

Detor & Williams

Certified Public Accountants | A Professional Corporation

HB 2257 – Relating to Public Accountancy

House Committee on Consumer Protection and Commerce
Conference Room 325, Monday, February 4, 2008 at 2:00 p.m.

Chair Herkes, Vice Chair McKelvey, and Committee members:

The following partners, managers, and staff of Detor & Williams, Certified Public Accountants, respectfully ask you to support HB 2257. We are strongly committed to peer review as a powerful tool to assure that all CPA firms, including ours, are fully-responsive to the protection of the public.



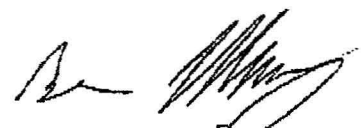
Jaymynaki

Debra



Robert H. Tang

David Singh


Maryann Dillon

Kang You Lam



We Support of HB 2257 Relating to Public Accountancy!

700 Bishop Street, Suite 1040 | Honolulu, Hawaii 96813-4124 | Telephone (808) 521-0002 | Facsimile (808) 599-8719

Detor & Williams

Certified Public Accountants | A Professional Corporation

In Support of HB 2257 Relating to Public Accountancy

House Committee on Consumer Protection and Commerce
Conference Room 325, Monday, February 4, 2008 at 2:00 p.m.

Chair Herkes, Vice Chair McKelvey, and Committee members:

Our firm elected to have its first peer review nearly 20 years ago, soon after we began operating as a CPA firm then consisting of two partners and one staff. Why? Because we believed strongly then, as we do now, in assuring our clients and their investors, lenders, vendors, and others (the public) that they could rely on the quality of our accounting and auditing practice.

HB 2257 makes sense because it requires all CPA firms with those same responsibilities to the public to develop a system of quality control, and to have that system reviewed once every three years by another CPA firm.

For most firms such as ours that are dedicated to serving local clientele, peer review is a simple, inexpensive method of keeping our accounting services focused and fully compliant with a rapidly changing business and regulatory environment.

I respectfully ask you to support HB 2257.



Carleton L. Williams
Partner

Ronald I. Heller
700 Bishop Street, Suite 1500
Honolulu, Hawaii 96813

phone 808 523 6000 fax 808 523 6001
rheller@torkildson.com

**TESTIMONY BEFORE HOUSE COMMITTEE
ON CONSUMER PROTECTION & COMMERCE**

Re: House Bill 2257

**Monday, February 4, 2008 at 2:00 pm
State Capitol – Conference Room 325**

Chair Herkes, Vice-Chair McKelvey, and Members of the Committee:

My name is Ronald Heller. I am a practicing attorney, and also licensed as a Certified Public Accountant. I support House Bill 2257.

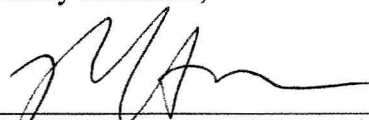
In order to obtain a CPA license in Hawaii, the applicant is required to satisfy strict criteria regarding education and experience, and to pass an examination. Those rules exist to make sure that anyone holding himself or herself out to the public as a CPA is qualified to perform professional services.

However, we can and should improve on that protection. The existing rules focus on the initial licensing of a CPA. This bill would add a system for reviewing the quality of a CPA's professional work on a continuing basis throughout his or her career.

Many CPAs already participate in peer-review programs on a voluntary basis. Unfortunately, some do not. Typically, consumers are not aware of this, and do not know whether they are receiving services from a CPA who has been through a peer review process.

House Bill 2257 would tie the peer review process to license renewal, to create a process that lasts throughout a CPA's entire career. This would enhance professionalism and competence, and improve protection for the public.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'R. Heller', written over a horizontal line.

Ronald I. Heller

Isaac W. Choy, CPA
2733 E. Manoa Rd
Honolulu, Hawaii 96822
Phone (808) 988-5757

**Before the Committee on Consumer Protection
And Commerce**

**Monday, February 4, 2008 at 2:00 p.m.
Conference Room 325**

Re: Opposition to HB2257
Relating to Public Accountancy

Testimony of Isaac W. Choy, CPA

Chair Herkes, Vice-chair McKelvey, and committee members:

I oppose HB2257. The bill has too many flaws and is premature. This bill will not do anything to enhance the current quality of accounting work done in the State of Hawaii.

I have been a peer reviewer for over fifteen years in the State of Hawaii and have performed over two hundred peer reviews in the state.

The bill is premature because there are no definitions or rules identifying firms in the State of Hawaii.

The bill is flawed for the following reasons:

1. The bill calls for the state board of public accountancy to evaluate peer review programs. But the bill does not mandate that the board establish its own peer review program. Currently there is only one peer review program available to practitioners. The current program requires membership in the AICPA and HSCPA, two private membership accounting organizations. How can a state law require membership in a private organization?
2. This bill lacks all of the details and safeguards that a licensing requirement should have. Mandatory peer review for regulatory purposes is not like sending in CPE certificates for licensing. The peer review process is an opinion by a third party about the quality of your firm. It probably will become a public document.

3. The law must have a system of due process. I believe an administrative and judicial process must be incorporated in the law to ensure that a firm undergoing peer review will be afforded an avenue to appeal disagreements. The law must also have a program of oversight. This oversight must ensure that this regulatory scheme is implemented fairly. It must be confidential and preferably not subject to discovery. We must remember that if a practitioner fails peer review, and then it is quite possible that a practitioner could lose his or her license. I personally don't think anyone should have to surrender his or her license because of the opinion of the peer reviewer.
4. The proposed legislation leaves the details on how this process is supposed to be implemented to the Hawaii State Board of Public Accountancy. This in itself is dangerous for all stakeholders.
5. The process of peer review is subjective and cannot be adapted to a regulatory scheme. Accounting standards are written suggestively - how can punitive consequences be formulated to match the peer reviewer's findings?
6. The proponents anticipated answer to this problem is merely to have the firm go through the process of peer review. They understand that doing something more substantive will require them to put in infrastructure and safeguards that they are not qualified to make or have the financial resources to implement. As a result, this burden placed upon the practitioner will be nothing more than a feel good legislation.
7. This proposed legislation also exempts certain firms. So, why are we exempting firms, if the purpose of mandatory peer review is to protect Hawaii's public. Shouldn't we require all firms who perform services in the State of Hawaii to undergo peer review? A peer review should be performed on the work done by all firms licensed in Hawaii and the peer review should include work which is performed for Hawaii engagements.
8. Under the proposed legislation, firms that only do tax work are exempt from peer review. Aren't the incidences of error higher for tax work than accounting work? Isn't a greater number of the public served by tax practitioners? So why are we exempting these firms?

Isaac W. Choy, CPA
Testimony in opposition to HB 2257
Page 3

In conclusion, are there better ways of elevating and maintaining the quality of work performed by CPAs. The answer is yes. It is through education or additional experience. For example, more continuing professional education could be required, or more public accounting experience could be required. Education and experience is a proactive, rather than a reactive way of improving quality. It doesn't exempt anybody and raises the profession to a higher level. Remember - the world's biggest and best accounting firm, Arthur Andersen, went through all types of reviews and still failed (Enron).

Please oppose HB2257. Thank you for this opportunity to testify.

Respectfully submitted,

Isaac W. Choy, CPA

mckelvey3

From: Darlene Ferrantino [darlenejof@yahoo.com]
Sent: Saturday, February 02, 2008 1:38 PM
To: CPCtestimony
Subject: HB2257

I am a practicing CPA in Hawaii. I oppose the current mandatory peer review legislation and I urge the House and Senate to NOT pass this bill for the following reasons:

The bill delegates to the Board of Accountancy the authority to establish rules regarding mandatory peer review while exempting the Honolulu offices and work performed in Hawaii by the BIG 4 (international firms) from mandatory peer review. The Board has failed to issue firm permits to practice to MANY firms for the past several years due to a lack of forms and rules. Procedures, forms and rules regarding the issuance of permits should be on the Boards agenda to accomplish before taking on any new responsibilities. The Board can't even begin to identify "firms in practice" if they have not issued permits, and thus the Board cannot operate fairly to ALL practicing public accounting. It is premature for the Board to require mandatory peer review for firms-- especially when it has not even issued the permits yet.

In addition, there has NOT been a circulation of workable procedures or rules on mandatory peer review. Policies and procedures (rules) must be establish and approved before a program can be implemented. Hawaii has worked backwards in these matters in the past, and WE, the people, need the State to be more proactive on such matters. Who will administer the program, what are the costs to administer this program and who will pay, what are the penalties for not abiding by the program AS DEFINED IN ADVANCE?

To summarize, the law should be applied uniformly to ALL practicing public accounting in Hawaii. In addition, the law should be written more clearly and more specifically to answer the questions raised above.

Be a better friend, newshound, and know-it-all with Yahoo! Mobile. [Try it now.](#)

**PRESENTATION OF THE
BOARD OF PUBLIC ACCOUNTANCY**

TO THE HOUSE COMMITTEE ON
CONSUMER PROTECTION & COMMERCE

TWENTY-FOURTH LEGISLATURE
Regular Session of 2008

Monday, February 4, 2008
2:00 p.m.

**TESTIMONY ON HOUSE BILL NO. 2257, RELATING TO PUBLIC
ACCOUNTANCY.**

TO THE HONORABLE ROBERT N. HERKES, CHAIR,
AND MEMBERS OF THE COMMITTEE:

My name is Howard Todo and I am the Chairperson of the Board of Public Accountancy ("Board"). Thank you for the opportunity to present testimony on House Bill No. 2257, Relating to Public Accountancy.

The purpose of this bill is to require peer review as a condition for the renewal of a permit to practice public accountancy.

The Board has not yet held a meeting at which the language or substance of this bill has been available; therefore, there is no Board position on this measure at this time. The Board is scheduled to meet this Thursday, February 7, 2008, and will review this proposal in order to formulate its position, after which we will be prepared to report the Board's position to the Legislature.

Although we have no official position at this time, the Board has worked over the past two years with a number of interested parties, including the Hawaii Society of Certified Public Accountants, the Hawaii Association of Public Accountants, the Accountants Coalition, and the Department of Commerce of

Consumer Affairs, in an ongoing effort to craft legislation that would establish and implement a peer review program, which would require satisfactory compliance by certified public accountants for the renewal of permits to practice public accountancy. As members of the Peer Review Investigative Committee, as this working group is called, the Board and its partners are seeking to develop a viable program that would address the critical concerns of all members and fulfill the Board's mandate of regulating the profession in order to sustain and enhance public protection. This measure, although not a direct product of this investigative committee, appears to embrace that intent.

It is the Board's understanding that the establishment and implementation of a peer review program in this State and requiring completion of a satisfactory peer review as a condition of licensure would align Hawaii with at least forty-two (42) United States jurisdictions that require peer review for their certified public accountancy firms and individuals to become licensed and/or to maintain licensure. The programs of a number of these forty-two states, as well as the national program of the American Institute of Certified Public Accountants, have been examined in depth by the investigative committee to better determine the provisions that should be included in Hawaii's program. To this end, this measure appears to revise the Board's licensing statute in such a way that establishes the basis upon which such implementation can be accomplished.

Thank you for the opportunity to testify.

**Ann Fukuhara, CPA MBA
An Accountancy Corporation**

714 Kanoelehua Avenue
P.O. Box 6691
Hilo, Hawaii 96721
(808) 961-5532
Fax (808) 934-8589

**Before the Committee on Consumer Protection
And Commerce**

**Monday, February 4, 2008 at 2:00 p.m.
Conference Room 325**

Re: Opposition to HB2257
Relating to Public Accountancy

Testimony of Ann Fukuhara, CPA

Chair Herkes, Vice-chair McKelvey, and committee members:

I oppose the mandatory peer review requirement of HB2257.

Peer review is voluntary and educational for CPAs. Currently, the program appears to be accomplishing its intended purpose. If peer review becomes mandatory and regulatory, a CPA could potentially lose his/her permit to practice. Mandatory peer review would apply to those performing "attest" work, i.e., compilations, reviews, audits, and attestation engagements.

HB2257 delegates to the Board of Public Accountancy the authority to establish rules regarding mandatory peer review, while exempting the Honolulu offices and Hawaii work of the large international and out-of-state firms from peer review. This exemption is unfair as it places undue burden to the permit process for local CPAs and imposes a monetary burden only on local CPA firms, many of whom are already voluntarily being peer reviewed.


In order to have mandatory peer review for firms, firms must be defined and issued permits-to-practice as required under the Hawaii Revised Statutes. The Board has failed to issue firm permits (for years) because of a lack of forms and rules, and so requiring mandatory peer review for firms is premature at this time.

Too many questions remain unanswered regarding mandatory peer review, such as the additional cost that CPA practitioners would incur, who is to administer the program, whether due process concerns will be addressed, and whether membership in certain CPA

organizations would become mandatory (which is objectionable, but is currently contemplated by the proponents of this bill.

To avoid unintended consequences to CPAs and their firms, the law should be clear and specific, and not left up to the discretion of the Board of Public Accountancy. Furthermore, the law should be applied uniformly to all those practicing public accounting in Hawaii. For these reasons, I urge you to oppose HB2257. Thank you for this opportunity to testify.

Ann Fukuhara, CPA MBA, An Accountancy Corporation



Ann Fukuhara, CPA MBA

Before the House Committee on
Consumer Protection and Commerce

Monday, February 4, 2008
2:00 p.m.
Conference Room 325

In Support of HB 2257
Relating to Public Accountancy

Chair Herkes, Vice Chair McKelvey, and Committee members:

Thank you for the opportunity to testify. My name is Edward L. Punua and I am CPA in a small firm. I support HB 2257, relating to peer review for CPA's.

Almost all CPA firms of whatever size find themselves being asked to perform services outside their home state by their clients and frequently on short notice (filing an out-of-state tax return). Since all CPAs take the same licensing exam and most states require the same education and experience for certification, the only major concern about a CPA licensed in one state practicing in another is to be sure that the CPA and the CPA firm are subject to the laws, rules and regulations in any state in which they practice.

Business realities, including increase in interstate commerce and virtual technologies, require a uniform system that allows fluid practice across state lines.

Lack of a uniform system adversely affects firms of all sizes and consumers – it is a significant barrier to consumer choice.

I am testifying as a Hawaii CPA and not as a representative of any organization. My views do not constitute, and do not necessarily match, the official position of any organization.

Respectfully submitted,

Edward L. Punua, CPA

Before the House Committee on
Consumer Protection and Commerce

Monday, February 4, 2008
2:00 p.m.
Conference Room 325

In Support of HB 2257
Relating to Public Accountancy

Chair Herkes, Vice Chair McKelvey, and Committee members:

Thank you for the opportunity to testify. My name is Brenda Cutwright. I am a Board member and past president of the Hawaii Society of CPAs.

The Board of Directors of the Hawaii Society of CPAs strongly supports mandatory peer review for CPA firms performing accounting and auditing engagements that do not audit publicly traded companies. Firms that audit publicly traded companies already undergo a much more rigorous peer review program through the Center for Audit Quality and PCAOB.

With 43 out of 55 jurisdictions requiring peer review for re-licensure and 4 of the remaining 12 jurisdictions only pending rules, Hawaii is 1 of the 8 remaining jurisdictions that does not require peer review for re-licensure.

The public deserves to know that a CPA firm's quality control policies and procedures are in accordance with those professional standards promulgated by the accounting profession and that the firm is complying with those policies and procedures.

Therefore, the Hawaii Society of CPAs recommends that Hawaii join the rest of the nation in providing the public a standard upon which they can rely.

Respectfully submitted,

Brenda F. Cutwright

FUJIEKI FUKUHARA & CO., CPA, INC.

1585 Kapiolani Blvd., Suite 1218
Honolulu, Hawaii 96814

Before the Committee on Consumer Protection And Commerce

Monday, February 4, 2008 at 2:00 p.m.
Conference Room 325

Re: **Opposition to HB2257**
Relating to Public Accountancy

Testimony of Robert H. Fukuhara Jr.

Chair Herkes, Vice-chair McKelvey, and committee members:

I oppose the mandatory peer review requirement of HB2257. Presently, peer review is voluntary and educational, and appears to be accomplishing its intended purpose. If peer review becomes mandatory and regulatory, a CPA can lose his or her permit to practice. Mandatory peer review would apply to those performing "attest" work, i.e., compilations, reviews, audits, and attestation engagements.

HB2257 delegates to the Board of Public Accountancy the authority to establish rules regarding mandatory peer review, while exempting the Honolulu offices and Hawaii work of the large international and out-of-state firms from peer review. This exemption is unfair as it only places the permits for local CPAs at risk and imposes a monetary burden only on local CPA firms, many of whom are already voluntarily being peer reviewed. **In addition the large international and out-of-state firms are the very ones that are currently the cause of most of the litigation and lawsuits that are in the news today.**

In order to have mandatory peer review for firms, firms must be defined and issued permits-to-practice as required under the Hawaii Revised Statutes. The Board has failed to issue firm permits (for years) because of a lack of forms and rules, and so requiring mandatory peer review for firms is premature at this time.

Too many questions remain unanswered regarding mandatory peer review, such as the additional cost that CPA practitioners would incur, who is to administer the program, whether due process concerns will be addressed, and whether membership in certain CPA organizations would become mandatory (which is objectionable, but is currently contemplated by the proponents of this bill).

To avoid unintended consequences to CPAs and their firms, the law should be clear and specific, and not left up to the discretion of the Board of Public Accountancy. **Furthermore, the law should be applied uniformly to all those practicing public accounting in Hawaii.** For these reasons, I urge you to oppose HB2257. Thank you for this opportunity to testify.

Respectfully submitted,

Robert H. Fukuhara Jr.
Certified Public Accountant
February 1, 2008



JAMES F. ROGERS
Certified Public Accountant
Member AICPA

**Before the Committee on Consumer Protection
And Commerce**

**Monday, February 4, 2008 at 2:00 p.m.
Conference Room 325**

Re: Opposition to HB2257
Relating to Public Accountancy

Testimony of James F. Rogers, CPA

Chair Herkes, Vice-chair McKelvey, and committee members:

I oppose the mandatory peer review requirement of HB2257. Presently, peer review is voluntary and educational, and appears to be accomplishing its intended purpose. If peer review becomes mandatory and regulatory, a CPA can lose his/her permit to practice. Mandatory peer review would apply to those performing "attest" work, i.e., compilations, reviews, audits, and attestation engagements.

HB2257 delegates to the Board of Public Accountancy the authority to establish rules regarding mandatory peer review, while exempting the Honolulu offices and Hawaii work of the large international and out-of-state firms from peer review. This exemption is unfair as it only places the permits for local CPAs at risk and imposes a monetary burden only on local CPA firms, many of whom are already voluntarily being peer reviewed.

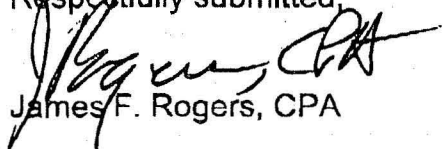
In order to have mandatory peer review for firms, firms must be defined and issued permits-to-practice as required under the Hawaii Revised Statutes. The Board has failed to issue firm permits (for years) because of a lack of forms and rules, and so requiring mandatory peer review for firms is premature at this time.

Too many questions remain unanswered regarding mandatory peer review, such as the additional cost that CPA practitioners would incur, who is to administer the program, whether due process concerns will be addressed, and whether membership in certain CPA organizations would become mandatory (which is objectionable, but is currently contemplated by the proponents of this bill).

Testimony cont'd

To avoid unintended consequences to CPAs and their firms, the law should be clear and specific, and not left up to the discretion of the Board of Public Accountancy. Furthermore, the law should be applied uniformly to all those practicing public accounting in Hawaii. For these reasons, I urge you to oppose HB2257. Thank you for this opportunity to testify.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "James F. Rogers, CPA". The signature is stylized and cursive, with the letters "J", "R", and "C" being particularly prominent and large. The signature is written over the printed name "James F. Rogers, CPA".

