

Honolulu, Hawaii

MAR 02 2012

RE: S.B. No. 2421
S.D. 1

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2012
State of Hawaii

Sir:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 2421 entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to establish a peer review process for public accounting firms that engage in attest work.

Your Committee received testimony in support of this measure from Niwao & Roberts, CPAs, and six individuals. Your Committee received testimony in opposition to this measure from the Board of Public Accountancy, Hawaii Society of Public Accountants Board of Directors, and four individuals.

Your Committee finds that the amendments proposed by this measure require all public accounting firms to undergo a peer review on the firm's attest work every three years.

Your Committee has heard the concerns that certain provisions of this measure may make it difficult for peer reviewers and public accounting firms to comply with the requirements of the measure and the American Institute of Certified Public Accountants standards for peer reviews. Your Committee has also heard the concerns that mandatory peer review enacted pursuant to Act 66, Session Laws of Hawaii 2010, has not been enforced because of a lack of administrative rules.



Your Committee acknowledges the efforts of the Investigative Committee on Peer Review to produce a draft of administrative rules. However, your Committee believes it is important for this measure to move forward so that discussions on the peer review process may continue.

Your Committee has amended this measure by:

- (1) Clarifying the requirements for a peer review compliance reporting form, including when a contemporaneous supplemental Hawaii peer review report must be included with the peer review compliance reporting form;
- (2) Clarifying procedures to supplement the peer review report;
- (3) Authorizing the Board of Public Accountancy to impose restrictions on attest work based on findings or conclusions of a firm's peer review;
- (4) Amending the process of appealing a rating on a peer review compliance reporting form that may result in a restriction on a firm's or an individual's ability to perform attest work;
- (5) Amending the Board of Public Accountancy's oversight of sponsoring organizations;
- (6) Requiring the Board of Public Accountancy to retain a peer review oversight committee and specifying the purpose, duties, and composition of the peer review oversight committee;
- (7) Amending the requirements for a peer reviewer for a Hawaii supplemental peer review;
- (8) Inserting an effective date of July 1, 2050, to allow for further discussion; and
- (9) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

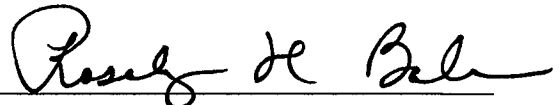
Your Committee notes that this amended measure represents a collaborative effort amongst several interested parties. Your



Committee encourages all interested stakeholders to work to ensure that progress on this measure continues.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2421, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2421, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Commerce and
Consumer Protection,




ROSALYN H. BAKER, Chair



The Senate
Twenty-Sixth Legislature
State of Hawai'i

Record of Votes
Committee on Commerce and Consumer Protection
CPN

Bill / Resolution No.:* SB 2421	Committee Referral: CPN	Date: 2-23-12		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	✓			
TANIGUCHI, Brian T. (VC)	✓			
GALUTERIA, Brickwood				✓
GREEN, M.D., Josh	✓			
NISHIHARA, Clarence K.	✓			
SOLOMON, Malama	✓			
SLOM, Sam				✓
TOTAL	5	0	0	2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes