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# A BILL FOR AN ACT

RELATING TO PUBLIC ACCOUNTANCY.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. Chapter 466, Hawaii Revised Statutes, is  
2 amended by adding a new part to be appropriately designated and  
3 to read as follows:

4                               **"PART       .   PEER REVIEW PROCESS**

5           **§466-A Definitions.** As used in this part, unless the  
6 context clearly indicates otherwise:

7           "Rating" means the type of report issued following a peer  
8 review. Rating shall be "pass", "pass with deficiency", or  
9 "fail".

10          "Sponsoring organization" means a third-party entity that  
11 meets the standards specified by this part for administering a  
12 peer review.

13           **§466-B Establishment of peer review process;**

14 **confidentiality.** (a) There is established a peer review  
15 process to review the attest work of firms. The peer review  
16 process shall be for educational or remedial and not punitive  
17 purposes.



1 (b) The peer review process shall keep confidential the  
2 identity of any person or firm for whom attest work has been  
3 performed by the firm under review.

4 (c) Neither the proceedings nor the records of any peer  
5 review process shall be subject to discovery. No person  
6 involved in the peer review process shall be required to testify  
7 on that process; provided that statements made by any person in  
8 connection with the peer review process who is a party to an  
9 action or proceeding, the subject matter of which was reviewed  
10 in that process, shall be subject to discovery.

11 (d) This part shall not be construed to require any firm  
12 to become a member of any sponsoring organization.

13 **§466-C Standards for peer reviews and sponsoring**  
14 **organizations.** (a) Except as otherwise provided by section  
15 466-F, the board shall adopt the Standards for Performing and  
16 Reporting on Peer Reviews and any applicable ethical  
17 requirements adopted by the American Institute of Certified  
18 Public Accountants and the public company accounting oversight  
19 board firm inspection standards for public company audit firms  
20 required under the Sarbanes-Oxley Act of 2002, as amended, as  
21 its minimum standards for peer reviews.



1 (b) Subject to sections 466-J and 466-K, qualified  
2 sponsoring organizations shall be the American Institute of  
3 Certified Public Accountants peer review program, the Hawaii  
4 Society of Certified Public Accountants peer review program,  
5 state certified public accountant societies fully involved in  
6 the administration of the American Institute of Certified Public  
7 Accountants peer review program, the public company accounting  
8 oversight board, the board, and other entities that are approved  
9 by the board.

10 **§466-D Enrollment and participation.** (a) Every firm,  
11 including the Hawaii offices and Hawaii engagements of foreign  
12 or multistate firms, that is required to obtain a firm permit to  
13 practice pursuant to section 466-7 shall undergo a peer review  
14 every three years. The firm's Hawaii offices, if any, and  
15 Hawaii attest engagements shall be included in the scope of the  
16 peer review performed in accordance with the American Institute  
17 of Certified Public Accountants Standards for Performing and  
18 Reporting on Peer Reviews.

19 (b) All firms subject to this part and performing Hawaii  
20 attest work as of December 31, 2014, shall enroll in the  
21 applicable program of an approved sponsoring organization by



1 December 31, 2015, notify the board of enrollment in that  
2 program, and have a peer review performed by December 31, 2017.

3 (c) Any firm that begins performing Hawaii attest work  
4 after December 31, 2014, shall:

5 (1) Notify the board within thirty days of the beginning  
6 of the performance of attest work;

7 (2) Enroll in the applicable programs of an approved  
8 sponsoring organization within one year from its  
9 initial licensing date or the performance of Hawaii  
10 attest work that requires a peer review;

11 (3) Provide the board with enrollment information within  
12 one year of the date the Hawaii attest work was first  
13 performed;

14 (4) Have a peer review performed within eighteen months of  
15 the date the Hawaii attest work was first performed;

16 (5) Adopt the peer review due date assigned by the  
17 sponsoring organization and notify the board of the  
18 peer review due date within thirty days of its  
19 assignment; and

20 (6) Schedule and begin an additional review within three  
21 years of the previous review's due date, or earlier if  
22 required by the sponsoring organization or the board;



1 provided that the firm shall be responsible for  
2 anticipating its needs for peer review services in  
3 sufficient time to enable the reviewer to complete the  
4 review by the assigned review due date.

