

Honolulu, Hawaii

MAR 23 2016

RE: H.B. No. 1669
H.D. 2
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Eighth State Legislature
Regular Session of 2016
State of Hawaii

Sir:

Your Committee on Commerce, Consumer Protection, and Health,
to which was referred H.B. No. 1669, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO PUBLIC ACCOUNTANCY,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Redefine "peer review" to include reviews done by out-of-state public accountancy licensees;
- (2) Extend deadlines for filing of peer review compliance reporting forms and for appealing certain ratings from ten days to thirty calendar days;
- (3) Allow members of the public accountancy peer review oversight committee to be reimbursed for expenses and protects members from civil liability for actions done in furtherance of the purposes of the committee; and
- (4) Define the term "Hawaii attest work".

Your Committee received testimony in support of this measure from the Board of Public Accountancy.

Your Committee finds that under existing public accountancy laws, a peer review done by a Certified Public Accountant (CPA) firm that does not hold a Hawaii permit to practice would not be



acceptable to the Board of Public Accountancy as part of the peer review required for firm permit renewal. Many Hawaii CPA firms have engaged out-of-state CPA firms as peer reviewers for years. According to the Board of Public Accountancy, the development of these working relationships builds a professional rapport with out-of-state CPA firms that results in better-quality peer reviews and requiring Hawaii CPA firms to sever relationships with these out-of-state peer reviewers would adversely affect the State's CPA firms. This measure therefore redefines the term "peer review" to include peer reviews performed by out-of-state CPAs and CPA firms.

Your Committee further finds that this measure extends deadlines for the filing of peer review compliance reporting forms and the appeal of certain peer review ratings, from ten days to thirty calendar days, which is the customary and accepted time for official notification of other regulated professions and vocations in Hawaii. This measure also allows members of the public accountancy peer review oversight committee to be reimbursed for expenses and protects members from civil liability for actions done in furtherance of the purposes of the committee, which mirrors existing laws related to other advisory committees established by the Department of Commerce and Consumer Affairs, and adds a definition of "Hawaii attest work" to ensure that CPA firms that are required to undergo peer review understand the types of professional work that should be included in the scope of the peer review.

Finally, your Committee notes that the Board of Public Accountancy has received a number of inquiries from CPA firms relating to attest engagements that may be required to supplement a peer review report. An amendment to this measure clarifying this requirement is therefore necessary.

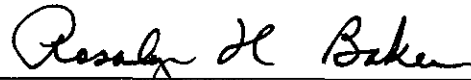
Your Committee has amended this measure by:

- (1) Clarifying that a peer reviewer is required to select one or more engagements from the list of engagements obtained from a reviewed firm;
- (2) Inserting an effective date of July 1, 2016; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.



As affirmed by the record of votes of the members of your Committee on Commerce, Consumer Protection, and Health that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1669, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1669, H.D. 2, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Commerce, Consumer
Protection, and Health,



ROSALYN H. BAKER, Chair



The Senate
 Twenty-Eighth Legislature
 State of Hawai'i

Record of Votes
Committee on Commerce, Consumer Protection, and Health
CPH

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 1669, HD2	CPH, WAM	3-17-16		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312	<input checked="" type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310		
<input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	/			
KIDANI, Michelle N. (VC)	/			
ESPERO, Will				/
IHARA, Jr., Les				/
NISHIHARA, Clarence K.				/
RUDERMAN, Russell E.	/			
SLOM, Sam	/			
TOTAL	4			3
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
<i>Michelle N. Kidani</i>				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

*Only one measure per Record of Votes