James F. Rogers, CPA

Before the House Committee on
Consumer Protection and Commerce

Monday, February 4, 2008
2:00 p.m.
Conference Room 325

In Support of **HB 2257**
Relating to Public Accountancy

Chair Herkes, Vice Chair McKelvey, and Committee members:

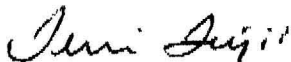
Thank you for the opportunity to testify. My name is Terri Fujii and I am CPA in Hawaii. I support HB 2258.

Making sure that CPAs in Hawaii provide quality services to their clients is essential. The American Institute of CPAs (AICPA) and 39 other Boards of Public Accountancy believe that peer review is important to maintaining the quality of accounting, auditing and attestation services provided to consumers.

Peer review is not required for licensure in Hawaii. Firms in Hawaii are peer reviewed only if they are members of the AICPA or volunteer to do so. Undergoing peer review is a requirement to be a member of the AICPA. National firms already undergo a much more rigorous peer review program than other firms through the Center for Audit Quality of the AICPA and the PCAOB. Without required peer review in Hawaii, firms that are not national firms or members of the AICPA may be providing services without a periodic review of the quality of their work.

I am testifying as a Hawaii CPA and not as a representative of any organization. My views do not constitute, and do not necessarily match, the official position of any organization.

Respectfully submitted,



Terri Fujii

Before the House Committee on
Consumer Protection and Commerce

Monday, February 4, 2008
2:00 p.m.
Conference Room 325

In Support of HB 2257
Relating to Public Accountancy

Chair Herkes, Vice Chair McKelvey, and Committee members:

Thank you for the opportunity to testify. My name is Brenda Cutwright. I have been a purchaser of CPA services for over 20 years for a nearly \$500 million company, and now as a consultant, I am frequently asked by my clients to assist them in obtaining CPA services. I am testifying as a consumer of CPA services. I support HB 2257.

Just as the general public gains comfort knowing a company has an audit, so too does the purchaser of CPA services gain a level of comfort when the CPA firm goes through a periodic "audit" like a peer review.

I can not in good conscience recommend a CPA firm to my clients that does not undergo periodic peer reviews.

With 43 out of 55 jurisdictions requiring peer review for re-licensure and peer review in 4 of the remaining 12 jurisdictions only pending rules, Hawaii is 1 out of the remaining 8 jurisdictions that doesn't require mandatory peer review.

I would like to see Hawaii join the rest of the nation in providing the public with a standard upon which we can rely.

Respectfully submitted,

Brenda F. Cutwright

Brenda F. Cutwright

Before the House Committee on Consumer Protection and Commerce

Monday, February 4, 2008
2:00 pm
Conference Room 325

In Support of HB 2257

Relating to Public Accountancy

Testimony of Valerie Shintaku, CPA
President, Hawaii Society of CPAs

Chair Herkes, Vice Chair McKelvey, and Committee members:

Thank you for the opportunity to testify.

My name is Kent K. Tsukamoto and I have been a licensed, practicing Hawaii CPA for 30 years. I strongly support mandatory peer review for CPA firms performing accounting and auditing engagements that do not audit publicly traded companies. Firms that audit publicly traded companies already undergo a much more rigorous peer review program through the Center for Audit Quality and PCAOB.

It is in the public interest that CPA firms maintain quality and control standards that are in accordance with professional standards issued by the AICPA. CPA firms should comply with those policies and procedures.

Peer review is an imperative step in protecting the public interest. This bill should be passed.

Sincerely,



Kent K. Tsukamoto, CPA

FREITAS & SAITO, LLP

Certified Public Accountants

Paahi Tower, Suite 610

1001 Bishop Street

Honolulu, Hawaii 96813

Telephone (808) 564-0110

Facsimile (808) 531-4678

Toll Free (888) 837-9890

Website: www.fscpas.biz

Richard E. Freitas

Rodney M. Saito

Before the House Committee on Consumer Protection and Committee

Monday, February 4, 2008

2:00 pm

Conference Room 325

In support of HB 2257

Relating to Public Accountancy

Testimony of Richard E. Freitas, CPA

Partner, Freitas & Saito, CPAs, LLP

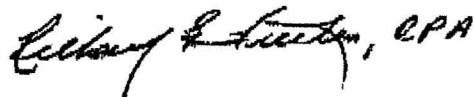
Chair Herkes, Vice Chair McKelvey, and Committee members:

Thank you for the opportunity to testify. My name is Richard E. Freitas and I am a partner in the firm of Freitas & Saito CPAs, LLP. I was born in Kalihi and raised in Kailua. Our family lived on Linapuni Street, in an area currently occupied by Kuhio Park Terrace. I received my bachelors degree with a major in accounting from the University of Hawaii at Manoa. I have been a licensed Certified Public Accountant in the State of Hawaii for over 30 years.

As members of the American Institute of Certified Public Accountant (AICPA) our firm recently has undergone its peer review. It was and is worth our time and money to support this program as it enhances the accounting industry in the State of Hawaii.

I am in support of this bill to ensure that all CPA firms within this State are subject to periodic peer review.

Respectfully submitted,



SANG T. LE

303 LILIUOKALANI AVENUE, #802

HONOLULU, HI 96815

Before the Committee on Consumer Protection

And Commerce

Monday, February 4, 2008 at 2:00 p.m.

Conference Room 325

Re: Opposition to HB2257

Relating to Public Accountancy

Testimony of Sang T. Le

Chair Herkes, Vice-chair McKelvey, and committee members:

I oppose the mandatory peer review requirement of HB2257. Presently, peer review is voluntary and educational, and appears to be accomplishing its intended purpose. If peer review becomes mandatory and regulatory, a CPA can lose his/her permit to practice. Mandatory peer review would apply to those performing "attest" work, i.e., compilations, reviews, audits, and attestation engagements.


HB2257 delegates to the Board of Public Accountancy the authority to establish rules regarding mandatory peer review, while exempting the Honolulu offices and Hawaii work of the large international and out-of-state firms from peer review. This exemption is unfair as it only places the permits for local CPAs at risk and imposes a monetary burden only on local CPA firms, many of whom are already voluntarily being peer reviewed.

In order to have mandatory peer review for firms, firms must be defined and issued permits-to-practice as required under the Hawaii Revised Statutes. The Board has failed to issue firm permits (for years) because of a lack of forms and rules, and so requiring mandatory peer review for firms is premature at this time.

