

**PRESENTATION OF THE
BOARD OF PUBLIC ACCOUNTANCY**

TO THE HOUSE COMMITTEE ON FINANCE

TWENTY-SIXTH LEGISLATURE
REGULAR SESSION OF 2012

Wednesday, February 29, 2012
12:30 p.m.

**TESTIMONY ON HOUSE BILL NO. 2169, H.D. 1, RELATING TO PUBLIC
ACCOUNTANCY.**

TO THE HONORABLE MARCUS R. OSHIRO, CHAIR,
AND MEMBERS OF THE COMMITTEE:

My name is Thomas Ueno and I am the Chairperson of the Board of Public Accountancy ("Board"). Thank you for the opportunity to present testimony on behalf of the Board on House Bill No. 2169, H.D. 1, Relating to Public Accountancy.

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

Unfortunately, the Board's next meeting is scheduled for this Friday, March 2, 2012; therefore, the members have not had the opportunity to review the proposed H.D. 2 which is the subject of this hearing. I can only convey the Board's official position in opposition to House Bill No. 2169, as voted on at its February 3, 2012 meeting.

The primary reason for this opposition is that the Board believes the measure to be unnecessary because the administrative rules implementing Act 66, SLH 2010, have been drafted and are currently being exposed for comment. The Board will conduct a comprehensive discussion on these draft rules with all interested parties at this Friday's Board meeting, and anticipates that it will approve the rules to move forward through the

rulemaking process to public hearing. These draft rules provide workable regulations to implement the provisions of the existing statute and its unique requirement that Hawaii offices and Hawaii engagements be included in the firm peer review.

In addition, the Board has concerns that it appears to be required to directly monitor certain aspects of the peer review process that are typically the responsibilities of the administering entity or sponsoring organization of a peer review program. The Board is concerned that these requirements cannot be fulfilled with the limitations in financial and staffing resources under which the Board operates. Examples of these mandated duties include monitoring sponsoring organizations, acting as the report acceptance body, accessing the inspection reports from the Public Company Accounting Oversight Board, and overseeing the peer reviewers in determining their qualifications and approving their peer review procedures. The Board fully understands its role as the overall administrator and director of the peer review program, but believes that the aforementioned duties are clearly within the generally-accepted scope of the program's administering entity or sponsoring organization.

The Board will discuss the H. D. 2 at its upcoming meeting and remains willing to work with interested stakeholders to adopt an appropriate peer review process.

Thank you for the opportunity to testify on House Bill No. 2169, H.D.1. I will be available to answer any questions you may have.



H S C P A

Hawaii Society of
Certified Public Accountants

**BEFORE THE HOUSE COMMITTEE
ON FINANCE**

**Wednesday, February 29, 2012 at 12:30 p.m.
State Capitol, Conference Room 308**

In Support of House Bill 2169, Proposed HD2

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Chair Oshiro, Vice Chair Lee, and Members of the Committee:

My name is Wendell Lee and I am a past president of the Hawaii Society of Certified Public Accountants (HSCPA) and current member of its Board of Directors. On behalf of the HSCPA Board, we support House Bill 2169, HD2 Proposed, as a working document to achieve legislation that is implementable.

We ask for your support in passing this bill as we continue to work with the proponents on other minor modifications towards a final version.

Respectfully submitted,

Wendell Lee, CPA
On behalf of the HSCPA Board of Directors



Wikoff Combs & Co., LLC
Certified Public Accountants

Before the House Committee on Finance
Wednesday, February 29, 2012 at 12:30 p.m.
Conference Room 308
Re: Support for HB2169, HD2

Chair Marcus R. Oshiro, Vice Chair Marilyn B. Lee, and Committee Members:

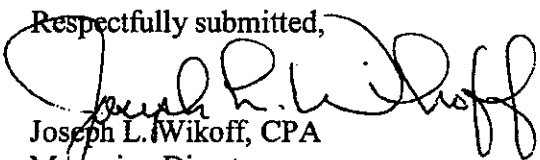
I am a CPA and Managing Director of Wikoff Combs & Co., LLC, a licensed CPA firm practicing public accounting on Oahu and the Island of Hawaii. My firm and I support HB2169, HD2 because it will help protect Hawaii's consumers as well as apply mandatory CPA firm peer review requirements fairly and equally to all firms that practice before the public in Hawaii, regardless of the size of the firm or where it is based.

This bill implements the mandatory peer review law that was passed two years ago. The 2010 peer review law was never implemented because the Board of Public Accountancy (Board) failed to pass administrative rules for the peer review law. The peer review law was to be implemented one year after the Board passed its rules. Instead, the Board spent much of its time in 2011 passing a rule that allows a CPA licensee without continuing professional education (except for ethics) to certify the professional experience of a new CPA candidate.

HB2169, HD2 provides that all firms, including the Hawaii offices and Hawaii engagements of foreign or multistate firms, shall undergo peer review every three years on the firm's Hawaii attest work. By subjecting the Hawaii work of out-of-state CPA firms to a peer review, the Hawaii consumer is further protected and the peer review process will be fairly and equitably applied to all CPAs that perform attest work in Hawaii.

Please support HB2169, HD2. Thank you for this opportunity to testify.

Respectfully submitted,


Joseph L. Wikoff, CPA
Managing Director

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**TESTIMONY BEFORE THE HOUSE COMMITTEE
ON FINANCE**

**Re: House Bill 2169, proposed H.D. 2
Wednesday, February 29, 2012 at 12:30 pm
State Capitol, Conference Room 308**

Chair Oshiro, Vice-Chair Lee, 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 the concept of peer review for CPAs, but I oppose the proposed HD 2 version of House Bill 2169.

