
A BILL FOR AN ACT

RELATING TO PUBLIC ACCOUNTANCY.

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

1 SECTION 1. The legislature finds that certified public
2 accountants and accountancy firms sometimes provide services for
3 Hawaii clients from outside of the State. However, the board of
4 accountancy does not currently have clear and specific authority
5 to regulate out-of-state accountants and accountancy firms, nor
6 are there clear limits in the law on the types of services that
7 may be performed in Hawaii without a Hawaii license.

8 The purpose of this Act is to regulate out-of-state
9 certified public accountants and accountancy firms by
10 establishing clear standards, including a limited privilege to
11 practice within the State, and by subjecting all certified
12 public accountants and accountancy firms practicing in Hawaii to
13 oversight by the Hawaii state board of public accountancy.

14 SECTION 2. Chapter 466, Hawaii Revised Statutes, is
15 amended by adding a new section to be appropriately designated
16 and to read as follows:

17 "§466-A Substantial equivalency.



1 (a) (1) An individual whose principal place of business is not
2 in this State and who holds a valid license as a
3 certified public accountant from any state that the
4 National Association of State Boards of Accountancy
5 National Qualification Appraisal Service has verified
6 to be in substantial equivalence with the certified
7 public accountant licensure requirements of the
8 American Institute of Certified Public
9 Accountant/National Association of State Boards of
10 Accountancy Uniform Accountancy Act shall be presumed
11 to possess qualifications substantially equivalent to
12 this State's requirements and shall have all the
13 privileges of licensees of this State without the need
14 to obtain a license under sections 466-5 or 466-7 of
15 this chapter. Notwithstanding any other provision of
16 law, an individual who offers or renders professional
17 services, whether in person, by mail, telephone, or
18 electronic means, under this section shall be granted
19 practice privileges in this State and no notice or
20 other submission shall be provided by the individual.



1 The individual shall be subject to the requirements in
2 paragraph (3);
3 (2) An individual whose principal place of business is not
4 in this State and who holds a valid license as a
5 certified public accountant from any state that the
6 National Association of State Boards of Accountancy
7 National Qualification Appraisal Service has not
8 verified to be in substantial equivalence with the
9 certified public accountant licensure requirements of
10 the American Institute of Certified Public
11 Accountant/National Association of State Boards of
12 Accountancy Uniform Accountancy Act shall be presumed
13 to have qualifications substantially equivalent to
14 this State's requirements and shall have all the
15 privileges of licensees of this State without the need
16 to obtain a license under sections 466-5 or 466-7 if
17 the individual obtains from the National Association
18 of State Boards of Accountancy National Qualification
19 Appraisal Service verification that the individual's
20 certified public accountancy qualifications are
21 substantially equivalent to the certified public



1. accountant licensure requirements of the American
2 Institute of Certified Public Accountant/National
3 Association of State Boards of Accountancy Uniform
4 Accountancy Act. Any individual who passed the
5 Uniform Certified Public Accountant Examination and
6 holds a valid license issued by any other state prior
7 to January 1, 2012, may be exempt from the education
8 requirement in section 466-5.5 for purposes of this
9 paragraph. Notwithstanding any other provision of
10 law, an individual who offers or renders professional
11 services, whether in person, by mail, telephone, or
12 electronic means, under this section shall be granted
13 practice privileges in this State and no notice or
14 other submission shall be provided by the individual.
15 The individual shall be subject to the requirements in
16 paragraph (3);
17 (3) An individual licensee of another state exercising the
18 privilege afforded under this section and the firm
19 that employs that licensee jointly and severally
20 consent, as a condition of the exercise of this
21 privilege:



- 1 (A) To the personal and subject matter jurisdiction
2 and disciplinary authority of the board;
- 3 (B) To comply with this section and the board's
4 rules;
- 5 (C) That if the license from the state of the
6 individual's principal place of business is no
7 longer valid, the individual shall cease offering
8 or rendering professional services in this State
9 individually and on behalf of a firm;
- 10 (D) To the appointment of the state board of
11 accountancy that issued the individual's license
12 as the agent upon whom process may be served in
13 any action or proceeding by the board against the
14 licensee; and
- 15 (E) To promptly notify the board if:
 - 16 (i) Any disciplinary action relating to the
17 individual's license is commenced in any
18 state; or
 - 19 (ii) The individual is convicted of any criminal
20 offense in any state or country;



