be from principal as well as managers and as well as the staff. Some of them have engagement partner or manager at different levels. They are licensed CPAs in other jurisdictions.

The Vice-Chair stated that the people performing the audits may not have a Hawaii CPA license and PTP.

Mr. Kondo stated yes, that is the question.

The Chair asked what are the reason for these questions? Was there an issue that popped up?

Mr. Konda answered yes, there was. After an audit was issued, it came to their attention that the engagement partner did not have a PTP.

Mr. Kondo introduced Megan Johnson; she is the general counsel for the State Auditor. They looked at the statute, as he said in the beginning, and its somewhat ambiguous to him as to whether anybody associated with the firm that has a PTP, needs to have a license for a PTP. They didn't answer that question, they made the mainland firm aware of the situation. They told them 'what are you going to do to rectify and address, if anything, your partner did not have a PTP at the time the audit report was issued?' Their chief compliance office in Cleveland, decided that they were going to recall the audit and reissue it as soon as their engagement partner receives his PTP which was received within a week. So, they recalled, and they reissued.

Mr. Kondo stated that he consulted with many local CPAs that they do work with, some of them are former members of this Board about that question before the mainland firm's compliance officer made this decision. And to a person, they said "it's okay. FFTP is sufficient for the firm to issue this audit report", for reasons he mentioned: the firms is the contractor; the firm is the one who issues the report, that was their opinion. But the mainland firm's chief compliance officer, had a different opinion. Maybe an abundance of caution, so he decided, the engagement partner need the individual PTP. So, there is some confusion, and that is the reason why they are here.

The Chair stated that the Board will be taking some time to deliberate that.

Mr. Kondo asked what the time frame? He would like it sooner than later obviously. His understanding is that the Board doesn't meet that regularly, so he is curious as to when he will hear back. They have contracts that are in place, they have contracts that they are about to sign, they have some procurements RFP's that they want to post, and they don't know if the selected vendor, selected firm will be local or a mainland firm. So, it is an important question to them.

Wendell Lee asked, having an office here, he is trying to understand why it is important if they have a PTP?

Mr. Kondo answered, under the administrative rules, it talks about FFTP. They have a firm that has no local permanent office in Hawaii, no principal that is a resident, and no principal who is practicing public accountancy in the state. That is the reason why he mentioned the lack of a permanent office, that checks the box to require a FFTP.

Mr. Kondo stated that the big disconnect to him is in the definition where it uses the word OR. If it uses the word AND, then it would be clear. And that seems to suggest to him that there is a difference between the individual and the firm.

Wendell Lee asked, with these firms, there are not in Hawaii, are you bringing something different? Or a specialty that we don't have? Or is it something other than that just because the procurement process takes the lowest bids?

Mr. Kondo answered that they don't do lowest bids, they do RFP. So, price is a consideration as well as their qualification and expertise. Some of the national firms do have a lot of. For instance, their doing Department of Transportation Airport audit, they may have people that have done airport audits in 50 different States and County airports. There is a ranking process. It's an objective ranking process and it just happens that firm is number one, that firm is the first firm that they offered the contract to.

The Vice-Chair stated that he agrees with the Chair, that the Board will take a look at it. He can understand why the compliance officer decided to hold back and reissue the audit. There are valid reasons for that. He stated that Mr. Kondo made a point when he spoke to the previous Board members, and they said "a FPTP is sufficient for a firm to issue an audit report". He asked Mr. Kondo to give the Board some time to look at any previous history that might've been said. The Board would like to do some research to why a previous Board member would've taken that stance.

Mr. Kondo asked if the Board will be providing anything to him in writing once the Board has an answer to his questions?

The Chair answered 'yes'.

The Chair announced that the Board will be discussing the request from the Office of the Legislative Auditor regarding Permit-to-Practice in the executive session in accordance with HRS §92-4 and §92-5(a)(1) and (4) "To consider and evaluate personal information relating to individuals applying for professional or vocational licenses cited in section 26-9 or both." and "To consult with the Board's attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities."

Executive Session: At 8:58 a.m., upon a motion by Vice Chair, seconded by Mr. Smith, it was voted on and unanimously carried to move into Executive Session.

At 9:29 a.m., it was moved by the Vice-Chair, seconded by Mr. Johnson, and unanimously carried for the Board to move out of Executive Session.

The Chair stated that the Board has taken Mr. Kondo's presentation and testimony under advisement and the Board will work on a response to his questions in regard to PTP and FPTP.

The Chair stated that he is switching the places of agenda item 6 and 7.