Too many questions remain unanswered regarding mandatory peer review, such as the additional cost that CPA practitioners would incur, who is to administer the program, whether due process concerns will be addressed, and whether membership in certain CPA organizations would become mandatory (which is objectionable, but is currently contemplated by the proponents of this bill).

To avoid unintended consequences to CPAs and their firms, the law should be clear and specific, and not left up to the discretion of the Board of Public Accountancy. Furthermore, the law should be applied uniformly to all those practicing public accounting in Hawaii. For these reasons, I urge you to oppose HB2257. Thank you for this opportunity to testify.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Sang T. Le', with a stylized flourish at the end.

Sang T. Le, CPA



HSCPA

Hawaii Society of
Certified Public Accountants

Before the House Committee on Consumer Protection and Commerce

Monday, February 4, 2008
2:00 pm
Conference Room 325

In Support of HB 2257

Relating to Public Accountancy

Testimony of Valerie Shintaku, CPA
President, Hawaii Society of CPAs

900 Fort Street

Suite 850

P.O. Box 1754

Honolulu, Hawaii 96806

Chair Herkes, Vice Chair McKelvey, and Committee members:

Thank you for the opportunity to testify.

Tel: (808) 537-9475

Fax: (808) 537-3520

E-mail: info@hscpa.org

Website: www.hscpa.org

The Board of Directors of the Hawaii Society of Certified Public Accountants (HSCPA) strongly supports mandatory peer review for CPA firms performing accounting and auditing engagements that do not audit publicly traded companies. Firms that audit publicly traded companies already undergo a much more rigorous peer review program through the Center for Audit Quality and PCAOB.

The public deserves to know that a CPA firm's quality control policies and procedures are in accordance with those professional standards promulgated by the accounting profession and that the firm is complying with those policies and procedures.

The peer review process includes rigorous checks and balances through the administration and oversight of the process. Peer review will add a critical layer of protection against professional deficiencies or misconduct. This, we owe to the public.

Respectfully submitted,

Valerie Shintaku, CPA
President, HSCPA
HSCPA Board of Director

Before the House Committee on
Consumer Protection and Commerce

Monday, February 4, 2008
2:00 p.m.
Conference Room 325

Testimony Submitted
In Support of HB 2257
Relating to Public Accountancy

Chair Herkes, Vice Chair McKelvey, and Committee members:

As a senior executive at one of Hawai'i's premier companies and having been a business leader in Hawai'i for many years (including 17 years at Alexander & Baldwin and over 20 years serving on charitable boards), I ask you to support HB 2257.

Who audits the auditors?

Although all of the national and some local CPA firms undergo peer reviews as well as audits by the Public Company Accounting Oversight Board (PCAOB), many local firms do not have peer-to-peer reviews that ensure professional standards are consistently followed and that the public good is met. Accordingly the quality of work varies among CPA firms.

To protect the public good and to ensure that lenders, creditors, tax authorities and others can rely on the quality of audited financial statements of businesses and charitable entities, it is important that the entire audit profession have checks and balances rather than just some firms. HB 2257 provides a mechanism, via peer reviews, to ensure, in a cost-effective way, that all CPA firms follow professional standards.

It just makes sense.

Aloha and thank you for considering my testimony.

Thomas Wellman, CPA (not in public practice), CMA, MACC
Vice President, Chief Financial Officer & Treasurer
The Gas Company

Before the House Committee on Consumer Protection and Commerce

Monday, February 4, 2008
2:00 pm
Conference Room 325

In Support of HB 2257

Relating to Public Accountancy

Testimony of Roen K. Hirose, CPA

Chair Herkes, Vice Chair McKelvey, and Committee members:

Thank you for the opportunity to testify.


I am a sole owner of CPA firm. We provide audit and accounting services to various clients throughout the state. I am also a member of the American Institute of Certified Public Accountants. Membership in the AICPA is voluntary but once a member, a high standard of professional conduct is required. One of the requirements is to undergo a peer review program. In reviewing audits performed by other CPA firms I can clearly distinguish a firm undergoing peer review and one that has not. I often see substandard work from firms not peer reviewed. Therefore, I support a peer review program for CPA firms performing accounting and auditing services.

I understand it is a difficult chore to implement and monitor such a program, not to mention the cost to government. Therefore, I suggest the implementation should require affected CPA firms be members of the American Institute of CPAs. Since member firms will be subject to the peer review program required for membership I believe this will alleviate this burden on the State. The Hawaii Society of Certified Public Accountants already assists the AICPA in this program and could provide results to the State.

The public deserves to know that a CPA firm's quality control policies and procedures provide reasonable assurance that professional standards are met and that the firm is complying with those policies and procedures.

Peer review will add a critical layer of protection against professional deficiencies or misconduct.

Respectfully submitted,



Roen K. Hirose, CPA

House Committee on Consumer Protection and Commerce

Monday, February 4, 2008

2:00 pm

Conference Room 325

In Support of HB 2257

Relating to Public Accountancy

Testimony of Bryce K.K. Nomura, CPA

Chair Herkes, Vice Chair McKelvey, and Committee members:

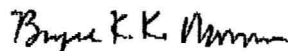
My name is Bryce K.K. Nomura and I am a CPA with a small Honolulu firm. I support HB 2257. Thank you for the opportunity to testify.

Peer review for CPAs has been in existence since I was only one years old. It's been proven to be successful and the statistics show the improvement in firm reports. Since I became a CPA, I have been associated with firms whom have undergone peer review. It's an important and rigorous check and balance process that added value to the firm's quality control system.

As protectors of the public interest, shouldn't CPAs be held up to a higher standard and assure the public that it's quality control policies and procedures are being complied with professional standards?

I urge you to support peer review in Hawaii through HB 2257. Thank you.

Respectfully submitted,



Bryce K.K. Nomura, CPA

Before the House Committee on Consumer Protection and Commerce

Monday, February 4, 2008
2:00 pm
Conference Room 325

In Support of HB 2257

Relating to Public Accountancy

Testimony of James P. Hasselman, CPA

Chair Herkes, Vice Chair McKelvey, and Committee members:

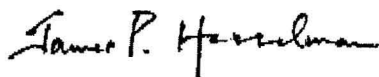
Thank you for the opportunity to testify.

My name is James P. Hasselman. I am a CPA and a sole practitioner, providing accounting and auditing services to Hawaii nonprofits and employee benefit plans. I support mandatory peer review for CPA firms performing accounting and auditing engagements.

Auditors are a critical link in the chain of fiscal responsibility for businesses, nonprofit organizations and employee benefit plans. A required peer review system answers the question: "Who audits the auditors?" Without such a system, a weak link may exist in that chain, and go undetected until the public is harmed.