1 (4) An individual who has been granted practice privileges
2 under this section who, for any entity with its home
3 office in this State, performs any of the following
4 services:

5 (A) Any financial statement audit or other engagement
6 to be performed in accordance with Statements on
7 Auditing Standards;

8 (B) Any examination of prospective financial
9 information to be performed in accordance with
10 Statements on Standards for Attestation
11 Engagements; or

12 (C) Any engagement to be performed in accordance with
13 Public Company Accounting Oversight Board
14 auditing standards,

15 may do so only through a firm that has obtained a
16 permit issued under section 466-7(d) of this chapter.

17 (b) A licensee of this State offering or rendering
18 services or using their certified public accountant title in
19 another state shall be subject to disciplinary action in this
20 State for an act committed in another state for which the
21 licensee would be subject to discipline in the other state. The



1 board shall investigate any written complaint made by the board
2 of accountancy of another state. The nature and extent of the
3 investigation shall be determined by the board in the exercise
4 of its discretion."

5 SECTION 3. Section 466-3, Hawaii Revised Statutes, is
6 amended as follows:

7 1. By adding four new definitions to read:

8 "Compilation" means providing a service to be performed in
9 accordance with Statements on Standards for Accounting and
10 Review Services that is presented in the form of financial
11 statements and information that is the representation of
12 management (owners), without undertaking to express any
13 assurance on the statements.

14 "Home office" is the location specified by the client as
15 the address to which a service described in section 466-7
16 (d) (1) (C) is directed.

17 "Principal place of business" means the office location
18 designated by a licensee for purposes of substantial equivalency
19 and reciprocity.

20 "Substantial equivalency" is a determination by the board
21 or its designee that the education, examination, and experience



1 requirements contained in the statutes and administrative rules
2 of another jurisdiction are comparable to, or exceed, the
3 education, examination, and experience requirements contained in
4 the Uniform Accountancy Act or that an individual certified
5 public accountant's education, examination, and experience
6 qualifications are comparable to, or exceed, the education,
7 examination, and experience requirements contained in the
8 Uniform Accountancy Act. The determination is made without
9 regard to the sequence in which the experience, education, or
10 examination requirements were attained."

11 2. By amending the definitions of "attest" and "report" to
12 read:

13 "Attest" means providing the following financial statement
14 services:

15 (1) Any audit or other engagement to be performed in
16 accordance with the statements on auditing standards
17 of the American Institute of Certified Public
18 Accountants;

19 (2) Any compilation or review of a financial statement to
20 be performed in accordance with the statements on



- 1 standards for accounting and review services of the
2 American Institute of Certified Public Accountants;
- 3 (3) Any examination of prospective financial information
4 to be performed in accordance with the statements on
5 standards for attestation engagements of the American
6 Institute of Certified Public Accountants;
- 7 (4) Any engagement to be performed in accordance with the
8 government auditing standards, also known as the
9 Yellow Book, issued by the United States Government
10 Accountability Office; ~~and~~
- 11 (5) Any engagement to be performed in accordance with the
12 standards of the Public Company Accounting Oversight
13 Board ~~[]~~; and
- 14 (6) Any examination, review, or agreed upon procedures
15 engagement to be performed in accordance with the
16 statements on standards for attestation engagements of
17 the American Institute of Certified Public
18 Accountants, other than an examination described in
19 paragraph (3).

20 "Report", when used with reference to ~~[financial~~
21 ~~statements]~~ any attest or compilation service, means an



1 opinion, report, or other form of language that states or
2 implies the measure of assurance, if any, as to the reliability
3 of [~~any~~] the attested information or compiled financial
4 statements, and that also includes, or is accompanied by, any
5 statement or implication that the firm issuing it has special
6 knowledge or competence in accounting or auditing."

