

JAN 18 2019

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 practice public accountancy across state lines on an
3 increasingly more frequent basis. In fact, business realities,
4 including interstate commerce and virtual technologies, make
5 conducting business across state borders an everyday occurrence.
6 For this reason, mobility laws for certified public accountants
7 have been enacted in every state, except Hawaii, to allow users
8 to obtain services from qualified certified public accountants
9 wherever those certified public accountants may happen to
10 reside.

11 The legislature further finds that the existing
12 registration process for out-of-state certified public
13 accountants wishing to serve clients in Hawaii is burdensome,
14 lacks viable enforcement mechanisms, and limits timely access to
15 qualified certified public accountant services, especially in
16 certain complex industries, such as energy, health care,
17 transportation, and technology. Furthermore, existing mobility



S.B. NO. 208

1 barriers have the harshest effect on small accountancy firms and
2 sole practitioners. Larger accountancy firms in Hawaii can
3 develop extensive resources and staff to accommodate the needs
4 of these specialized industries. However, smaller accountancy
5 firms and sole practitioners are unable to access enough
6 qualified certified public accountants in Hawaii to meet their
7 growing needs, and thus, are disproportionately affected by the
8 lack of a mobility law. There is a critical need for Hawaii to
9 adopt interstate mobility standards that will allow certified
10 public accountants who are licensed in another state to provide
11 services on a limited basis in Hawaii without the unnecessary
12 burdens that exist now.

13 Without a mobility law, the state board of public
14 accountancy has no jurisdiction over these out-of-state licensed
15 certified public accountants. With the establishment of a
16 mobility law, the state board of public accountancy will gain
17 automatic jurisdiction over all certified public accountants
18 practicing in Hawaii, thereby enabling the board to discipline
19 out-of-state certified public accountants, regardless of whether
20 they are licensed in Hawaii. Automatic jurisdiction is of



1 critical importance to the enhancement of the board's public
2 protection power.

3 The purpose of this Act is to allow Hawaii consumers
4 greater access to qualified certified public accountants,
5 wherever those certified public accountants may reside, and to
6 protect Hawaii's consumers by establishing within the state
7 board of public accountancy clear disciplinary power over all
8 certified public accountants doing business in Hawaii.

9 SECTION 2. Chapter 446, Hawaii Revised Statutes, is
10 amended by adding a new section to be appropriately designated
11 and to read as follows:

12 "§466- Substantial equivalency. (a) An individual
13 whose principal place of business is not in this State and who
14 holds a valid current license as a certified public accountant
15 from any state that the National Association of State Boards of
16 Accountancy's National Qualification Appraisal Service has
17 verified to be in substantial equivalence with the certified
18 public accountant licensure requirements under the Uniform
19 Accountancy Act shall:



S.B. NO. 208

1 (1) Be presumed to have qualifications that are
2 substantially equivalent to this State's requirements;
3 and

4 (2) Have a practice privilege in this State, subject to
5 subsections (c) and (d), without the need to obtain a
6 license under sections 466-5 and 466-7.

7 (b) An individual whose principal places of business is
8 not in this State and who holds a valid current license as a
9 certified public accountant from any state that the National
10 Association of State Boards of Accountancy's National
11 Qualification Appraisal Service has not verified to be in
12 substantial equivalence with the certified public accountant
13 licensure requirements under the Uniform Accountancy Act shall:

14 (1) Be presumed to have qualifications that are
15 substantially equivalent to this State's requirements;
16 and

17 (2) Have a practice privilege in this State, subject to
18 subsections (c) and (d), without the need to obtain a
19 license under sections 466-5 and 466-7;

20 provided that the individual obtains from the National
21 Association of State Boards of Accountancy's National



1 Qualification Appraisal Service verification that the
2 individual's certified public accountant qualifications are
3 substantially equivalent to the certified public accountant
4 licensure requirements under the Uniform Accountancy Act. Any
5 individual who passed the Uniform Certified Public Accountant
6 Examination and holds a valid license issued by any other state
7 prior to January 1, 2012, may be exempt from the education
8 requirement under section 466-5.5 for purposes of this
9 subsection.

10 (c) A licensee of another state exercising the privilege
11 afforded under this section and the accountancy firm that
12 employs this licensee shall jointly and severally consent, as a
13 condition of the exercise of this privilege:

- 14 (1) To the personal and subject matter jurisdiction and
15 disciplinary authority of the board;
- 16 (2) To comply with this chapter and the rules adopted by
17 the board;
- 18 (3) In the event the license from the state of the
19 licensee's principal place of business is no longer
20 valid, as a licensee, to cease to offer or render



S.B. NO. 208

- 1 professional services in this State as an individual
2 and on behalf of the accountancy firm;
- 3 (4) To the appointment of the state board that issued the
4 license as the licensee's agent upon whom process may
5 be served in any action or proceeding by the board
6 against the licensee;
- 7 (5) To promptly notify the board if:
- 8 (A) Any disciplinary action relating to the
9 individual's license is commenced in any state;
10 or
- 11 (B) The individual is convicted of any criminal
12 offense in any state or country;
- 13 (6) To notify the regulated industries complaints office
14 to refer reports of any licensee violation of this
15 section to the board for investigation and
16 disciplinary action; and
- 17 (7) To provide the department of taxation sufficient
18 information to determine the licensee's tax
19 liabilities in this State, to the extent required by
20 law.