Having just gone through a peer review examination of my practice, I can tell you that the examination was a healthy process for me to go through, just as an audit is a healthy process for businesses to go through. I personally know CPAs who take the extra step of dotting their "i"s and crossing their "t"s because they know their work will be examined by a peer reviewer. While audits of businesses are not mandatory, I believe that peer reviews of CPAs providing accounting and auditing services should be mandatory due to the critical role we play in the chain of fiscal responsibility.

Respectfully submitted,



James P. Hasselman, CPA

Before the House Committee on
Consumer Protection and Commerce

Monday, February 4, 2008
2:00 p.m.
Conference Room 325

In Support of HB 2257
Relating to Public Accountancy

Chair Herkes, Vice Chair McKelvey, and Committee members:

Thank you for the opportunity to testify. My name is Tom Pearson. I have taught accounting courses in Hawaii for almost twenty years and have co-authored a book on professional research entitled "Accounting & Auditing Research: Tools and Strategies" (2005, 6th ed.).

I support HB 2257. It is important to maintain the level of professionalism in accounting. Mandatory peer review of CPA firms helps to achieve this goal. Most states require peer review. It is time for Hawaii to adopt such a requirement.

The opinion expressed is my own and not a position taken by my employer, the University of Hawaii.

Respectfully submitted,



Thomas C. Pearson

**KOBAYASHI, DOI & LUM CPAs LLC**

Members: Alan E. Kobayashi • Roy H. Doi • Stanford C.T. Lum • Jon M. Yasuda

220 South King Street, Suite 1700 • Honolulu, Hawaii 96813 • Bus (808) 521-3962 • Fax (808) 531-3217
410 Kilani Avenue, Suite 202 • Wahiawa, Hawaii 96786 • Bus (808) 622-4188 • Fax (808) 621-2438

Before the Committee on Consumer Protection And Commerce

Monday February 4, 2008 at 2:00 PM

Conference Room 325

RE: Opposition to HB 2257

Relating to Public Accountancy

Testimony of Roy H. Doi, CPA

Chair Robert Herkes, Vice-chair Angus McKelvey, and committee members:

I oppose HB 2257. The bill proposes to add the completion of an approved peer review program as a requisite for a permit to practice as a Certified Public Accountant in the State of Hawaii, ramifications of which has not be well thought through.

I am a Certified Public Accountant. I am a partner/member with the firm of Kobayashi, Doi & Lum CPAs, LLC. Under the American Institute Certified Public Accountant's peer review program, our firm has been reviewed four times, covering a twelve year period. On our most recent peer review we received an unmodified opinion with no letter of comments (about the best that a firm can do). Cost to our firm to have the peer review done was about \$3,500.

Section 466-7, which is proposed to be amended deals with requirements to obtain a permit to practice. Currently permit to practice are being issued to only individuals, a peer review is done on a firm not the individual, unless the firm has only a single CPA. Presently, peer review is voluntary and educational tool and is only applicable to firms that perform "attest" services (ie. Compilations; Reviews; Audits and attestation engagements). What happens to a firm that gets a modified or adverse report on its peer review? Will the firm and the individual lose its permit to practice? What will happen under the amendment proposed by HB 2257? HB 2257 proposes that firms that do not provide attest services be exempt from the peer review requirement, does this mean that we are going to get different classes of a permit to practice? Is the State going to develop a peer review program for taxes?

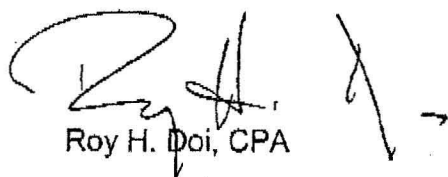
HB 2257, proposes that a firm with its primary office outside of this State may satisfy the approved peer review program requirements by having completed an approved peer review program outside of this State. Our firm has an office in Honolulu and another in Wahiawa, why does this exemption apply to only a firm that has its primary office outside of this State and an approved peer review program outside of this State? Shouldn't our Wahiawa office qualify under this also and be exempted from peer reviewed? The current AICPA peer review system tests the system of quality control in place, so shouldn't the review be done at the

offices in Hawaii? About 30 years ago when I first started there was connotation that anything from the mainland was superior to something from Hawaii, I thought we had gotten away from that, maybe not?

The Hawaii Society of CPAs (a non governmental organization), of which I am a member, as a state society of the AICPA currently administers the peer review program. A requirement is that a member of the firm must belong to both organizations, is this to be applicable if HB 2257 is adopted?

I urge this committee to oppose HB 2257.

Respectfully submitted,



Roy H. Doi, CPA



KOBAYASHI, DOI & LUM CPAs LLC



220 South King Street, Suite 1700 • Honolulu, Hawaii 96813 • Tel (808) 521-3962 • Fax (808) 531-3217
410 Kilani Avenue, Suite 202 • Wahiawa, Hawaii 96786 • Tel (808) 622-4188 • Fax (808) 621-2438

**Before the Committee on Consumer Protection
And Commerce**

**Monday, February 4, 2008 at 2:00 p.m.
Conference Room 325**

Re: Opposition to HB2257

Relating to Public Accountancy

**Testimony of Alan Kobayashi
Kobayashi Doi and Lum CPAs LLC**

Chair Herkes, Vice-chair McKelvey, and committee members:

I oppose the mandatory peer review requirement of HB2257. Presently, peer review is voluntary and educational, and appears to be accomplishing its intended purpose. If peer review becomes mandatory and regulatory, a CPA can lose his/her permit to practice. Mandatory peer review would apply to those performing "attest" work, i.e., compilations, reviews, audits, and attestation engagements.

HB2257 delegates to the Board of Public Accountancy the authority to establish rules regarding mandatory peer review, while exempting the Honolulu offices and Hawaii work of the large international and out-of-state firms from peer review. This exemption is unfair as it only places the permits for local CPAs at risk and imposes a monetary burden only on local CPA firms, many of whom are already voluntarily being peer reviewed.

In order to have mandatory peer review for firms, firms must be defined and issued permits-to-practice as required under the Hawaii Revised Statutes. The Board has failed to issue firm permits (for years) because of a lack of forms and rules, and so requiring mandatory peer review for firms is premature at this time.

Too many questions remain unanswered regarding mandatory peer review, such as the additional cost that CPA practitioners would incur, who is to administer the program, whether due process concerns will be addressed, and whether membership in certain CPA organizations would become mandatory (which is objectionable, but is currently contemplated by the proponents of this bill).

To avoid unintended consequences to CPAs and their firms, the law should be clear and specific, and not left up to the discretion of the Board of Public Accountancy.



KOBAYASHI, DOI & LUM CPAs LLC



220 South King Street, Suite 1700 • Honolulu, Hawaii 96813 • Tel (808) 521-3962 • Fax (808) 531-3217
410 Kilani Avenue, Suite 202 • Wahiawa, Hawaii 96786 • Tel (808) 622-4188 • Fax (808) 621-2438

Furthermore, the law should be applied uniformly to all those practicing public accounting in Hawaii. For these reasons, I urge you to oppose HB2257. Thank you for this opportunity to testify.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Alan Kobayashi'.