7 SECTION 4. Section 466-7, Hawaii Revised Statutes, is
8 amended to read as follows:

9 "**§466-7 Permits to practice.** (a) [A] Except as provided
10 in section 466-A and subsection (d) (2) and (3), a license and
11 permit are required to actively engage in the practice of public
12 accountancy. The board may grant or renew a permit to actively
13 engage in the practice of public accountancy. Permits shall be
14 initially issued and renewed for periods of two years but in any
15 event shall expire on December 31 of every odd-numbered year.
16 The board shall prescribe the methods and requirements for
17 application.

18 (b) An applicant for the initial issuance or renewal of a
19 permit shall have:

20 (1) A valid license;



- 1 (2) Completed continuing professional education hours, the
2 content of which shall be specified by the board,
3 which may provide for special consideration by the
4 board to applicants for permit renewal when, in the
5 judgment of the board, full compliance with all
6 requirements of continuing education cannot reasonably
7 be met;
- 8 (3) Completed an application;
- 9 (4) Paid appropriate fees and assessments; and
- 10 (5) In the case of a renewal, undergone and provided proof
11 of having undergone the peer review process pursuant
12 to part II.
- 13 (c) The board may grant a temporary permit to actively
14 engage in the practice of public accountancy to any person who:
- 15 (1) Has attained eighteen years of age;
- 16 (2) Possesses a history of competence, trustworthiness,
17 and fair dealing;
- 18 (3) Holds ~~[a valid license of certified public accountant~~
19 ~~or of public accountant issued under the laws of~~
20 ~~another state, or who holds]~~ a valid comparable
21 certificate, registration, or license or degree from a



1 foreign country determined by the board to be a
2 recognized qualification for the practice of public
3 accountancy in [~~such~~] the other country;

4 (4) Incidental to the person's practice in [~~such~~] the
5 other [~~state or~~] country, desires to practice public
6 accountancy in this State on a temporary basis; and

7 (5) Has completed an application.

8 [~~Such~~] The permit shall be effective for a period not exceeding
9 three months, and shall specify the nature and extent of the
10 practice so permitted.

11 (d) [~~All firms shall obtain a permit to practice.~~] The
12 board [~~may~~] shall issue or renew a permit to actively engage in
13 the practice of public accountancy to any firm [~~which~~] that
14 submits a completed application and demonstrates qualifications
15 in accordance with this section and as prescribed by the board.

16 (1) The following shall hold a permit issued under this
17 section:

18 (A) Any firm with an office in this State performing
19 attest services as defined in section 466-3;

20 (B) Any firm with an office in this State that uses
21 the title "CPA" or "CPA firm"; or



1 (C) Any firm that does not have an office in this
2 State but, for a client having its home office in
3 this State, performs any audit or other
4 engagement to be performed in accordance with the
5 Statements on Auditing Standards, any examination
6 of prospective financial information to be
7 performed in accordance with the Statements on
8 Standards for Attestation Engagements, or any
9 engagement to be performed in accordance with the
10 auditing standards of the Public Company
11 Accounting Oversight Board;

12 (2) A firm that does not have an office in this State may
13 perform, for a client having its home office in this
14 State, any review of a financial statement to be
15 performed in accordance with the Statements on
16 Standards for Accounting and Review Services and any
17 compilation, as defined in section 466-3, and may use
18 the title "CPA" or "CPA firm" without a permit issued
19 under this section only if:



- 1 (A) The firm meets the firm ownership and peer review
2 requirements specified by this chapter or board
3 rule; and
- 4 (B) The firm performs services through an individual
5 with a current permit to practice issued under
6 this chapter or practice privileges under section
7 466-A; and
- 8 (3) A firm that is not subject to the requirements of
9 subsection (d) (1) or (2) may perform other
10 professional services while using the title "CPA" or
11 "CPA firm" in this State without a permit issued under
12 this section only if:
- 13 (A) The firm performs the services through an
14 individual with a current permit to practice
15 issued under this chapter or practice privileges
16 under section 466-A; and
- 17 (B) The firm can lawfully do so in the state where
18 the individual with practice privileges (if
19 applicable) has the individual's principal place
20 of business.