5 (d) A firm that does not perform Hawaii attest work shall  
6 be exempt from the peer review process.

7 (e) If a firm is merged, combined, dissolved, or  
8 separated, the sponsoring organization shall determine which  
9 resultant firm shall be considered the succeeding firm. The  
10 succeeding firm shall retain its peer review status and the  
11 review due date.

12 (f) The board shall accept extensions granted by the  
13 sponsoring organization to complete a peer review; provided that  
14 the board is notified by the firm within twenty days of the date  
15 that an extension is granted. The board may also grant a firm  
16 an extension of time to comply with the peer review requirement  
17 of this part based on a showing of hardship, including reasons  
18 of health, military service, or other good cause as determined  
19 by the board.

20 (g) A firm that has been rejected by a sponsoring  
21 organization for any reason shall make a request in writing to



1 the board for authorization to enroll in a program of another  
2 sponsoring organization.

3 (h) A firm that chooses to enroll in a program of another  
4 sponsoring organization pursuant to subsection (g) may do so;  
5 provided that the firm authorizes the previous sponsoring  
6 organization to communicate to the succeeding sponsoring  
7 organization any outstanding corrective actions related to the  
8 firm's most recent peer review. Any outstanding corrective  
9 actions shall be cleared and outstanding fees paid prior to the  
10 transfer between sponsoring organizations.

11 (i) An out-of-state firm performing Hawaii attest work  
12 shall comply with this part.

13 (j) If a firm is subject to inspections pursuant to the  
14 Sarbanes-Oxley Act of 2002, as amended, and also performs Hawaii  
15 attest work not subject to those inspections, the firm shall  
16 enroll in a peer review program for review of its non-public  
17 company Hawaii attest work in addition to the firm inspection  
18 program required by the public company accounting oversight  
19 board.

20 **§466-E Peer review compliance reporting form.** (a) Upon  
21 the completion of a peer review, each reviewed firm shall submit  
22 a peer review compliance reporting form to the board pursuant to



1 section 466-H. The peer review compliance reporting form shall  
2 include the following:

- 3 (1) The name of the firm conducting the peer review;
- 4 (2) The name of the approved sponsoring organization;
- 5 (3) Except for public company accounting oversight board  
6 inspections, the name of the team captain or peer  
7 reviewer or reviewers, who shall not be affiliated  
8 with the firm being reviewed;
- 9 (4) The rating issued to the firm as a result of the  
10 review, which shall be clearly indicated in the review  
11 report;
- 12 (5) The date of completion of the firm review; and
- 13 (6) A representation that the peer review or the  
14 inspection by the public company accounting oversight  
15 board firm inspection program includes the firm's  
16 Hawaii attest engagements within the scope of the  
17 review or the inspection.

18 (b) A firm shall include, with the peer review compliance  
19 reporting form, the contemporaneous Hawaii supplement to the  
20 peer review report pursuant to section 466-F, if:



- 1 (1) A peer review report from an approved sponsoring  
2 organization does not include the selection of a  
3 Hawaii office or Hawaii attest engagement;
- 4 (2) The peer reviewer does not hold permits to practice  
5 public accountancy under section 466-7, and is  
6 required to have permits to practice under section  
7 466-7, except inspectors for the public company  
8 accounting oversight board; or
- 9 (3) The final report resulting from any inspection by the  
10 public company accounting oversight board firm  
11 inspection program does not include the firm's Hawaii  
12 offices, if any, and Hawaii attest engagements in the  
13 scope of the inspection, and the firm is not required  
14 to enroll in another peer review program under section  
15 466-D.