1 (d) An individual who has been granted practice privileges
2 under this section may only do so through an accountancy firm
3 that has obtained a permit issued under section 466-7(d) if the
4 individual, for any entity with its home office in this State,
5 performs any of the following services:

6 (1) Any financial statement audit or other engagement to
7 be performed in accordance with Statements on Auditing
8 Standards of the American Institute of Certified
9 Public Accountants;

10 (2) Any examination of prospective financial information
11 to be performed in accordance with Statements on
12 Standards for Attestation Engagements of the American
13 Institute of Certified Public Accountants; or
14 (3) Any engagement to be performed in accordance with the
15 Public Company Accounting Oversight Board's auditing
16 standards.

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



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

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

7 1. By adding six new definitions to be appropriately
8 inserted and to read:

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

15 "Home office" means the location specified by the client as
16 the address to which a service described under section 466-7(d)
17 is directed.

18 "Practice privilege" means the legal right to engage in the
19 practice of public accountancy within the State pursuant to
20 section 466- (a) or (b) and subject to the conditions and
21 limitations established under section 466- .



S.B. NO. 208

1 "Principal place of business" means the office location
2 designated by a licensee for purposes of substantial equivalency
3 and reciprocity.

4 "Substantial equivalency" means a determination by the
5 board or its designee that:

6 (1) The education, examination, and experience
7 requirements prescribed by law and rules of another
8 state jurisdiction are comparable to or exceed the
9 education, examination, and experience requirements
10 under the Uniform Accountancy Act of the American
11 Institute of Certified Public Accountants and National
12 Association of State Boards of Accountancy; or

13 (2) An individual's certified public accountant education,
14 examination, and experience qualifications are
15 comparable to or exceed the education, examination,
16 and experience requirements under the Uniform
17 Accountancy Act of the American Institute of Certified
18 Public Accountants and National Association of State
19 Boards of Accountancy.

20 As used in this chapter, in ascertaining substantial
21 equivalency, the board shall consider the qualification without



1 regard to the sequence in which experience, education, or
2 examination requirements were attained.

3 "Uniform Accountancy Act" means the Uniform Accountancy Act
4 of the American Institute of Certified Public Accountants and
5 National Association of State Boards of Accountancy."

6 2. By amending the definition of "attest" to read:

7 "Attest" means providing the following [~~financial~~
8 ~~statement~~] services:

9 (1) Any audit or other engagement to be performed in
10 accordance with the statements on auditing standards
11 of the American Institute of Certified Public
12 Accountants;

13 (2) Any compilation or review of a financial statement to
14 be performed in accordance with the statements on
15 standards for accounting and review services of the
16 American Institute of Certified Public Accountants;

17 (3) Any examination of prospective financial information
18 to be performed in accordance with the statements on
19 standards for attestation engagements of the American
20 Institute of Certified Public Accountants;



- 1 (4) Any engagement to be performed in accordance with the
- 2 government auditing standards, also known as the
- 3 Yellow Book, issued by the United States Government
- 4 Accountability Office; ~~and~~

- 5 (5) Any engagement to be performed in accordance with the
- 6 standards of the Public Company Accounting Oversight
- 7 Board~~-~~; and

- 8 (6) Any examination, review, or agreed upon procedures
- 9 engagement to be performed in accordance with the
- 10 Statements on Standards for Attestation Engagements of
- 11 the American Institute of Certified Public
- 12 Accountants, except for an examination under paragraph
- 13 (3)."

14 3. By amending the definition of "report" to read:

15 "Report", when used with reference to ~~financial~~

16 ~~statements,~~ any attest or compilation service, means an

17 opinion, report, or other form of language that states or

18 implies the measure of assurance as to the reliability of ~~any~~

19 the attested information or compiled financial statements, and

20 that also includes, or is accompanied by, any statement or



1 implication that the firm issuing it has special knowledge or
2 competence in accounting or auditing."

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

5 "§466-7 Permits to practice. (a) [A] Except as provided
6 in section 466- and in subsection (d), a license and permit
7 are required to actively engage in the practice of public
8 accountancy. The board may grant or renew a permit to actively
9 engage in the practice of public accountancy. Permits shall be
10 initially issued and renewed for periods of two years [~~but in~~
11 ~~any event~~] and shall expire on December 31 of every odd-numbered
12 year. The board shall prescribe the methods and requirements
13 for application.