1 (e) Failure to submit the required fees, continuing
2 education hours, or other requirements for renewal as specified
3 in this section by December 31 of every odd-numbered year, shall
4 constitute forfeiture of the permit. Continued performance in
5 the practice of public accountancy without a permit shall
6 constitute unlicensed activity and the individual or firm shall
7 be subject to sections 466-9, 466-11, 487-13, and 26-9.

8 (f) The board may restore forfeited permits to the
9 individual or firm ~~[which]~~ that satisfies the following:

10 (1) The requirements of subsection (a), (b), (c), or (d)
11 of this section; and

12 (2) Payment of required fees.

13 (g) A firm that is an applicant for initial issuance or
14 renewal of a firm permit to practice under this section shall
15 show that:

16 (1) If the firm has an office in this State, all partners,
17 officers, shareholders, members, or managers residing
18 in this State, or whose principal place of business is
19 in this State, hold a current permit to practice
20 issued under this chapter; or



1 (2) If the firm does not have an office in this State,
2 notwithstanding any other provision of law, a simple
3 majority of the ownership of the firm, in terms of
4 financial interests and voting rights of all partners,
5 officers, shareholders, members, or managers, belongs
6 to holders of a certificate who are licensed in some
7 state, and the partners, officers, shareholders,
8 members, or managers whose principal place of business
9 is in this State and who perform professional services
10 in this State hold a valid permit issued under this
11 chapter or the corresponding provision of prior law or
12 are public accountants licensed under section 466-6.
13 Although firms may include non-licensee owners, the
14 firm and its ownership shall comply with the rules
15 adopted by the board. An individual who has practice
16 privileges under section 466-A who performs services
17 for which a firm permit is required under section 466-
18 A shall not be required to obtain a certificate or
19 permit from this State.

20 (h) Any individual licensee and any individual granted
21 practice privileges under this chapter who is responsible for



1 supervising attest or compilation services and who signs, or
2 authorizes someone to sign, the accountant's report on the
3 financial statements on the firm's behalf shall meet the
4 competency requirements set out in the professional standards
5 for those services.

6 (i) Firms that are not in compliance with subsection
7 (g) (2) due to changes in firm ownership or personnel, after
8 receiving or renewing a permit, shall take corrective action to
9 bring the firm back into compliance in a reasonable period of
10 time, as determined by the board. Failure to bring the firm
11 back into compliance within a reasonable period of time shall
12 result in the suspension or revocation of the firm permit."

13 SECTION 5. Section 466-9, Hawaii Revised Statutes, is
14 amended to read as follows:

15 "§466-9 **Disciplinary action.** (a) In addition to any
16 other actions or conditions authorized by law, in accordance
17 with chapter 91, the board may take any one or more of the
18 following actions:

- 19 (1) Revoke a license or permit [?], or revoke or limit
20 privileges under section 466-A;
21 (2) Suspend a license or permit;



- 1 (3) Refuse to renew a license or permit;
- 2 (4) Reprimand, censure, or limit the scope of practice of
- 3 any licensee or firm;
- 4 (5) Impose an administrative fine not exceeding \$5,000 per
- 5 violation;
- 6 (6) Place a licensee or firm on probation;
- 7 (7) Require a firm to have a peer review conducted in the
- 8 manner specified by the board; or
- 9 (8) Require a licensee to attain satisfactory completion
- 10 of additional continuing professional education hours
- 11 as specified by the board.
- 12 (b) In addition to any other grounds for disciplinary
- 13 action authorized by law, any one or more of the following shall
- 14 constitute grounds for disciplinary action:
- 15 (1) Fraud or deceit in obtaining a license or permit;
- 16 (2) Disciplinary action taken by another state where the
- 17 license or practice privilege is canceled, revoked,
- 18 suspended, denied, or refused renewal;
- 19 (3) Failure, on the part of a holder of a license or a
- 20 permit to maintain compliance with the requirements