16 **§466-F Hawaii supplement to the peer review report. (a)**

17 A firm required to undergo a peer review under this chapter  
18 shall engage the services of a practitioner or firm holding a  
19 permit issued under section 466-7 to perform the following  
20 procedures to supplement the peer review report:

- 21 (1) Obtain from the reviewed firm a list of Hawaii attest  
22 engagements included in the scope of the peer review,





1 in accordance with the American Institute of Certified  
2 Public Accountants Standards for Performing and  
3 Reporting on Peer Reviews;

4 (2) Select engagements from the list of engagements  
5 obtained from the reviewed firm;

6 (3) Obtain from the reviewed firm, the reports, financial  
7 statements, work papers, and work product resulting  
8 from the attest engagements selected;

9 (4) Read and compare the reports, work papers, and work  
10 product to an appropriate disclosure checklist to  
11 evaluate the firm's compliance with professional  
12 standards; and

13 (5) Document all instances of noncompliance with  
14 professional standards detected while performing the  
15 procedures listed in this section.

16 (b) The procedures required by this section shall be  
17 performed in accordance with AT section 201 of the Statements on  
18 Standards for Attestation Engagements adopted by the American  
19 Institute of Certified Public Accountants.

20 (c) The Hawaii supplement to the peer review report to the  
21 firm and to the board shall state, at a minimum, the following:

22 (1) Name of firm;

- 1           (2) Date the Hawaii supplement to the peer review report
- 2           was completed;
- 3           (3) Period that was reviewed;
- 4           (4) Any Hawaii office or offices selected;
- 5           (5) Number and type of Hawaii engagements reviewed;
- 6           (6) Any limitations that may have been imposed upon the
- 7           peer reviewer in complying with the subsection (a),
- 8           including the selection of Hawaii engagements and peer
- 9           review standards by the peer reviewer; provided that
- 10          the acceptability of the limitations shall be subject
- 11          to board approval; and
- 12          (7) The procedures performed and any instances of
- 13          noncompliance with professional standards found.
- 14          (d) The practitioner or firm selected to perform the
- 15          procedures required by this section shall:
- 16           (1) Hold a permit to practice under section 466-7;
- 17           (2) Not be affiliated with the firm being reviewed; and
- 18           (3) Be recognized as a qualified peer reviewer by a
- 19           sponsoring organization.

20           **§466-G Retention of documents.** (a) Each reviewer shall

21 maintain all documentation necessary to establish that each

22 review conforms to the review standards of the relevant review



1 program, including the review working papers, copies of the  
2 review report, and any correspondence indicating the firm's  
3 concurrence and non-concurrence, along with any proposed  
4 remedial actions and any related implementation.

5 (b) The documents described in subsection (a) shall be  
6 retained by the reviewer for a period of time corresponding to  
7 the retention period of the sponsoring organization, and upon  
8 request of the board, shall be made available to the board;  
9 provided that the document shall be retained for at least one  
10 hundred twenty days after the date of completion of the review  
11 by the sponsoring organization.

12 **§466-H Reporting to the board.** (a) A firm shall submit  
13 to the board:

14 (1) A copy of the peer review report and the final letter  
15 of acceptance from the sponsoring organization, if the  
16 report has a rating of "pass";

17 (2) A copy of the peer review report, the firm's letter of  
18 response, the corrective action letter, and the final  
19 letter of acceptance if the report has a rating of  
20 "pass with deficiency" or "fail"; or

21 (3) A copy of any report or Part I and any other public  
22 portion of the report resulting from any inspection by



1 the public company accounting oversight board firm  
2 inspection program together with documentation of any  
3 significant deficiencies, findings, and the firm's  
4 response.

5 (b) For peer reviews scheduled after December 31, 2014,  
6 any report or document required to be submitted under subsection

7 (a) shall be filed with the board as follows:

8 (1) Firms enrolled in the American Institute of Certified  
9 Public Accountants and Hawaii Society of Certified  
10 Public Accountants peer review programs and  
11 administered by the Hawaii Society of Certified Public  
12 Accountants, within ten days of receipt of the notice  
13 of completion from the Hawaii Society of Certified  
14 Public Accountants, shall complete the peer review  
15 compliance reporting form under section 466-E and  
16 submit the form to the board along with the required  
17 documents;

18 (2) Firms otherwise enrolled in the American Institute of  
19 Certified Public Accountants peer review program,  
20 including those whose peer reviews are administered by  
21 the National Peer Review Committee, within ten days of  
22 receipt of the notice of completion from the