The American Institute of Certified Public Accountants has established national standards and procedures for the peer review of CPA firms. Those standards are followed across the country. The standards and procedures are clear and well-defined.

HB 2169 attempts to impose requirements in Hawaii that are different from the established national standards. The proposed H.D. 2 is an improvement over the original version of the bill, but it still needs some work. In the currently-proposed HD 2 version, this bill would still create confusion, uncertainty, and additional burdens for some CPA firms.

The basic goal is to make sure that all CPA firms undergo a regular peer review. We can do that – and we should do that – by working together to come up with a better version of this bill.

Respectfully submitted,



Ronald I. Heller

Rodney M. Harano, CPA
700 Bishop Street, Suite 1040
Honolulu, Hawaii 96813

Before the House Committee on Finance

February 29, 2012
12:30 pm
Conference Room 308
State Capitol
415 South Beretania Street

In Support of HB 2169, Proposed HD2

Chair Oshiro, Vice Chair Lee, and Committee Members:

My name is Rodney Harano and I am a partner in the local firm, CW Associates, CPAs. I am an active peer reviewer since 1995 and chair the Hawaii Society of CPAs' Peer Review Committee. In addition, I had the honor and privilege to serve 6 years as a member of the national Peer Review Board of the American Institute of CPAs. This body issues standards and rules on performing and reporting on peer reviews administered by the American Institute of CPAs and over 46 administering entities across the nation. As an active Hawaii-based peer reviewer, I support House Bill 2169, Proposed HD 2.

Key members of the CPA community and accounting organizations have been collaboratively working on the mandatory peer review language to make it acceptable to and workable for all parties. HB 2169, Proposed HD2 is the result of that collaborative effort. Based on recent discussions with those same individuals, there is consensus with regard to the major components of this measure. However, there may be some minor wordsmithing. Your patience is much appreciated as we continue to collaboratively work on a final version that is acceptable to all parties.

Thank you for the opportunity to testify.

Rodney M. Harano, CPA

Gregg M. Taketa
101 Aupuni Street, Suite 139
Hilo, Hawaii 96720

**BEFORE THE HOUSE COMMITTEE
ON FINANCE**

**Wednesday, February 29, 2012 at 12:30 p.m.
State Capitol, Conference Room 308**

In Support of House Bill 2169, H.D. 2

Chair Oshiro, Vice Chair Lee, and committee members:

I respectfully ask that you vote YES on HB 2169, H.D. 2. I am a CPA and partner in the firm of Taketa, Iwata, Hara & Associates, LLC in Hilo. I am also the past president of the Hawaii Association of Public Accountants and a member of the American Institute of Certified Public Accountants (AICPA) and the Hawaii Society of Certified Public Accountants (HSCPA).

I support HB 2169, H.D. 2 because it establishes a peer review process for public accounting firms that perform attest work in Hawaii.

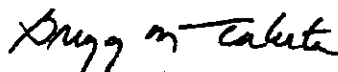
Act 66 was adopted during the 2010 Legislative Session; requiring peer reviews as a condition of certified public accountancy permits to practice for firms that perform attest work in Hawaii. Since that time, the Hawaii State Board of Public Accountancy has failed to adopt rules to establish the peer review process.

The peer review program's ultimate objective is the protection of the public such as shareholders, creditors, insurance companies, banks and government agencies, who rely on the attest work performed by certified public accounting firms.

HB 2169, H.D. 2 ensures that all public accounting firms that perform attest work in Hawaii will be treated equally and fairly under Chapter 466 of the Hawaii Revised Statutes.

I urge the committee to support HB 2169, H.D. 2. Thank you for this opportunity to testify.

Respectfully submitted,



Gregg M. Taketa, CPA

NATHAN A. COLGROVE
101 AUPUNI STREET, #139
HILO, HI 967270

Before the House Committee on Finance

Wednesday, February 29, 2012 at 12:30 p.m.

Conference Room 308

Re: Support for HB2169, HD2

Chair Marcus R. Oshiro, Vice Chair Marilyn B. Lee, and Committee Members:

I am an accountant and practice public accounting on the Big Island. I support HB2169, HD2 because it will help protect Hawaii's consumers as well as apply mandatory CPA firm peer review requirements fairly and equally to all firms that practice before the public in Hawaii, regardless of the size of the firm or where it is based.

This bill implements the mandatory peer review law that was passed two years ago. The 2010 peer review law was never implemented because the Board of Public Accountancy (Board) failed to pass administrative rules for the peer review law. The peer review law was to be implemented one year after the Board passed its rules. Instead, the Board spent much of its time in 2011 passing a rule that allows a CPA licensee without continuing professional education (except for ethics) to certify the professional experience of a new CPA candidate.

HB2169, HD2 provides that all firms, including the Hawaii offices and Hawaii engagements of foreign or multistate firms, shall undergo peer review every three years on the firm's Hawaii attest work. By subjecting the Hawaii work of out-of-state CPA firms to be peer reviewed, the Hawaii consumer is further protected and the peer review process would be fairly and equitably applied to all CPAs that perform attest work in Hawaii.

Please support HB2169, HD2. Thank you for this opportunity to testify.

Respectfully submitted,

Nathan A. Colgrove