- 1 for issuance of a license or a permit, or renewal of a
2 license or permit, or to report changes to the board;
- 3 (4) Revocation or suspension of the right to practice
4 before any state or federal agency;
- 5 (5) Dishonesty, deceit, fraud, or gross negligence in the
6 practice of public accountancy as a licensee or an
7 individual granted practice privileges or in the
8 filing or failure to file a licensee's or firm's own
9 income tax returns;
- 10 (6) Violation of any provision of this chapter or of any
11 rule adopted by the board;
- 12 (7) Violation of any provision of professional conduct
13 established by the board under this chapter;
- 14 (8) Conviction of any crime an element of which is
15 dishonesty or fraud, under the laws of the United
16 States, of this State, or of any other state if the
17 act involved would have constituted a crime under the
18 laws of this State;
- 19 (9) Performance of any fraudulent act while holding a
20 privilege, license, or permit issued under this
21 chapter; or



1 (10) Any conduct reflecting adversely upon the licensee's
2 or permit holder's fitness to engage in the practice
3 of public accountancy[~~-~~] while a licensee or an
4 individual granted privileges under section 466-A.

5 (c) Upon application of any person against whom
6 disciplinary action has been taken under subsection (a), the
7 board, in accordance with chapter 91, may reinstate the person's
8 license, practice privilege, or permit to practice [which] that
9 was affected by the disciplinary action.

10 (1) The board shall specify the manner in which an
11 application shall be made, the time within which it
12 shall be made, and the circumstances under which the
13 license or practice privilege may be reinstated; and

14 (2) Before reinstating, the board may:

15 (A) Require the applicant to show successful
16 completion of specified continuing professional
17 education; and

18 (B) Make the reinstatement of a license, practice
19 privilege, or permit conditional and subject to
20 satisfactory completion of a peer review
21 conducted in a manner as the board may specify."



1 SECTION 6. Section 466-10, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "§466-10 Prohibited acts. (a) Use of title "certified
4 public accountant":

5 (1) Except as otherwise provided in subsection (d) of this
6 section, no person shall assume or use the title or
7 designation "certified public accountant" or the
8 abbreviation "CPA" or any other title, designation,
9 words, letters, sign, card, or device likely to be
10 confused with "certified public accountant" or "CPA"
11 or tending to indicate that the person is a certified
12 public accountant, unless the person has a practice
13 privilege under section 466-A or holds a current
14 license of certified public accountant issued under
15 this chapter and a current permit to practice issued
16 under this chapter;

17 (2) No partnership or corporation shall assume or use the
18 title or designation "certified public accountant" or
19 the abbreviation "CPA" or any other title,
20 designation, words, letters, abbreviation, sign, card,
21 or device likely to be confused with "certified public



1 accountant" or "CPA" or tending to indicate that
2 [~~such~~] the partnership or corporation is composed of
3 certified public accountants, unless each of the
4 partners of the partnership who are in the practice of
5 public accountancy in this State[7] and whose
6 principal place of business is in this State, or each
7 of the shareholders of the corporation who are in the
8 practice of public accountancy in this State[7] and
9 whose principal place of business is in this State,
10 holds a current license of certified public accountant
11 issued under this chapter and a current permit to
12 practice issued under this chapter; and

- 13 (3) No person shall assume or use the title or designation
14 "certified public accountant" or the abbreviation
15 "CPA" or any other title, designation, words, letters,
16 abbreviation, sign, card, or device likely to be
17 confused with "certified public accountant" or "CPA",
18 in conjunction with names indicating or implying that
19 there is a partnership or corporation, or in
20 conjunction with the designation "and Company" or "and
21 Co." or a similar designation if, in any case, there



1 is in fact no bona fide partnership or corporation
2 existing under the laws of this State[-] or under the
3 comparable laws of another state.