Alan Kobayashi
Managing Member
Kobayashi Doi and Lum CPAs LLC

FAYE M. MURAYAMA, CPA, INC.

**Before the Committee on Consumer Protection
And Commerce**

**Monday, February 4, 2008 at 2:00 p.m.
Conference Room 325**

**Re: Opposition to HB2257
Relating to Public Accountancy**

Testimony of Faye M. Murayama, CPA

Chair Herkes, Vice-chair McKelvey, and committee members:

I oppose the mandatory peer review requirement of HB2257. Presently, peer review is voluntary and educational, and appears to be accomplishing its intended purpose. If peer review becomes mandatory and regulatory, a CPA can lose his/her permit to practice. Mandatory peer review would apply to those performing "attest" work, i.e., compilations, reviews, audits, and attestation engagements.


HB2257 delegates to the Board of Public Accountancy the authority to establish rules regarding mandatory peer review, while exempting the Honolulu offices and Hawaii work of the large international and out-of-state firms from peer review. This exemption is unfair as it only places the permits for local CPAs at risk and imposes a monetary burden only on local CPA firms, many of whom are already voluntarily being peer reviewed.

In order to have mandatory peer review for firms, firms must be defined and issued permits-to-practice as required under the Hawaii Revised Statutes. The Board has failed to issue firm permits (for years) because of a lack of forms and rules, and so requiring mandatory peer review for firms is premature at this time.

Too many questions remain unanswered regarding mandatory peer review, such as the additional cost that CPA practitioners would incur, who is to administer the program, whether due process concerns will be addressed, and whether membership in certain CPA organizations would become mandatory (which is objectionable, but is currently contemplated by the proponents of this bill).

To avoid unintended consequences to CPAs and their firms, the law should be clear and specific, and not left up to the discretion of the Board of Public Accountancy. Furthermore, the law should be applied uniformly to all those practicing public accounting in Hawaii. For these reasons, I urge you to oppose HB2257. Thank you for this opportunity to testify.

Respectfully submitted,



Faye M. Murayama, CPA



HAWAII ASSOCIATION OF PUBLIC ACCOUNTANTS

Organized August 7, 1943
P.O. BOX 61043
HONOLULU, HAWAII 96839



**Before the Committee on Consumer Protection
And Commerce**

Monday, February 4, 2008 at 2:00 p.m.
Conference Room 325

Re: Opposition to HB2257
Relating to Public Accountancy

Testimony of Gregg M. Taketa

Chair Herkes, Vice-chair McKelvey, and committee members:

I am a practicing Certified Public Accountant in Hilo and the State President of the Hawaii Association of Public Accountants. **I oppose HB2257.**

Proponents believe that mandatory peer review is needed to detect sub-standard work performed by Certified Public Accountants. However, I believe that peer review will not be effective in accomplishing this goal.

Peer review is retrospective as it is performed every three years with a review of a sample of work performed for the immediate past year. Therefore, efforts to detect sub-standard work through peer reviews may not be timely. Alternatively, the Regulated Industry Complaints Office is available to investigate public complaints about sub-standard work by CPAs. If the Legislature is concerned about improving the detection of deficient work by CPAs, it should increase resources allocated to RICO.

In my opinion, there are more effective, pro-active ways to reduce sub-standard work such as strengthening the experience and continuing educational requirements for CPAs.

In addition, HB2257 should not be passed because it lacks critical details that need to be addressed before a mandatory peer review program can be implemented. Some of the critical details that should be addressed include the following:

1. The law must have a system of due process including a method for appeals.
2. Who will be subject to the mandatory peer review?
3. What are the punitive consequences for failing a peer review?

4. Who will be administering the peer review program? If it is the HSCPA, will membership in HSCPA and the AICPA be mandatory?
5. What are the costs for administering a mandatory peer review?
6. Peer reviews are conducted at the firm level. Permits to practice are issued to individuals. How will the two be connected?

I am also opposed to HB2257 if it will delegate to the Board of Public Accountancy the authority to establish rules regarding mandatory peer review. Past experience with the Board of Public Accountancy has included its failure to implement forms and rules to enforce the firm licensing requirement in HRS Sec. 466-7.

HB2257 will exempt the Honolulu offices and Hawaii work of the large international and out-of-state firms from peer review. This exemption is unfair as it only places the burden on local CPAs to obtain a peer review in order to renew their permit to practice.

Presently, the objective of the peer review program is to monitor the adequacy and level of compliance of an accounting firm's quality control system. The present peer review program is voluntary and educational, and appears to be accomplishing its intended purpose. If peer review becomes mandatory and regulatory, the relationship between CPA firm and reviewer will be more adversarial which would diminish the educational benefits of such a program.

Too many questions remain unanswered regarding mandatory peer review, as listed above. To avoid unintended consequences to CPAs and their firms, the law should be clear and specific, and not left up to the discretion of the Board of Public Accountancy. Furthermore, the law should be applied uniformly to all those practicing public accounting in Hawaii. For these reasons, I urge you to oppose HB2257. Thank you for this opportunity to testify.

Respectfully submitted,



Gregg M. Taketa, CPA
State President
Hawaii Association of Public Accountants

HERBERT M NAKAYAMA
CERTIFIED PUBLIC ACCOUNTANT
1216 KINOOLE STREET
HILO, HAWAII 96720-4134
TEL: (808) 935-3734 FAX: (808) 961-6363

Before the Committee on Consumer Protection And Commerce

Monday, February 4, 2008 at 2:00 p.m.

Conference Room 325

Re: Opposition to HB2257

Relating to Public Accountancy

Testimony of Herbert M Nakayama

Chair Herkes, Vice-chair McKelvey, and committee members:

I oppose the mandatory peer review requirement of HB2257. Presently, peer review is voluntary and educational, and appears to be accomplishing its intended purpose. If peer review becomes mandatory and regulatory, a CPA can lose his/her permit to practice. Mandatory peer review would apply to those performing "attest" work, i.e., compilations, reviews, audits, and attestation engagements.

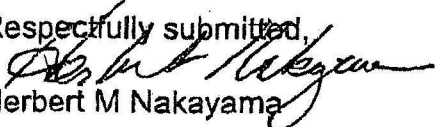
HB2257 delegates to the Board of Public Accountancy the authority to establish rules regarding mandatory peer review, while exempting the Honolulu offices and Hawaii work of the large international and out-of-state firms from peer review. This exemption is unfair as it only places the permits for local CPAs at risk and imposes a monetary burden only on local CPA firms, many of whom are already voluntarily being peer reviewed.

