

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

MINUTES

Date: Friday, November 22, 2019

Time: 8:30 a.m.

Place: King Kalakaua Conference Room  
King Kalakaua Building  
335 Merchant Street, 1<sup>st</sup> Floor  
Honolulu, Hawaii 96813

Present: Gregg M. Taketa, CPA, Chairperson  
Darryl T. Komo, CPA, Vice-Chairperson  
Christopher Lee, CPA, Member  
Terrence Aratani, Member  
Gary Y. Miyashiro, CPA, Member  
Edward L. Punua, CPA, Member  
Carleton L. Williams, CPA, Member  
Gabriel Lee, Member  
John W. Roberts, CPA, Member  
Christopher Leong, Deputy Attorney General (“DAG”)  
Relley W. Araceley, Executive Officer  
Lei Ana Green, Executive Officer  
Leanne Abe, Secretary

Excused: None.

Guests: 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 8:38 a.m. by Chairperson Taketa.

Approval of the Minutes of the October 25, 2019, Board Meeting: After discussion, it was moved by Vice-Chairperson Komo, seconded by Mr. Aratani, and unanimously carried to approve the October 25, 2019 open session meeting minutes, as circulated.

After discussion, it was moved by Mr. G Lee, seconded by Mr. Aratani, and unanimously carried to approve the October 25, 2019 executive session meeting minutes, with amendments reflected in the November 22, 2019 executive session minutes.

Applications:

At 8:40 a.m., it was moved by Mr. Aratani, seconded by Mr. Punua, 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 8:48 a.m., it was moved by Mr. Punua, seconded by Vice-Chairperson Komo, and unanimously carried for the Board to move out of Executive Session, and to immediately recess the meeting.

At 8:50 a.m., the Board reconvened its meeting.

Applications for  
CPA Certification:

After discussion, it was moved by Vice-Chairperson Komo, seconded by Mr. Aratani, and unanimously carried to defer the following application pending submission of additional information:

- 1) MIYASHIRO, Brandon T.

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

- 1) BURCZYK, Andrew C.
- 2) LORITZ, Michael D.
- 3) McMULLEN, Wade N.
- 4) MIYASHIRO, Sheri C.K.
- 5) NOH, Jason P.
- 6) WASTVEDT, Michael G.

After discussion, it was moved by Vice-Chairperson Komo, seconded by Mr. G. Lee, and carried by a majority, with the

exception of Chairperson Taketa, who recused himself from voting, to approve the following application for certification:

- 1) McREYNOLDS, Matthew A.

Ratification of  
Issued Firm  
Permits to Practice:

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

- 1) KOIDA TAX & ACCOUNTING LLC

After discussion, it was moved by Mr. Aratani, seconded by Vice-Chairperson Komo, and carried by a majority, with the exception of Mr. Williams, who recused himself from voting, to ratify the approval of the following issued Firm Permit to Practice:

- 1) ZARA N NICHOLSON

Ratification of Firm  
Name Approval:

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

- 1) KELLY ZANE CPA LLC

Executive Officer's  
Report:

A. DCCA Disciplinary Actions Through October 2019

Executive Officer Araceley circulated the informational monthly report of the Department of Commerce and Consumer Affairs (DCCA) disciplinary action through October 2019, which includes sanctions that DCCA had taken relating to various boards and programs. He briefly mentioned the Firm Permit to Practice of MAYER HOFFMAN MCCANN P.C. settlement agreement that the Board signed in September's meeting.

B. American Institute of Certified Public Accountants ("AICPA") State Regulatory Update

Executive Officer Araceley stated that he has not received any updates. He will email digital copies to the board members when he receives within the next couple weeks.

C. Other States' Newsletters

Executive Officer Araceley circulated the newsletter of North Carolina State Board of CPA Examiners. He stated he has no other reports as he did not receive newsletters from the other states.

D. National Association of State Board of Accountancy ("NASBA") Communications

Executive Officer Araceley stated that he has not received any updates. He will email digital copies to the board members when he receives within the next couple weeks.

E. NASBA Center for the Public Trust Newsletter

Executive Officer Araceley stated that he has not received any updates. He will email digital copies to the board members when he receives within the next couple weeks.