1 sponsoring organization, shall complete the peer  
2 review compliance reporting form under section 466-E  
3 and submit the form to the board along with the  
4 required documents;

5 (3) Firms enrolled in the public company accounting  
6 oversight board inspection program shall, within ten  
7 days of receipt of the issuance of the Part I report  
8 from the public company accounting oversight board,  
9 complete the peer review compliance reporting form  
10 required by section 466-E and submit the form to the  
11 board along with the required documents; and

12 (4) Firms enrolled in any other firm review program  
13 approved by this part shall submit the report  
14 generated by that review process and all associated  
15 documentation to the board in a form acceptable to the  
16 board.

17 (c) Any report or document submitted to the board under  
18 this section, including the board's peer review compliance  
19 reporting form, shall be confidential.

20 **§466-I Appeals.** (a) A firm shall have ten days after the  
21 filing of the peer review compliance reporting form to appeal a



1 "pass with deficiency" or a "fail" rating that may result in the  
2 denial, termination, or nonrenewal of a permit to practice.

3 (b) A firm may also appeal the findings or conclusions of  
4 any peer review process under this part that results in the  
5 denial, termination, or nonrenewal of a permit to practice.

6 (c) The appeal process under this section shall include  
7 the postponement of any adverse action during the pendency of  
8 the appeal.

9 **§466-J Procedures for sponsoring organization.** (a) To  
10 qualify as a sponsoring organization, a third-party entity shall  
11 submit a peer review administration plan to the board for review  
12 and approval. The peer review administration plan shall:

13 (1) Establish a peer review report committee and any  
14 necessary subcommittees and provide professional staff  
15 as needed for the operation of the peer review  
16 program;

17 (2) Establish a program to communicate to firms  
18 participating in the peer review program the latest  
19 developments in peer review standards and the most  
20 common findings in the peer reviews conducted by the  
21 sponsoring organization;



- 1 (3) Establish procedures for resolving any disagreement  
2 that may arise out of the performance of a peer  
3 review;
- 4 (4) Establish procedures to resolve matters that may lead  
5 to the dismissal of a firm from the peer review  
6 program;
- 7 (5) Establish procedures to evaluate and document the  
8 performance of each peer reviewer, including  
9 procedures related to the disqualification of a  
10 reviewer who does not meet the American Institute of  
11 Certified Public Accountants standards;
- 12 (6) Require the maintenance of records of peer reviews  
13 conducted under the program in accordance with the  
14 records retention rules of the American Institute of  
15 Certified Public Accountants and this part; and
- 16 (7) Provide for periodic reports to the board on the  
17 results of the peer review program; provided that  
18 reports submitted to the board shall not contain  
19 information concerning specific firms or peer  
20 reviewers.
- 21 (b) A sponsoring organization:
- 22 (1) Shall be subject to review and oversight by the board;



1 (2) Shall not require firms or the firms' owners or  
2 employees to become members of the sponsoring  
3 organization to participate in a peer review; and

4 (3) Shall charge the same rate for peer review services to  
5 members and nonmembers.

6 (c) The public company accounting oversight board shall be  
7 exempt from the requirements of this section.

8 **§466-K Oversight of sponsoring organizations.** (a) The  
9 board shall retain oversight of sponsoring organizations through  
10 the peer review oversight committee described in section 466-L.

11 (b) The board shall periodically publish a list of  
12 sponsoring organizations that have been approved by the board.

13 **§466-L Peer review oversight committee.** (a) The board  
14 shall establish a peer review oversight committee for the  
15 purpose of:

16 (1) Monitoring sponsoring organizations to ensure that  
17 peer reviews are being conducted and reported in  
18 accordance with standards for performing and reporting  
19 on peer reviews adopted by the American Institute of  
20 Certified Public Accountants Peer Review Board;

21 (2) Reviewing the policies and procedures of sponsoring  
22 organization applicants as to their conformity with





1 the peer review standards of any applicable peer  
2 review organization and this part; and

3 (3) Reporting to the board on the conclusions and  
4 recommendations reached as a result of performing the  
5 functions in paragraphs (1) and (2).