4 (b) Use of title "public accountant":

5 (1) Except as otherwise provided in subsection (d) of this
6 section, no person shall assume or use the title or
7 designation "public accountant" or the abbreviation
8 "PA" or any other title, designation, words, letters,
9 sign, card, or device likely to be confused with
10 "public accountant" or "PA" or tending to indicate
11 that the person is a public accountant unless the
12 person holds a current registration of public
13 accountant issued under this chapter and a current
14 permit to practice issued under this chapter;

15 (2) No partnership or corporation shall assume or use the
16 title or designation "public accountant" or the
17 abbreviation "PA" or any other title, designation,
18 words, letters, abbreviation, sign, card, or device
19 likely to be confused with "public accountant" or "PA"
20 or tending to indicate that the partnership or
21 corporation is composed of public accountants, unless



1 each of the partners of the partnership who are in the
2 practice of public accountancy in this State, or each
3 of the shareholders of the corporation who are in the
4 practice of public accountancy in this State, holds a
5 current license of public accountant issued under this
6 chapter and a current permit to practice issued under
7 this chapter; and

- 8 (3) No person shall assume or use the title or designation
9 "public accountant" or the abbreviation "PA" or any
10 other title, designation, words, letters,
11 abbreviation, sign, card, or device likely to be
12 confused with "public accountant" or "PA", in
13 conjunction with names indicating or implying that
14 there is a partnership or corporation, or in
15 conjunction with the designation "and Company" or "and
16 Co." or a similar designation if, in any case, there
17 is in fact no bona fide partnership or corporation
18 existing under the laws of this State.

- 19 (c) Representation of special knowledge:

- 20 (1) ~~[No]~~ Except as otherwise provided in subsection (d),
21 no person shall sign or affix the person's name or any



1 trade or assumed name used by the person in the
2 person's profession or business with any wording
3 indicating, suggesting, or implying that the person is
4 an accountant or auditor, or with any wording
5 indicating, suggesting, or implying that the person
6 has special knowledge in accounting or auditing, to
7 any opinion or certificate attesting in any way to the
8 reliability of any representation or estimate in
9 regard to any person or organization embracing:

10 (A) Financial information, attest service, or

11 (B) Facts respecting compliance with conditions
12 established by law or contract, including but not
13 limited to statutes, ordinances, regulations,
14 grants, loans, and appropriations, unless the
15 person holds a current license and a current
16 permit to practice issued under this chapter.

17 (2) No person shall sign or affix a partnership or
18 corporate name with any wording indicating,
19 suggesting, or implying that it is a partnership or
20 corporation composed of accountants or auditors or
21 persons having special knowledge of accounting or



1 auditing, to any opinion or certificate attesting in
2 any way to the reliability of any representation or
3 estimate in regard to any person or organization
4 embracing:

5 (A) Financial information, or

6 (B) Facts respecting compliance with conditions
7 established by law or contract, including but not
8 limited to statutes, ordinances, regulations,
9 grants, loans, and appropriations,

10 unless each of the partners of the partnership who are
11 in the practice of public accountancy in this State
12 and whose principal place of business is in this State
13 or each of the shareholders of the corporation who are
14 in the practice of public accountancy in this State
15 and whose principal place of business is in this State
16 holds a current license of certified public accountant
17 or of public accountant issued under this chapter and
18 a current permit to practice issued under this
19 chapter.

20 (d) Nothing contained in this chapter shall prohibit any
21 person:



- 1 (1) Who holds a current license of certified public
2 accountant issued under this chapter from assuming and
3 using the title and designation "certified public
4 accountant" or "CPA"; provided that if the person does
5 not also hold a current permit to practice issued
6 under this chapter, the person shall clearly indicate
7 in assuming and using said title that the person does
8 not hold the person's self out to be in the practice
9 of public accountancy;
- 10 (2) Who holds a current license of public accountant
11 issued under this chapter from assuming and using the
12 title and designation "public accountant" or "PA";
13 provided that if the person does not also hold a
14 current permit to practice issued under this chapter,
15 the person shall clearly indicate in assuming and
16 using the title that the person does not hold the
17 person's self out to be in the practice of public
18 accountancy;
- 19 (3) Who holds a temporary practice permit issued under
20 this chapter from using the title and designation
21 under which the person is generally known in the



1 ~~[state or]~~ country from which the person received a
2 valid comparable certificate, registration, or license
3 for the practice of public accountancy;

