
A BILL FOR AN ACT

RELATING TO PUBLIC ACCOUNTANCY.

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

1 SECTION 1. Section 466-42, Hawaii Revised Statutes, is
2 amended to read as follows:

3 " ~~[+]~~§466-42 ~~[+]~~ Peer review oversight committee. (a) The
4 board shall establish a peer review oversight committee for the
5 purpose of:

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



1 (b) Except to the extent otherwise required under this
2 section and section 466-41(b), information concerning a specific
3 firm or reviewer obtained by the peer review oversight committee
4 during oversight activities shall be confidential and shall not
5 be subject to discovery, pursuant to section 466-32, and reports
6 submitted to the board by the peer review oversight committee
7 shall not contain information concerning specific firms or
8 reviewers. Members of the peer review oversight committee shall
9 be required to execute confidentiality statements for the
10 sponsoring organization that they oversee.

11 (c) Effective January 1, 2013, the peer review oversight
12 committee shall consist of three individuals who hold permits to
13 practice under section 466-7. No member of the peer review
14 oversight committee shall be a current member of the board, the
15 Hawaii Society of Certified Public Accountants Peer Review or
16 Professional Ethics Committees, or the American Institute of
17 Certified Public Accountants Professional Ethics Executive
18 Committee. The members shall have significant experience with
19 attest engagements and currently be in the practice of public
20 accountancy at the partner or equivalent level. The member's



1 firm shall have received a report with a rating of pass or an
2 unmodified opinion from its last peer review.

3 (d) The peer review oversight committee shall make an
4 annual recommendation to the board as to the qualifications of
5 an approved sponsoring organization to continue as an approved
6 sponsoring organization on the basis of the results of the
7 following procedures:

8 (1) Where the sponsoring organization is:

- 9 (A) The American Institute of Certified Public
10 Accountants;
- 11 (B) A state certified public accountant society,
12 including the Hawaii Society of Certified Public
13 Accountants, fully involved in administering the
14 American Institute of Certified Public
15 Accountants peer review program; or
- 16 (C) The public company accounting oversight board,
17 the peer review oversight committee shall review the
18 published reports of the entity or the entity's
19 successor to determine whether there is an acceptable
20 level of oversight; and



1 (2) Where the sponsoring organization is other than any
2 organization listed in paragraph (1), the peer review
3 oversight committee shall perform the following
4 functions:

5 (A) At least one member of the peer review oversight
6 committee shall attend at least one meeting of
7 the sponsoring organization's peer review
8 committee; and

9 (B) During these visits, the peer review oversight
10 committee members shall:

11 (i) Meet with the organization's peer review
12 committee during the committee's
13 consideration of peer review documents;

14 (ii) Evaluate the organization's procedures for
15 administering the peer review program;

16 (iii) Examine, on the basis of a random selection,
17 a number of reviews performed by the
18 organization to include, at a minimum, a
19 review of the report on the peer review, the
20 firm's response to the matters discussed,
21 the sponsoring organization's letter of



1 acceptance outlining any additional
2 corrective or monitoring procedures, and the
3 required technical documentation maintained
4 by the sponsoring organization on the
5 selected reviews; and

6 (iv) Expand the examination of peer review
7 documents if significant deficiencies,
8 problems, or inconsistencies are encountered
9 during the analysis of the materials.

10 (e) In the evaluation of policies and procedures of
11 sponsoring organization applicants, the peer review oversight
12 committee shall:

13 (1) Examine the policies as drafted by the applicant to
14 determine whether the policies provide reasonable
15 assurance of conforming to the standards for peer
16 reviews;

17 (2) Evaluate the procedures proposed by the applicant to
18 determine whether:

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



- 1 (B) Reviewers are provided with appropriate
- 2 materials;
- 3 (C) The applicant has provided for consultation with
- 4 the reviewers on problems arising during the
- 5 review and that specified occurrences requiring
- 6 consultation are outlined;
- 7 (D) The applicant has provided for the assessment of
- 8 the results of the review; and
- 9 (E) The applicant has provided for an independent
- 10 report acceptance body that considers and accepts
- 11 the reports of the review and requires corrective
- 12 actions by firms with significant deficiencies;
- 13 and
- 14 (3) Make recommendations to the board as to approval of
- 15 the applicant as a sponsoring organization.
- 16 (f) Annually, the peer review oversight committee shall
- 17 provide the board with a report on the continued reliability of
- 18 sponsoring organizations' peer reviews. The peer review
- 19 oversight committee report shall provide reasonable assurance
- 20 that peer reviews are being conducted and reported on
- 21 consistently and in accordance with the Standards for Performing



1 and Reporting on Peer Review adopted by the American Institute
2 of Certified Public Accountants. A summary of oversight visits
3 shall be included with the annual report.

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

8 (h) No member of the peer review oversight committee shall
9 bear any civil liability for any action taken as a member of the
10 peer review oversight committee in furtherance of the purposes
11 for which the peer review oversight committee was established."

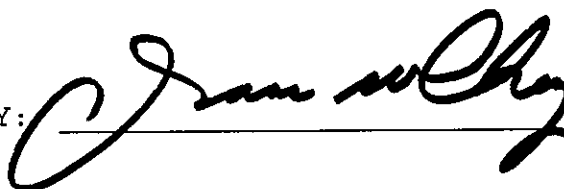
12 SECTION 2. This Act does not affect rights and duties that
13 matured, penalties that were incurred, and proceedings that were
14 begun before its effective date.

15 SECTION 3. New statutory material is underscored.

16 SECTION 4. This Act shall take effect upon its approval.

17

INTRODUCED BY:



JAN 20 2016



H.B. NO. 1670

Report Title:

Public Accountancy; Peer Review Oversight Committee

Description:

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.

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