6 (b) Except to the extent otherwise required under this  
7 section and section 466-K(b), information concerning a specific  
8 firm or reviewer obtained by the peer review oversight committee  
9 during oversight activities shall be confidential and shall not  
10 be subject to discovery, pursuant to section 466-B, and reports  
11 submitted to the board by the peer review oversight committee  
12 shall not contain information concerning specific firms or  
13 reviewers. Members of the peer review oversight committee shall  
14 be required to execute confidentiality statements for the  
15 sponsoring organization that they oversee.

16 (c) Effective January 1, 2013, the peer review oversight  
17 committee shall consist of three individuals who hold permits to  
18 practice under section 466-7. No member of the peer review  
19 oversight committee shall be a current member of the board, the  
20 Hawaii Society of Certified Public Accountants Peer Review or  
21 Professional Ethics Committees, or the American Institute of  
22 Certified Public Accountants Professional Ethics Executive



1 Committee. The members shall have significant experience with  
2 attest engagements and currently be in the practice of public  
3 accountancy at the partner or equivalent level. The member's  
4 firm shall have received a report with a rating of pass or an  
5 unmodified opinion from its last peer review.

6 (d) The peer review oversight committee shall make an  
7 annual recommendation to the board as to the qualifications of  
8 an approved sponsoring organization to continue as an approved  
9 sponsoring organization on the basis of the results of the  
10 following procedures:

11 (1) Where the sponsoring organization is:

- 12 (A) The American Institute of Certified Public  
13 Accountants;
- 14 (B) A state certified public accountant society,  
15 including the Hawaii Society of Certified Public  
16 Accountants, fully involved in administering the  
17 American Institute of Certified Public  
18 Accountants peer review program; or
- 19 (C) The public company accounting oversight board,  
20 the peer review oversight committee shall review  
21 the published reports of the entity or the



1                   entity's successor to determine whether there is  
2                   an acceptable level of oversight; and

3           (2) Where the sponsoring organization is other than any  
4           organization listed in paragraph (1), the peer review  
5           oversight committee shall perform the following  
6           functions:

7           (A) At least one member of the peer review oversight  
8           committee shall attend at least one meeting of  
9           the sponsoring organization's peer review  
10           committee; and

11           (B) During these visits, the peer review oversight  
12           committee members shall:

13           (i) Meet with the organization's peer review  
14           committee during the committee's  
15           consideration of peer review documents;

16           (ii) Evaluate the organization's procedures for  
17           administering the peer review program;

18           (iii) Examine, on the basis of a random selection,  
19           a number of reviews performed by the  
20           organization to include, at a minimum, a  
21           review of the report on the peer review, the  
22           firm's response to the matters discussed,



1 the sponsoring organization's letter of  
2 acceptance outlining any additional  
3 corrective or monitoring procedures, and the  
4 required technical documentation maintained  
5 by the sponsoring organization on the  
6 selected reviews; and

7 (iv) Expand the examination of peer review  
8 documents if significant deficiencies,  
9 problems, or inconsistencies are encountered  
10 during the analysis of the materials.

11 (e) In the evaluation of policies and procedures of  
12 sponsoring organization applicants, the peer review oversight  
13 committee shall:

14 (1) Examine the policies as drafted by the applicant to  
15 determine whether the policies provide reasonable  
16 assurance of conforming to the standards for peer  
17 reviews;

18 (2) Evaluate the procedures proposed by the applicant to  
19 determine whether:

20 (A) Assigned reviewers are appropriately qualified to  
21 perform the review for the specific firm;



- 1 (B) Reviewers are provided with appropriate  
2 materials;
- 3 (C) The applicant has provided for consultation with  
4 the reviewers on problems arising during the  
5 review and that specified occurrences requiring  
6 consultation are outlined;
- 7 (D) The applicant has provided for the assessment of  
8 the results of the review; and
- 9 (E) The applicant has provided for an independent  
10 report acceptance body that considers and accepts  
11 the reports of the review and requires corrective  
12 actions by firms with significant deficiencies;  
13 and
- 14 (3) Make recommendations to the board as to approval of  
15 the applicant as a sponsoring organization.
- 16 (f) Annually, the peer review oversight committee shall  
17 provide the board with a report on the continued reliability of  
18 sponsoring organizations' peer reviews. The peer review  
19 oversight committee report shall provide reasonable assurance  
20 that peer reviews are being conducted and reported on  
21 consistently and in accordance with the Standards for Performing  
22 and Reporting on Peer Review adopted by the American Institute



1 of Certified Public Accountants. A summary of oversight visits  
2 shall be included with the annual report.