4 (4) Who qualifies for a practice privilege under section
5 466-A from using the title and designation "certified
6 public accountant" or "CPA" or from providing any
7 service that may be performed by certified public
8 accountants of this State without having to obtain a
9 certificate or permit to practice, provided that the
10 conditions set out in section 466-A are satisfied;

11 ~~[(4)]~~ (5) Who is not a certified public accountant or
12 public accountant from serving as an employee of, or
13 an assistant to, a certified public accountant or
14 public accountant; provided that the employee or
15 assistant works under the control and supervision of a
16 person who holds a current license of certified public
17 accountant or of public accountant and a current
18 permit to practice issued under this chapter; and
19 provided further that the employee or assistant does
20 not issue any statement or report over the person's
21 name except office reports to the person's employer as



1 are customary, and that the employee or assistant is
2 not in any manner held out to the public as a
3 certified public accountant or public accountant;

4 ~~[(+5)]~~ (6) Who is an officer, employee, partner, or
5 principal of any organization from signing or affixing
6 the person's name to any statement or report in
7 reference to the affairs of that organization;
8 provided that in so signing or affixing the person's
9 name the person shall clearly indicate that the person
10 is an officer, employee, partner, or principal of the
11 organization, and the position, title, or office which
12 the person holds therein;

13 ~~[(+6)]~~ (7) Who is a public official or public employee from
14 the performance of the person's duties as such; or

15 ~~[(+7)]~~ (8) Who is an attorney at law from engaging in
16 practice as such.

17 (e) Notwithstanding any law to the contrary, it shall not
18 be a violation of this section for a firm that does not hold a
19 valid permit under section 466-7 and that does not have an
20 office in this State to use the title "CPA" or "Certified Public
21 Accountants" as a part of the firm's name and to provide its



1 professional services in this State, and licensees and
 2 individuals may provide services on behalf of the firm, provided
 3 that the firm shall comply with section 466-7(d)(2) or (3),
 4 whichever is applicable. An individual or firm authorized under
 5 this subsection to use practice privileges in this State shall
 6 be subject to the provisions applicable to licensees under
 7 section 466-10."

8 SECTION 7. Section 466-34, Hawaii Revised Statutes, is
 9 amended as follows:

10 1. By amending subsections (b), (c), and (d) to read:

11 "(b) [All] Except for firms that are exempt from the
 12 permit requirement pursuant to section 466-7(d)(2) or (3), firms
 13 subject to this part and performing Hawaii attest work as of
 14 December 31, 2014, shall enroll in the applicable program of an
 15 approved sponsoring organization by December 31, 2015, notify
 16 the board of enrollment in that program, and have a peer review
 17 performed by December 31, 2017.

18 (c) [Any] Except for a firm that is exempt from the permit
 19 requirement pursuant to section 466-7(d)(2) or (3), any firm
 20 that begins performing Hawaii attest work after December 31,
 21 2014, shall:



- 1 (1) Notify the board within thirty days of the beginning
2 of the performance of attest work;
- 3 (2) Enroll in the applicable programs of an approved
4 sponsoring organization within one year from its
5 initial licensing date or the performance of Hawaii
6 attest work that requires a peer review;
- 7 (3) Provide the board with enrollment information within
8 one year of the date the Hawaii attest work was first
9 performed;
- 10 (4) Have a peer review performed within eighteen months of
11 the date the Hawaii attest work was first performed;
- 12 (5) Adopt the peer review due date assigned by the
13 sponsoring organization and notify the board of the
14 peer review due date within thirty days of its
15 assignment; and
- 16 (6) Schedule and begin an additional review within three
17 years of the previous review's due date, or earlier if
18 required by the sponsoring organization or the board;
19 provided that the firm shall be responsible for
20 anticipating its needs for peer review services in



1 sufficient time to enable the reviewer to complete the
2 review by the assigned review due date.

3 (d) A firm that does not perform Hawaii attest work or
4 that is exempt from the permit requirement pursuant to section
5 466-7(d)(2) or (3) shall be exempt from the peer review
6 process."