CPA Scores
Extension Request:

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

The Chair stated that there is an extension request from Joo won Kim for extending a section of the CPA exam. A letter from Joo won Kim was provided to the Board for the request. The request is an extension of an expired section of the CPA exam, referred to as REG, it expired on June 30, 2021. The candidate is asking to extend. He is keen on that NASBA proposed the CPA exam Credit Relief Initiative which allows the extension of the credit to June 30, 2025.

EO West stated that this is the only exam that Joo won Kim has taken and passed. The one that NASBA has extended, his score is not for to the time frame.

The Chair stated that is what he observed. The minutes of the last meeting that was approved at this meeting, the Board specifically stated that anyone with open CPA credits as of January 1, 2024 they would extend through June 30, 2025. Joo won Kim's request does not fall within this time frame.

Upon a motion by the Vice-Chair, seconded by Wendell Lee, it was voted on and unanimously carried to deny Joo won Kim's request for an extension of CPA exam credit.

Executive Session:

At 9:35 a.m., upon a motion by the Vice-Chair, seconded by Mr. Smith, it was voted on and unanimously carried to move into Executive Session.

At 9:55 a.m. upon a motion by Mr. Kawahara, seconded by the Vice-Chair, it was voted on and unanimously carried to move out of Executive Session.

Peer Review
Oversight
Committee:

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

The Chair stated that the selection continues for the Peer Review Oversight Committee, the Board does not yet have the total of three members. The Board will continue to work on seeking candidates for the Perr Review Oversight Committee.

Applications:

Ratification of CPA Permits to Practice (PTP)

Upon a motion by the Vice-Chair, seconded by Mr. Kawahara, it was voted on and unanimously carried to ratify the following CPAs for a PTP:

Ayman M Soliman	CPA-6282
Christopher Cox	CPA-6305
Christopher Hu	CPA-6304
Christopher Ryo Kobayashi	CPA-6295
David A Newman	CPA-6280
Donna Marie Carnes	CPA-6205
Dorothy W Wong	CPA-6206
Faiza Anas Mehmood	CPA-6309
Jana K Broussard	CPA-6311
John F Trapani Jr	CPA-6306
John W Sadoff Jr	CPA-6307
Kayla K Hiroe	CPA-6185
Kenneth Dubbs	CPA-6310
Marcy Johnson Boyd	CPA-6287
Mariah R Gaines	CPA-6251
Nicholas Grant Balaity	CPA-6285
Paul W Hemphill	CPA-6301
Rachel M Stankovits	CPA-6088
Ryan T Deming	CPA-6293
Scott M Sauer	CPA-6312
Sean D Curry	CPA-6211
Shirley Ai Wen Xiao	CPA-6283
Shauna Lyn Trautman	CPA-6286
Tetyana K Nelson	CPA-6284
Theresa L Coluccio	CPA-6300
Timothy J Gaber	CPA-6313
YeeYan Lim	CPA-6308

Approval of Firm and Trade Names:

Upon a motion by the Vice-Chair, seconded by the Mr. Kawahara, it was voted on and unanimously carried to approve the following trade name(s):

Jason Lin CPA, LLC

CPA License Applications:

Upon a motion by the Vice-Chair, seconded by the Mr. Kawahara, it was voted on and unanimously carried to approve the following applications for CPA license:

Taylor A Burns
Kevin K Wilson
Cynthia May Gross

Sheila M Balzer
Daniel C Reeves
Jessica N McCloskey
Brian M Michelini
Michael C Wu
Bryce W Rassilyer
Kira Lin Watanabe
Sydney Keiko Higo
Sally-Jayne Aubury
Jeremy L Dillard
Brian Hodge
Bonnie Lea Butler
Brett D Ingle
Wenting Chen
Mari Naomi Onoye
Menachem M Phillips
Emily Anne Smith
Adam R Stevenson
Bryan W Vencill
Cheryl Scheppel Moreno
Rodleene Anne Tangonan
Pamela L Hill
Ashley Marie Frase
Jean Marie Young
Michael H Vermut
Caroline More
Debra G C Heiskala

CPE Sponsor Agreement:

Upon a motion by the Vice-Chair, seconded by Mr. Kawahara, it was voted on and unanimously carried to approve the following CPE Sponsor Agreements:

Campaign Spending Commission (Renewal)
Hawaii Association of Public Accountants (New)
Real Estate School of Hawaii (New)
Strategic Asset Alliance (New)
AGA of Hawaii fka Association of Government Accountants of Hawaii (Renewal)

The Chair announced the next scheduled meeting.

Next Meeting:

Date: Friday, July 26, 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, the Chair adjourned the meeting at 9:58 a.m.

Reviewed by:

/s/ Hector West

Hector West
Executive Officer

Taken by:

/s/ Kai Cockett

Kai Cockett
Secretary

HW: kc

06/10/2024

- Minutes approved as is.
- Minutes approved with changes. See minutes of: July 26, 2024