3 **§466-M Oversight of peer reviewers for a Hawaii**

4 **supplemental peer review.** (a) A peer reviewer for a Hawaii  
5 supplement to the peer review report under section 466-F shall  
6 be a person who:

7 (1) Holds a permit to practice public accountancy under  
8 section 466-7; and

9 (2) Is not affiliated with the firm being reviewed.

10 (b) The board shall retain oversight of the peer reviewers  
11 for a Hawaii supplement to the peer review report by monitoring  
12 the peer reviewers to ensure that the peer reviewers are in  
13 compliance with subsection (a) and that peer reviews are  
14 conducted in accordance with the standards established under  
15 section 466-F.

16 (c) Information concerning any peer reviewer that is  
17 obtained during the board's peer review oversight activities  
18 shall be confidential as required by section 466-B.

19 (d) The board shall annually assess the qualifications of  
20 all peer reviewers for a Hawaii supplement to the peer review  
21 report based on a random selection of each reviewer's published  
22 Hawaii supplement to the peer review reports and shall determine



1 whether the published reports comply with subsection (b). The  
2 board may suspend a person from being a peer reviewer for a  
3 Hawaii supplement to the peer review report for a period not to  
4 exceed one year for failure to comply with subsection (b).

5 (e) A peer reviewer suspended under subsection (d) may  
6 appeal the suspension to the board at a public hearing that  
7 shall be an action or proceeding subject to discovery under the  
8 provisions of section 466-B(c)."

9 SECTION 2. Chapter 466, Hawaii Revised Statutes, is  
10 amended by designating sections 466-1 through 466-17 as part I  
11 and inserting a title before section 466-1 to read as follows:

12 **"PART I. GENERAL PROVISIONS"**

13 SECTION 3. Act 66, Session Laws of Hawaii 2010, is amended  
14 as follows:

15 1. By amending section 3 to read:

16 "SECTION 3. Section 466-7, Hawaii Revised Statutes, is  
17 amended by amending subsection (b) to read as follows:

18 "(b) An applicant for the initial issuance or renewal of a  
19 permit shall have:

20 (1) A valid license;

21 (2) Completed continuing professional education hours, the  
22 content of which shall be specified by the board which



1 may provide for special consideration by the board to  
2 applicants for permit renewal when, in the judgment of  
3 the board, full compliance with all requirements of  
4 continuing education cannot reasonably be met;

5 (3) Completed an application;

6 (4) Paid appropriate fees and assessments; and

7 (5) ~~[Undergone any applicable]~~ In the case of a renewal,  
8 undergone and provided proof of having undergone the  
9 peer review process [approved by the board of  
10 accountancy pursuant to section 466 13.] pursuant to  
11 part \_\_\_\_\_."

12 2. By amending section 9 to read:

13 "SECTION 9. This Act shall take effect upon its approval [~~7~~  
14 ~~provided that sections 2, 3, 4, and 5 shall take effect one year~~  
15 ~~after the board of public accountancy reports the adoption of~~  
16 ~~rules pursuant to section 7 of this Act]."~~

17 3. By repealing section 7.