In order to have mandatory peer review for firms, firms must be defined and issued permits-to-practice as required under the Hawaii Revised Statutes. The Board has failed to issue firm permits (for years) because of a lack of forms and rules, and so requiring mandatory peer review for firms is premature at this time.

Too many questions remain unanswered regarding mandatory peer review, such as the additional cost that CPA practitioners would incur, who is to administer the program, whether due process concerns will be addressed, and whether membership in certain CPA organizations would become mandatory (which is objectionable, but is currently contemplated by the proponents of this bill).

To avoid unintended consequences to CPAs and their firms, the law should be clear and specific, and not left up to the discretion of the Board of Public Accountancy. Furthermore, the law should be applied uniformly to all those practicing public accounting in Hawaii. For these reasons, I urge you to oppose HB2257. Thank you for this opportunity to testify.

Respectfully submitted,


Herbert M Nakayama

**Royle Taogoshi
2150 Lower Kula Rd.
Kula, HI 96790
(808) 280-8591**

**Before the Committee on Consumer Protection
And Commerce**

**Monday, February 4, 2008 at 2:00 p.m.
Conference Room 325**

**Re: Opposition to HB2257
Relating to Public Accountancy**

Testimony of Royle Taogoshi

Chair Herkes, Vice-chair McKelvey, and committee members:

I oppose the mandatory peer review requirement of HB2257. Presently, peer review is voluntary and educational, and appears to be accomplishing its intended purpose. If peer review becomes mandatory and regulatory, a CPA can lose his/her permit to practice. Mandatory peer review would apply to those performing "attest" work, i.e., compilations, reviews, audits, and attestation engagements.

HB2257 delegates to the Board of Public Accountancy the authority to establish rules regarding mandatory peer review, while exempting the Honolulu offices and Hawaii work of the large international and out-of-state firms from peer review. This exemption is unfair as it only places the permits for local CPAs at risk and imposes a monetary burden only on local CPA firms, many of whom are already voluntarily being peer reviewed.

In order to have mandatory peer review for firms, firms must be defined and issued permits-to-practice as required under the Hawaii Revised Statutes. The Board has failed to issue firm permits (for years) because of a lack of forms and rules, and so requiring mandatory peer review for firms is premature at this time.

Too many questions remain unanswered regarding mandatory peer review, such as the additional cost that CPA practitioners would incur, who is to administer the program, whether due process concerns will be addressed, and whether membership in certain CPA organizations would become mandatory (which is objectionable, but is currently contemplated by the proponents of this bill).

To avoid unintended consequences to CPAs and their firms, the law should be clear and specific, and not left up to the discretion of the Board of Public Accountancy. Furthermore, the law should be applied uniformly to all those practicing public accounting in Hawaii. For these reasons, I urge you to oppose HB2257. Thank you for this opportunity to testify.

Respectfully submitted,

Royle Taogoshi



HAWAII ASSOCIATION OF PUBLIC ACCOUNTANTS

Organized August 7, 1943
P.O. BOX 61043
HONOLULU, HAWAII 96839



Before the Committee on Consumer Protection and Commerce

Monday, February 4, 2008 at 2:00 p.m.
Conference Room 325

Re: Opposition to HB2257

Relating to Public Accountancy

Testimony of Marilyn M. Niwao, J.D., CPA

Chair Herkes, Vice-chair McKelvey, and committee members:

HAPA opposes HB2257. I am a CPA and attorney in the State of Hawaii, and I am a past president, current State director, and legislative co-chairperson of the Hawaii Association of Public Accountants (HAPA). I have over 29 years of experience in public accounting, working first for two of the international accounting firms before starting my firm of Niwao & Roberts, CPAs, a P.C. on Maui. Some of the reasons HAPA opposes HB2257 are stated below.

Presently, peer review is voluntary and meant to be educational for CPA firms, and it appears to be accomplishing its intended purpose. HB2257 takes a voluntary program and makes it mandatory by requiring both individuals and firms to have completed an approved peer review program in order to renew a permit to practice. If peer review becomes mandatory and regulatory, a CPA can lose his/her permit to practice. Mandatory peer review would apply to those performing "attest" work, i.e., compilations, reviews, audits, and attestation engagements.

HB2257 delegates to the Board of Public Accountancy the authority to establish rules regarding mandatory peer review, while exempting the Honolulu offices and Hawaii work of the large international and out-of-state firms from peer review. This exemption is unfair as it only places the permits for local CPAs and local CPA firms at risk. It also imposes an additional monetary burden only on local CPA firms, many of whom are already voluntarily being peer reviewed since it is a requirement for membership in the AICPA.

What are the costs for peer review? The peer review that my own small CPA firm undergoes on a voluntary basis every three years costs several thousand dollars for an outside peer reviewer. This does not include our time costs spent preparing for the peer review and going through the peer review process. In addition, it is HAPA's understanding that there could be additional fees imposed by the State of Hawaii to administer the program.

Is peer review effective? Peer review does not appear to stop audit or engagement failures. For example, Arthur Andersen (Enron) was peer reviewed. If higher quality services is desired, wouldn't additional continuing professional education be a more cost-effective way to achieve this rather than requiring a quality control system checker (which is essentially what a peer reviewer is)?

In order to have mandatory peer review for firms, firms must also be defined and issued permits-to-practice as required under the Hawaii Revised Statutes. The Board of Public Accountancy has failed to issue firm permits (for years) because of a lack of forms and rules, and so requiring mandatory peer review for firms is premature at this time. Why impose a condition to issuance of CPA firm permits that are currently not being issued? This adds insult to injury.

Currently there is only one peer review program in Hawaii, and that peer review program requires membership in the HSCPA and AICPA, two private accounting organizations. The proponents of this bill (HSCPA) envision that all CPAs who are subject to mandatory peer review will be required to become members of its organization and the AICPA. Why should the State of Hawaii require membership in private accounting organizations in order for an individual or firm to practice public accountancy in this state?

Too many questions remain unanswered regarding mandatory peer review, such as the additional cost that CPA practitioners would incur, who is to administer the program, whether due process concerns will be addressed, and whether membership in certain CPA organizations would become mandatory.

To avoid unintended consequences to CPAs and their firms, the law should be clear and specific, and not left up to the discretion of the Board of Public Accountancy. Furthermore, the law should be applied uniformly to all those practicing public accounting in Hawaii. For these reasons, HAPA urges you to oppose HB2257.

Thank you for this opportunity to testify. If you have any questions concerning the above, please do not hesitate to contact me at (808) 242-4600, ext. 224.

Respectfully submitted,



Marilyn M. Niwao, J.D., CPA
HAPA State Director and Legislative Committee Co-chairperson