7 2. By amending subsection (i) to read:

8 "(i) [~~An~~] Except for a firm that is exempt from the permit
9 requirement pursuant to section 466-7(d)(2) or (3), an out-of-
10 state firm performing Hawaii attest work shall comply with this
11 part."

12 SECTION 8. Section 466-35, Hawaii Revised Statutes, is
13 amended by amending subsection (b) to read as follows:

14 "(b) [A] Except for a firm that is exempt from the permit
15 requirement pursuant to section 466-7(d)(2) or (3), a firm shall
16 include, with the peer review compliance reporting form, the
17 contemporaneous Hawaii supplement to the peer review report
18 pursuant to section 466-36, if:

19 (1) A peer review report from an approved sponsoring
20 organization does not include the selection of a
21 Hawaii office or Hawaii attest engagement;



- 1 (2) The peer reviewer does not hold permits to practice
2 public accountancy under section 466-7, and is
3 required to have permits to practice under section
4 466-7, except inspectors for the public company
5 accounting oversight board; or
- 6 (3) The final report resulting from any inspection by the
7 public company accounting oversight board firm
8 inspection program does not include the firm's Hawaii
9 offices, if any, and Hawaii attest engagements in the
10 scope of the inspection, and the firm is not required
11 to enroll in another peer review program under section
12 466-34."

13 SECTION 9. Section 466-36, Hawaii Revised Statutes, is
14 amended by amending subsection (a) to read as follows:

15 "(a) A firm that is required to undergo a peer review
16 under this chapter and that is not exempt from the permit
17 requirement pursuant to section 466-7(d)(2) or (3) shall engage
18 the services of a practitioner or firm holding a permit issued
19 under section 466-7 to perform the following procedures to
20 supplement the peer review report:



- 1 (1) Obtain from the reviewed firm a list of Hawaii attest
2 engagements included in the scope of the peer review,
3 in accordance with the American Institute of Certified
4 Public Accountants Standards for Performing and
5 Reporting on Peer Reviews;
- 6 (2) Select engagements from the list of engagements
7 obtained from the reviewed firm;
- 8 (3) Obtain from the reviewed firm, the reports, financial
9 statements, work papers, and work product resulting
10 from the attest engagements selected;
- 11 (4) Read and compare the reports, work papers, and work
12 product to an appropriate disclosure checklist to
13 evaluate the firm's compliance with professional
14 standards; and
- 15 (5) Document all instances of noncompliance with
16 professional standards detected while performing the
17 procedures listed in this section."

18 SECTION 10. Section 466-38, Hawaii Revised Statutes, is
19 amended by amending subsection (a) to read as follows:



1 "(a) [A] Except for a firm that is exempt from the permit
2 requirement pursuant to section 466-7(d)(2) or (3), a firm shall
3 submit to the board:

4 (1) A copy of the peer review report and the final letter
5 of acceptance from the sponsoring organization, if the
6 report has a rating of "pass";

7 (2) A copy of the peer review report, the firm's letter of
8 response, the corrective action letter, and the final
9 letter of acceptance if the report has a rating of
10 "pass with deficiency" or "fail"; or

11 (3) A copy of any report or Part I and any other public
12 portion of the report resulting from any inspection by
13 the public company accounting oversight board firm
14 inspection program together with documentation of any
15 significant deficiencies, findings, and the firm's
16 response."

17 SECTION 11. This Act does not affect rights and duties
18 that matured, penalties that were incurred, and proceedings that
19 were begun before its effective date.

20 SECTION 12. In codifying the new section added by section
21 2 of this Act, the revisor of statutes shall substitute an



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1 appropriate section number for the letter used in designating
2 the new section in this Act.

3 SECTION 13. Statutory material to be repealed is bracketed
4 and stricken. New statutory material is underscored.

5 SECTION 14. This Act shall take effect on January 1, 2016.

6

INTRODUCED BY: *Scott Sum*

JAN 22 2015



H.B. NO. 243

Report Title:

Public Accountancy; Out-of-State; Reciprocity

Description:

Authorizes out-of-state CPAs to practice in the State without a license under certain conditions.

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

