
A BILL FOR AN ACT

RELATING TO PUBLIC ACCOUNTANCY.

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

1 PART I

2 SECTION 1. Section 466-3, Hawaii Revised Statutes, is
3 amended by amending the definition of "peer review" to read as
4 follows:

5 "Peer review" means a study, appraisal, or review of one
6 or more aspects of the professional work of a firm that issues
7 attest reports by a person or persons who hold permits to
8 practice public accountancy under section 466-7 or are licensed
9 to practice public accountancy in any other state and who are
10 not affiliated with the firm being reviewed."

11 SECTION 2. Section 466-35, Hawaii Revised Statutes, is
12 amended by amending subsection (b) to read as follows:

13 "(b) A firm shall include, with the peer review compliance
14 reporting form, the contemporaneous Hawaii supplement to the
15 peer review report pursuant to section 466-36, 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,] or is not licensed to practice public
8 accountancy in any other state, except inspectors for
9 the public company accounting oversight board; or
- 10 (3) The final report resulting from any inspection by the
11 public company accounting oversight board firm
12 inspection program does not include the firm's Hawaii
13 offices, if any, and Hawaii attest engagements in the
14 scope of the inspection, and the firm is not required
15 to enroll in another peer review program under section
16 466-34."

17 SECTION 3. Section 466-38, Hawaii Revised Statutes, is
18 amended by amending subsection (b) to read as follows:

- 19 "(b) For peer reviews scheduled after December 31, 2014,
20 any report or document required to be submitted under subsection
21 (a) shall be filed with the board as follows:



- 1 (1) Firms enrolled in the American Institute of Certified
2 Public Accountants and Hawaii Society of Certified
3 Public Accountants peer review programs and
4 administered by the Hawaii Society of Certified Public
5 Accountants, within [~~ten~~] thirty calendar days of
6 receipt of the notice of completion from the Hawaii
7 Society of Certified Public Accountants, shall
8 complete the peer review compliance reporting form
9 under section 466-35 and submit the form to the board
10 along with the required documents;
- 11 (2) Firms otherwise enrolled in the American Institute of
12 Certified Public Accountants peer review program,
13 including those whose peer reviews are administered by
14 the National Peer Review Committee, within [~~ten~~]
15 thirty calendar days of receipt of the notice of
16 completion from the sponsoring organization, shall
17 complete the peer review compliance reporting form
18 under section 466-35 and submit the form to the board
19 along with the required documents;
- 20 (3) Firms enrolled in the public company accounting
21 oversight board inspection program shall, within [~~ten~~]



1 thirty calendar days of receipt of the issuance of the
2 Part I report from the public company accounting
3 oversight board, complete the peer review compliance
4 reporting form required by section 466-35 and submit
5 the form to the board along with the required
6 documents; and

7 (4) Firms enrolled in any other peer review program
8 approved by this part shall submit the report
9 generated by that review process and all associated
10 documentation to the board in a form acceptable to the
11 board."

12 SECTION 4. Section 466-39, Hawaii Revised Statutes, is
13 amended by amending subsection (a) to read as follows:

14 "(a) A firm shall have [~~ten~~] thirty calendar days after
15 the filing of the peer review compliance reporting form to
16 appeal a "pass with deficiency" or a "fail" rating that may
17 result in the denial, termination, or nonrenewal of a permit to
18 practice."

19 PART II

20 SECTION 5. Section 466-42, Hawaii Revised Statutes, is
21 amended to read as follows:



1 " [f] §466-42 [f] Peer review oversight committee. (a) The
2 board shall establish a peer review oversight committee for the
3 purpose of:

- 4 (1) Monitoring sponsoring organizations to ensure that
5 peer reviews are being conducted and reported in
6 accordance with standards for performing and reporting
7 on peer reviews adopted by the American Institute of
8 Certified Public Accountants Peer Review Board;
- 9 (2) Reviewing the policies and procedures of sponsoring
10 organization applicants as to their conformity with
11 the peer review standards of any applicable peer
12 review organization and this part; and
- 13 (3) Reporting to the board on the conclusions and
14 recommendations reached as a result of performing the
15 functions in paragraphs (1) and (2).

16 (b) Except to the extent otherwise required under this
17 section and section 466-41(b), information concerning a specific
18 firm or reviewer obtained by the peer review oversight committee
19 during oversight activities shall be confidential and shall not
20 be subject to discovery, pursuant to section 466-32, and reports
21 submitted to the board by the peer review oversight committee



1 shall not contain information concerning specific firms or
2 reviewers. Members of the peer review oversight committee shall
3 be required to execute confidentiality statements for the
4 sponsoring organization that they oversee.

5 (c) Effective January 1, 2013, the peer review oversight
6 committee shall consist of three individuals who hold permits to
7 practice under section 466-7. No member of the peer review
8 oversight committee shall be a current member of the board, the
9 Hawaii Society of Certified Public Accountants Peer Review or
10 Professional Ethics Committees, or the American Institute of
11 Certified Public Accountants Professional Ethics Executive
12 Committee. The members shall have significant experience with
13 attest engagements and currently be in the practice of public
14 accountancy at the partner or equivalent level. The member's
15 firm shall have received a report with a rating of pass or an
16 unmodified opinion from its last peer review.

