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PRESENTATION OF  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS  
REGULATED INDUSTRIES COMPLAINTS OFFICE

TO THE HOUSE COMMITTEE ON  
JUDICIARY

TWENTY-SEVENTH STATE LEGISLATURE  
REGULAR SESSION, 2014

FRIDAY, JANUARY 31, 2014  
2:00 P.M.

TESTIMONY ON HOUSE BILL NO. 716  
RELATING TO DISCIPLINARY AUTHORITY OF THE  
BOARD OF PUBLIC ACCOUNTANCY

TO THE HONORABLE KARL RHOADS, CHAIR,  
AND TO THE HONORABLE SHARON E. HAR, VICE CHAIR,  
AND MEMBERS OF THE COMMITTEE:

The Department of Commerce and Consumer Affairs ("Department") appreciates the opportunity to testify on House Bill No. 716, Relating To Disciplinary Authority of the Board of Public Accountancy. My name is Daria Loy-Goto, Complaints and Enforcement Officer for the Department's Regulated Industries Complaints Office ("RICO"). RICO offers the following testimony in support of the bill.

House Bill No. 716 amends §466-9, Hawaii Revised Statutes ("HRS"), to clarify that the Board of Public Accountancy ("Board") may take one or more disciplinary actions for violations of the public accountancy laws. The bill also increases, from \$1,000 to \$5,000, the maximum amount of fines that the Board may impose.

The current language of the law has led to court interpretations that do not reflect the Board's intent and is inconsistent with the disciplinary authority of other boards. Specifically, a court has interpreted §466-9, HRS, to authorize the Board to impose only one licensing sanction against a licensee in a disciplinary action. This means that the Board could suspend a licensee, but could not also order a fine or restitution as part of the proceeding. RICO supports House Bill No. 716, which makes clear that the Board may impose one or more disciplinary sanctions authorized by §466-9, HRS.

RICO also supports the increase in fines. The fine amounts in §466-9, HRS, and §446-11, HRS, have not been increased since the fines were created in 1989 and 1986, respectively.

Thank you for the opportunity to testify on House Bill No. 716. I will be happy to answer any questions the Committee members may have.

**PRESENTATION OF THE  
BOARD OF PUBLIC ACCOUNTANCY**

TO THE HOUSE COMMITTEE ON JUDICIARY

TWENTY-SEVENTH LEGISLATURE  
REGULAR SESSION OF 2014

Friday, January 31, 2014  
2:00 p.m.

**TESTIMONY ON HOUSE BILL NO. 716, RELATING TO THE DISCIPLINARY  
AUTHORITY OF THE BOARD OF PUBLIC ACCOUNTANCY.**

TO THE HONORABLE KARL RHOADS, CHAIR,  
AND MEMBERS OF THE COMMITTEE:

My name is Nelson Lau, and I am the Chairperson of the Board of Public Accountancy ("Board"). Thank you for the opportunity to testify in strong support of House Bill No. 716, Relating to the Disciplinary Authority of the Board of Public Accountancy.

The purpose of this bill is to clarify that the Board may take one or more disciplinary actions for violations of the public accountancy laws and rules, and to increase the amount of the maximum administrative fine that may be imposed for any such violation.

This bill is necessary to address a Circuit Court determination that the Board was only allowed to impose one disciplinary sanction against a licensee who violated the licensing statutes and rules. The Board could not order a fine or continuing professional education when suspending an individual's license. This is inconsistent with the disciplinary authority of other boards and regulatory programs. The proposed bill will authorize the Board, when warranted, to impose one or more disciplinary actions for violations of the licensing statutes and administrative rules.

The measure further proposes an increase in the maximum administrative fine that the Board may impose for a licensing violation from \$1,000 to \$5,000. The current fine amount of \$1,000 has not been revised since it was created in 1989 and is low and inconsistent with fines imposed for violations in other professions and trades. The Board believes that the current maximum fine amount may not be a meaningful deterrent or sanction for the most egregious violations of the public accountancy laws and rules, such as the recent case that resulted in many millions of dollars in damages.

The Board believes that consumers of public accounting services will benefit from increased compliance with the licensing statute by certified public accountants, public accountants, and public accounting firms. Further, the proposed amendments will bolster the enforcement efforts of the Regulated Industries Complaints Office of the department.

Thank you for the opportunity to testify in strong support of House Bill No. 716. I will be available to answer any questions you may have.