

Honolulu, Hawaii

March 2, 2012

RE: H.B. No. 2169
H.D. 2

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Sixth State Legislature
Regular Session of 2012
State of Hawaii

Sir:

Your Committee on Finance, to which was referred H.B. No. 2169, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO PUBLIC ACCOUNTANCY,"

begs leave to report as follows:

The purpose of this measure, as received by your Committee, is to protect shareholders, creditors, insurance companies, and banks and government agencies, among others, who rely on the attest work performed by certified public accounting firms. Specifically, this measure establishes a peer review process for public accountancy firms that engage in attest work.

For the purposes of a public hearing on this bill, your Committee circulated a Proposed H.B. No. 2169, H.D. 2 (Proposed Draft), and notified the public that it would be accepting testimony on the proposal, which among other things:

- (1) Establishes a peer review process for public accountancy firms that engage in attest work;
- (2) Requires peer reviews to be made in accordance with the American Institute of Certified Public Accountants Standards for Performing and Reporting on Peer Reviews, Public Company Accounting Oversight Board, and Statement on Standards for Attestation Agreements, among other specified standards;

HB2169 HD2 HSCR FIN HMS 2012-2547



- (3) Sets forth requirement for certified public accounting firms that do Hawaii attest work and are required to obtain permits to practice in Hawaii, that include enrolling with sponsoring organizations, participating in peer reviews, and compliance reporting;
- (4) Establishes a right to appeal matters, including a "pass with deficiency" or "fail" peer review rating, that may result in the denial, termination, or nonrenewal of a permit to practice;
- (5) Specifies procedures regarding the Hawaii supplement to the peer review report;
- (6) Establishes procedures for third-party entities to qualify as a sponsoring organization to administer the peer review, including the submission of a peer review administration plan to the Board of Public Accountancy;
- (7) Specifies the purpose, responsibilities, qualifications, membership, scope of confidentiality, and authority, among other things, of the Peer Review Oversight Committee monitoring sponsoring organizations; and
- (8) Authorizes the Board of Public Accountancy to suspend for up to a year a peer reviewer for the Hawaii supplement to the peer review report for specified causes.

The Board of Public Accountancy opposed the measure as received by your Committee and stated in its written testimony that it had not had an opportunity to review the Proposed Draft.

The Hawaii Society of Certified Public Accountants; Hawaii Association of Public Accountants; Wikoff Combs & Co., LLC; and several concerned individuals supported the Proposed Draft. A concerned individual opposed the Proposed Draft.

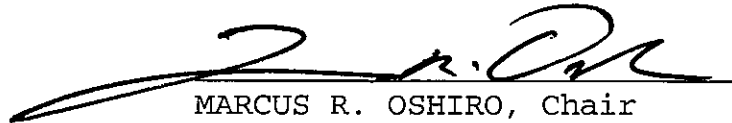
Your Committee considered the merits of both H.B. No. 2169, H.D. 1, as received by your Committee, and the proposed draft, and upon careful consideration, adopted the Proposed Draft with the following amendments:



- (1) Changing its effective date to July 1, 2012; and
- (2) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2169, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 2169, H.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Finance,


MARCUS R. OSHIRO, Chair