F. Inquiries Regarding Licensure in Hawaii:

- 1) Allowing a licensee with a sole proprietorship to work as a staff member of another firm

Executive Officer Araceley explained that a licensee has a CPA, Permit to Practice ("PTP"), and Firm Permit to Practice ("FPTP") sole proprietorship license. However, another firm wanted her to submit her FPTP as a staff member under their firm. Executive Officer Araceley stated that there is nothing in the law that states a licensed CPA with a FPTP (sole proprietorship) cannot work part-time for another firm as a staff member.

Discussion ensued, and the Board discussed that if a licensee is taking on their own clients, the best approach would be to apply under FPTP sole proprietorship and work as a staff

member for the other firm as long as they are listed under that firm's FPTP.

- 2) A licensee requested if they could use the "CPA" designation after their name although they are not in the practice of public accountancy, but work as the CFO of a company

Discussion ensued, and the Board referenced HRS §466-10(2) which states:

*"No partnership or corporation shall assume or use the title or designation "certified public accountant" or the abbreviation "CPA" or any other title, designation, words, letters, abbreviation, sign, card, or device likely to be confused with "certified public accountant" or "CPA" or tending to indicate that such partnership or corporation is composed of certified public accountants, unless each of the partners of the partnership who are in the practice of public accountancy in this State, or each of the shareholders of the corporation who are in the practice of public accountancy in this State, holds a current license of certified public accountant issued under this chapter and a current permit to practice issued under this chapter;"*

- 3) Does a duly State licensed CPA of a foreign/multi-state firm have to be physically present in the State when conducting an engagement or can they send staff to do the ground work and sign-off on it

Discussion ensued, and the Board discussed that a licensed CPA with a Permit to Practice in Hawaii that is not physically present in the state when conducting an engagement is not a Board issue. If the firm decides to send staff to do the ground work for the CPA to sign-off is an engagement issue and whether the firm's policy would allow that.

G. RICO attendance for December 2019 board meeting

Executive Officer Araceley stated that Esther Brown from RICO plans to attend the December 2019 board meeting.

Chairperson's Report: A. NASBA 112<sup>th</sup> Annual Meeting Report

Chairperson Taketa reported important issues that may have an impact on the Board:

- Kevin Dancey, CEO International Federation of Accountants ("IFAC") spoke about following issues:
  - The profession needs to be better in articulating how well audits are done. The profession is too obsessed with findings that the public equates to audit failures.
  - The profession needs to do a better job of the distinction of tax avoidance and tax evasion.
- CPA Evolution Task Force: reevaluation of the requirements in entering the profession.
  - Model that focuses on the core: accounting, auditing, tax, and technology consisting of three equal parts of Business Reporting and Analysis, Tax Compliance and Planning, Information Systems and Controls.
- Uniform Accountancy Act ("UAA") Issues
  - UAA Committee proposal: engagement partners must have more than 2,000 (two thousand) hours of experience over the last five (5) years in order to sign audit and examination reports.
- American Institute of CPAs ("AICPA") letter to Oregon Board of Accountancy requesting that a change in the application of CPA inactive status to allow a person with that status to perform tax return preparation, consulting, and other non-attest work (all currently prohibited). NASBA objected, as that would redefine the meaning of practice of public accountancy.

- Discussion of 150 (one hundred fifty) hours versus 120 (one hundred twenty) hours education requirements
  - Consensus that 150 (one hundred fifty) hours should be maintained to be in line with other professions such as engineering and pharmacy.
  - The course content of the additional 30 (thirty) hours should be flexible to be in alignment with the CPA evolution project
- Peer review: Washington State expressed concern that the punitive nature of peer reviews has influenced the number of firms that are leaving the attest area (detriment in fulfilling the market demand).
- Anti-regulatory Movement
  - Since 2017: Nine (9) states have signed into law anti-regulatory legislation, three (3) other states have signed executive orders signed by their Governor, 18 (eighteen) states with pending anti-regulatory legislation, and two (2) other states with pending legislation that proposes the study of the anti-regulatory issue.