18 [~~"SECTION 7. The board of public accountancy shall:~~

19 ~~(1) Adopt rules pursuant to section 466 13(d), Hawaii~~  
20 ~~Revised Statutes, in section 5 of this Act; and~~

21 ~~(2) Report the adoption of the rules under paragraph (1)~~  
22 ~~to the legislature immediately upon adoption of those~~





1 ~~rules by means of written notice to the speaker of the~~  
2 ~~house of representatives and the president of the~~  
3 ~~senate." ]~~

4 SECTION 4. Section 466-13, Hawaii Revised Statutes, is  
5 repealed.

6 [~~"§466-13 Peer review. (a) Every firm, including the~~  
7 ~~Hawaii offices and Hawaii engagements of foreign or multistate~~  
8 ~~firms, required to obtain a firm permit to practice pursuant to~~  
9 ~~section 466-7 shall undergo a peer review every three years on~~  
10 ~~the firm's Hawaii attest work and submit evidence of such peer~~  
11 ~~review at the time of the renewal of the firm's permit to~~  
12 ~~practice under section 466-7.~~

13 ~~(b) The board shall establish a peer review process to~~  
14 ~~review attest work of firms. The identity of the person or firm~~  
15 ~~for whom the professional work is done shall be preserved in~~  
16 ~~confidence. If the review discloses information that a firm has~~  
17 ~~not met the appropriate professional standards, the board may~~  
18 ~~require further investigation of the firm. The peer review~~  
19 ~~process required by this section shall be for educational or~~  
20 ~~remedial and not punitive purposes.~~

21 ~~(c) The board may authorize a third party entity to~~  
22 ~~administer the peer review required under subsection (a);~~



1 ~~provided that the entity shall not require firms or the firms'~~  
2 ~~owners or employees to become members of the entity to~~  
3 ~~participate in peer review and shall charge the same rate for~~  
4 ~~peer review services to both members and nonmembers. If the~~  
5 ~~board chooses to authorize a third party entity to administer~~  
6 ~~peer reviews, the third party shall be held to the highest~~  
7 ~~standards of professionalism, quality, and ethics.~~

8 ~~(d) The board shall adopt rules pursuant to chapter 91 to~~  
9 ~~establish requirements and procedures for the qualification of~~  
10 ~~entities to conduct peer reviews and for the performance of peer~~  
11 ~~reviews by these entities. The rules shall include:~~

12 ~~(1) A process for the conduct of peer review to be~~  
13 ~~followed by the board and by an authorized third party~~  
14 ~~entity;~~

15 ~~(2) Definitions, standards, and requirements for an~~  
16 ~~acceptable peer review;~~

17 ~~(3) Standards for certification and qualification of peer~~  
18 ~~reviewers;~~

19 ~~(4) A process for a firm to appeal the findings or~~  
20 ~~conclusions of any peer review process that results in~~  
21 ~~the denial, termination, or nonrenewal of a firm~~  
22 ~~permit pursuant to section 466 9; provided that the~~



1 ~~appeal process shall include the postponement of any~~  
 2 ~~adverse action during the pendency of the appeal; and~~  
 3 ~~(5) Provisions for the grant of an extension of time to a~~  
 4 ~~firm for compliance with the peer review requirement~~  
 5 ~~based on a showing of hardship including for reasons~~  
 6 ~~of health, military service, or other good cause as~~  
 7 ~~determined by the board.~~

8 ~~(e) Neither the proceedings nor the records of the peer~~  
 9 ~~review process shall be subject to discovery. Except as~~  
 10 ~~hereinafter provided, no person involved in the peer review~~  
 11 ~~process shall be required to testify on that process; provided~~  
 12 ~~that statements made by any person in connection with the peer~~  
 13 ~~review process who is a party to an action or proceeding the~~  
 14 ~~subject matter of which was reviewed in that process, shall be~~  
 15 ~~subject to discovery." ]~~

16 SECTION 5. In codifying the new sections added by section  
 17 1 of this Act, the revisor of statutes shall substitute  
 18 appropriate section numbers for the letters used in designating  
 19 the new sections in this Act.



1 SECTION 6. Statutory material to be repealed is bracketed  
2 and stricken. New statutory material is underscored.

3 SECTION 7. This Act shall take effect on July 1, 2012.



**Report Title:**

Public Accountancy; Peer Review; Attest

**Description:**

Establishes a peer review process for public accounting firms that engage in attest work. Effective July 1, 2012. (SB2421 HD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

