

**PRESENTATION OF THE  
BOARD OF PUBLIC ACCOUNTANCY**

TO THE HOUSE COMMITTEE ON  
CONSUMER PROTECTION AND COMMERCE

TWENTY-EIGHTH LEGISLATURE  
Regular Session of 2016

Wednesday, February 10, 2016  
2:10 p.m.

**TESTIMONY ON HOUSE BILL NO. 1670, RELATING TO PUBLIC ACCOUNTANCY.**

TO THE HONORABLE ANGUS L.K. MCKELVEY, 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 on behalf of the Board in strong support of House Bill No. 1670, Relating to Public Accountancy.

The proposals in House Bill No. 1670 relate to the Peer Review Oversight Committee ("PROC"), which was established by the Board pursuant to section 466-42, Hawaii Revised Statutes ("HRS"), for the oversight of sponsoring organizations, which are defined as third-party entities that meet the standards for administering a peer review. A peer review is the appraisal performed by a Certified Public Accountant ("CPA") firm on the professional work of another CPA firm that does attestation services, such as audits, reviews and compilations.

The general purposes of the PROC are to: (1) monitor sponsoring organizations to ensure that peer reviews are being conducted and reported in accordance with standards for performing and reporting on peer reviews adopted by the American Institute of Certified Public Accountants Peer Review Board; (2) review the policies and procedures of sponsoring organization applicants as to their conformity with the peer

review standards of any applicable peer review organization and the statutes of the Board; and (3) report to the Board on the conclusions and recommendations reached as a result of performing the functions in (1) and (2) above.

The purpose of this bill is to provide for: (1) the reimbursement for expenses necessary for the performance of the duties of the PROC; and (2) the immunity from any civil liability for any act done in furtherance of the purposes for which the PROC was established.

The PROC consists of three Hawaii-licensed Certified Public Accountants who practice public accountancy in the State of Hawaii. In the performance of their duties, these CPA members of the PROC convene meetings that are subject to HRS chapter 92 (Public Agency Meetings and Records), attend meetings of the Board when necessary, and attend meetings of the sponsoring organizations' peer review committees. The Board believes that the necessary expenses related to these and other pertinent duties incurred by the PROC members should be reimbursed to the extent that they are related to the purposes of the PROC. The proposed language in this section of the bill is identical to existing language in section 466-15(c), HRS, pertaining to Advisory Committees, which in turn mirrors the provisions relating to advisory committees established by the Department of Commerce and Consumer Affairs ("DCCA") pursuant to section 26-9(s), HRS.

Other duties of the PROC include reviewing and evaluating confidential information concerning specific CPA firms or CPA peer reviewers, and issuing reports to the Board on the continued reliability of sponsoring organizations' peer reviews. The

performance of these duties and the importance of the responsibilities in the oversight of the peer review sponsoring organizations and the peer reviewers may subject the PROC and its individual CPA members to civil liability. The possibility of such liability should not impair the judgment of the members of the PROC, nor should it influence the PROC's assessment of the peer review programs. Thus, this bill makes the PROC members immune from civil liability when performing their official duties and responsibilities. The proposed language in this section of the bill is identical to existing language in section 466-15(d), HRS, pertaining to Advisory Committees, which also mirrors the provisions relating to advisory committees established by the DCCA pursuant to section 26-9(s), HRS.

Like members of advisory committees, the members of the PROC serve as volunteers and receive no compensation for the performance of their duties and responsibilities. However, without the amendments proposed in House Bill No. 1670, PROC members would not be afforded the same considerations as members of an advisory committee in the reimbursement of necessary expenses and in indemnification from civil liability.

Therefore, the Board strongly supports House Bill No. 1670. Thank you for this opportunity to testify. I will be available to answer any questions you may have.