B. UH Hilo Testing Center Update

Chairperson Taketa reported that after the Board approved the HCC Hale Kea testing center site, he found out through NASBA's Patricia Hartman that the test center was considered a satellite test center. Prometric said they would not be allowed to administer the exams. The other examination test center is located on UH Hilo campus. Based on Chairperson Taketa's observation from visiting the two testing center sites, it seems that the two test centers may have gotten mixed up. HCC Hale Kea testing center site is far more advanced than the UH Hilo testing center site as far as the physical building, security, the number of work stations, and surveillance cameras. He asked for them to reevaluate the two testing center sites. NASBA's Patricia Hartman is positive with working with Prometric to accept the HCC Hale Kea testing center. They have been in contact with Chelsea Lupo of Prometric and she

is currently looking at the HCC Hale Kea testing center site and will need to look at the current software that they are using to be sure that they can administer the CPA examination. Chairperson Taketa will keep the Board posted on any updates.

Standing Committee Reports:

A. Legislation and Rules

- 1) Hawaii Administrative Rules (“HAR”) Amendments – Update on Process

Executive Officer Araceley briefly reported that the memorandum for HAR amendments is currently awaiting review from supervisors before submitting to the Director’s office for approval. The goal is to be on the Small Business Regulatory Review Board’s (SBRRB) agenda for the next meeting.

B. Peer Review Committee

- 1) Peer Review Oversight Committee (“PROC”) Report

Mr. Miyashiro reported that the PROC met on November 7, 2019. The PROC prepared a finalized report to the Board for review and approval of the Oregon Society of Certified Public Accountants (“OSCPA”). A copy of the finalized report was circulated for the Board members to review.

After discussion, it was moved by Mr. Aratani, seconded by Mr. G. Lee, and unanimously carried for the Board to accept the PROC report.

C. Exam Committee

- 1) Third Quarter 2019 (July – September) Testing Window
  - a) Ratification of Hawaii Candidate Examination Scores



Committee Chairperson Punua presented the statistics for third quarter 2019 (July – September) testing window as follows:

**EXAMINATION RESULTS (BY SCORES)**

	Number of Scores	Percentage
Credit	107	51%
No Credit	102	49%
TOTAL	209	100%

**TOTALS BY EXAM PARTS (BY SCORES)**

	AUD	BEC	FAR	REG	TOTAL
# Attended	58	42	71	38	209
# Passed	28	27	28	24	107
% Passed	48%	64%	39%	63%	51%

**SUCCESSFUL CANDIDATES SUMMARY**

# of Passing Candidates	15
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After discussion, it was moved by Mr. G. Lee, seconded by Mr. Aratani, and unanimously carried to ratify the examination scores from third quarter 2019 (July – September) testing window.

Committee Chairperson Punua provided a performance summary report provided by NASBA:

- Pass rate 51% Q3 2019, up from 44% Q2 2019

- Pass rate ranking of 41 out of 53 jurisdictions Q3 2019, up from 49 out of 53 jurisdictions Q2 2019
- 209 total sections taken in Q3 2019, up from 134 in Q2 2019 and 109 in Q1 2019; comparable average of 200 total sections taken in 2016 Q3 – Q4 through 2017 Q1
- 156 total candidates in Q3 2019, up from 109 in Q2 2019 and 93 in Q1 2019

Open Forum: None.

Next Board Meeting: Friday, December 20, 2019  
8:30 a.m.  
King Kalakaua Conference Room  
King Kalakaua Building  
335 Merchant Street, 1<sup>st</sup> Floor  
Honolulu, Hawaii 96813

Announcements: Executive Officer Araceley notified the Board that Mr. Punua has the copy of the 2018 CPA exam report.

Chairperson Taketa briefly discussed the upcoming 2020 board meeting schedule and possibly changing some dates due to personal conflict. Executive Officer Araceley will provide the 2020 meeting schedule for the board members to review and if the Board has any issues with the dates, it can be addressed as an agenda item at the next meeting.

Adjournment: There being no further discussion, the meeting adjourned at 9:37 a.m.

Reviewed and approved by:

Taken and recorded by:

/s/ Relley W. Araceley

/s/ Leanne Abe

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Relley W. Araceley  
Executive Officer

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Leanne Abe  
Secretary

RWA:la

12/01/19

Minutes approved as is.

Minutes approved with changes. See minutes of the October 25, 2019, meeting.