17 (d) The peer review oversight committee shall make an
18 annual recommendation to the board as to the qualifications of
19 an approved sponsoring organization to continue as an approved
20 sponsoring organization on the basis of the results of the
21 following procedures:



- 1 (1) Where the sponsoring organization is:
- 2 (A) The American Institute of Certified Public
- 3 Accountants;
- 4 (B) A state certified public accountant society,
- 5 including the Hawaii Society of Certified Public
- 6 Accountants, fully involved in administering the
- 7 American Institute of Certified Public
- 8 Accountants peer review program; or
- 9 (C) The public company accounting oversight board,
- 10 the peer review oversight committee shall review the
- 11 published reports of the entity or the entity's
- 12 successor to determine whether there is an acceptable
- 13 level of oversight; and
- 14 (2) Where the sponsoring organization is other than any
- 15 organization listed in paragraph (1), the peer review
- 16 oversight committee shall perform the following
- 17 functions:
- 18 (A) At least one member of the peer review oversight
- 19 committee shall attend at least one meeting of
- 20 the sponsoring organization's peer review
- 21 committee; and



- 1 (B) During these visits, the peer review oversight
2 committee members shall:
- 3 (i) Meet with the organization's peer review
4 committee during the committee's
5 consideration of peer review documents;
- 6 (ii) Evaluate the organization's procedures for
7 administering the peer review program;
- 8 (iii) Examine, on the basis of a random selection,
9 a number of reviews performed by the
10 organization to include, at a minimum, a
11 review of the report on the peer review, the
12 firm's response to the matters discussed,
13 the sponsoring organization's letter of
14 acceptance outlining any additional
15 corrective or monitoring procedures, and the
16 required technical documentation maintained
17 by the sponsoring organization on the
18 selected reviews; and
- 19 (iv) Expand the examination of peer review
20 documents if significant deficiencies,



1 problems, or inconsistencies are encountered
2 during the analysis of the materials.

3 (e) In the evaluation of policies and procedures of
4 sponsoring organization applicants, the peer review oversight
5 committee shall:

6 (1) Examine the policies as drafted by the applicant to
7 determine whether the policies provide reasonable
8 assurance of conforming to the standards for peer
9 reviews;

10 (2) Evaluate the procedures proposed by the applicant to
11 determine whether:

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

14 (B) Reviewers are provided with appropriate
15 materials;

16 (C) The applicant has provided for consultation with
17 the reviewers on problems arising during the
18 review and that specified occurrences requiring
19 consultation are outlined;

20 (D) The applicant has provided for the assessment of
21 the results of the review; and



1 (E) The applicant has provided for an independent
2 report acceptance body that considers and accepts
3 the reports of the review and requires corrective
4 actions by firms with significant deficiencies;
5 and

6 (3) Make recommendations to the board as to approval of
7 the applicant as a sponsoring organization.

8 (f) Annually, the peer review oversight committee shall
9 provide the board with a report on the continued reliability of
10 sponsoring organizations' peer reviews. The peer review
11 oversight committee report shall provide reasonable assurance
12 that peer reviews are being conducted and reported on
13 consistently and in accordance with the Standards for Performing
14 and Reporting on Peer Review adopted by the American Institute
15 of Certified Public Accountants. A summary of oversight visits
16 shall be included with the annual report.

17 (g) The members of the peer review oversight committee
18 shall serve without compensation, but shall be reimbursed for
19 necessary expenses, including travel expenses, that are incurred
20 in the performance of their duties.



1 (h) No member of the peer review oversight committee shall
 2 bear any civil liability for any action taken as a member of the
 3 peer review oversight committee in furtherance of the purposes
 4 for which the peer review oversight committee was established."

PART III

6 SECTION 6. Section 466-3, Hawaii Revised Statutes, is
 7 amended by adding a new definition to be appropriately inserted
 8 and to read:

9 "Hawaii attest work" means attest services provided or
 10 attest reports issued by an individual or firm licensed and
 11 authorized to practice public accountancy in this State or any
 12 other state, to any of the following clients:

- 13 (1) An individual who is a resident of this State;
- 14 (2) A person, entity, firm, or trust that is domiciled
 15 within this State, or whose principal or home office
 16 is physically located within this State; or
- 17 (3) A subsidiary that has a physical presence in this
 18 State, and has a separate, stand-alone financial
 19 statement or report issued on that subsidiary."

20



1 PART IV

2 SECTION 7. This Act does not affect rights and duties that
3 matured, penalties that were incurred, and proceedings that were
4 begun before its effective date.

5 SECTION 8. Statutory material to be repealed is bracketed
6 and stricken. New statutory material is underscored.

7 SECTION 9. This Act shall take effect on July 1, 2030.



Report Title:

Public Accountancy; Peer Review; Peer Review Oversight Committee

Description:

Redefines "peer review" to include reviews done by out-of-state public accountancy licensees. Increases deadlines for filing of peer review compliance reporting forms and appealing certain ratings from 10 days to 30 calendar days. Allows members of the public accountancy peer review oversight committee to be reimbursed for expenses. Protects the members from civil liability for actions done in furtherance of the purposes of the committee. Defines the term "Hawaii attest work". (HB1669 HD2)

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