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

- 16 (1) A valid license;
- 17 (2) Completed continuing professional education hours, the
18 content of which shall be specified by the board,
19 which may provide for special consideration by the
20 board to applicants for permit renewal when, in the
21 judgment of the board, full compliance with all



1 requirements of continuing education cannot reasonably
2 be met;

- 3 (3) Completed an application;
- 4 (4) Paid appropriate fees and assessments; and
- 5 (5) In the case of a renewal, undergone and provided proof
6 of having undergone the peer review process pursuant
7 to part II.

8 (c) The board may grant a temporary permit to actively
9 engage in the practice of public accountancy to any person who:

- 10 (1) Has attained eighteen years of age;
- 11 (2) Possesses a history of competence, trustworthiness,
12 and fair dealing;
- 13 (3) Holds [~~a valid license of certified public accountant~~
14 ~~or of public accountant issued under the laws of~~
15 ~~another state, or who holds]~~ a valid comparable
16 certificate, registration, or license or degree from a
17 foreign country determined by the board to be a
18 recognized qualification for the practice of public
19 accountancy in [~~such~~] the other country;



- 1 (4) Incidental to the person's practice in [~~such~~] the
- 2 other [~~state or~~] country, desires to practice public
- 3 accountancy in this State on a temporary basis; and
- 4 (5) Has completed an application.

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

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

14 (1) The following firms shall hold a permit issued under
15 this section:

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

18 (B) Any firm with an office in this State that uses
19 the title of "certified public accountant" or the
20 abbreviation of "CPA", or "certified public



S.B. NO. 208

1 accountant firm" or abbreviation of "CPA firm";
2 or
3 (C) Any firm that does not have an office in this
4 State, but for a client having its home office in
5 this State, performs any audit or other
6 engagements to be performed in accordance with
7 the Statements on Auditing Standards, any
8 examination or prospective financial information
9 to be performed in accordance with the Statements
10 on Standards for Attestation Engagements, or any
11 engagement to be performed in accordance with the
12 Auditing Standards of the Public Company
13 Accounting Oversight Board;
14 (2) A firm that does not have an office in this State may
15 perform for a client having its home office in this
16 State any review of a financial statement to be
17 performed in accordance with the Statements on
18 Standards for Accounting and Review Services and any
19 compilation as defined under section 466-3, and may
20 use the title "certified public accountant" or the
21 abbreviation of "CPA", or "certified public accountant



S.B. NO. 208

- 1 firm" or the abbreviation of "CPA firm" without a
2 permit issued under this section only if:
- 3 (A) The firm meets the firm ownership and peer review
4 requirements specified by this chapter and rules
5 adopted by the board; and
- 6 (B) The firm performs services through an individual
7 who holds a current permit to practice issued
8 under this chapter or who is granted practice
9 privileges under section 466- ; and
- 10 (3) A firm that is not subject to the requirements under
11 paragraph (1) or (2) may perform other professional
12 services while using the title "certified public
13 accountant" or the abbreviation of "CPA", or
14 "certified public accountant firm" or the abbreviation
15 of "CPA firm" in this State without a permit issued
16 under this section only if:
- 17 (A) The firm performs services through an individual
18 who holds a current permit to practice issued
19 under this chapter or who is granted practice
20 privileges under section 466- ; and



1 (B) The firm can lawfully perform services in the
2 state where the individual with practice
3 privileges, if applicable, has the individual's
4 principal place of business.

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

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

- 14 (1) The requirements of subsection (a), (b), (c), or (d)
15 ~~[of this section]~~; and
16 (2) Payment of required fees.

17 (g) For the initial issuance or renewal of a firm permit
18 to practice under this section, a firm shall show that:

- 19 (1) If the firm has an office this State, all partners,
20 officers, shareholders, members, or managers residing
21 in this State or whose principal place of business is



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



1 (3) Any individual licensee or any individual granted
2 practice privileges under this chapter who is
3 responsible for supervising attest of compilation
4 services and signs or authorizes a person to sign the
5 accountant's report on the financial statements on
6 behalf of the firm shall meet the competency
7 requirements prescribed in the applicable professional
8 standards for these services.

9 (h) Firms that fall out of compliance with subsection
10 (g) (2) due to changes in firm ownership or personnel after
11 receiving or renewing a permit shall take corrective action to
12 return the firm to compliance as soon as possible. The board
13 may grant a reasonable period of time for a firm to take
14 corrective action. Failure to return the firm to compliance
15 within a reasonable period, as defined by the board, shall
16 result in the suspension or revocation of the firm permit."

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

19 "**§466-9 Disciplinary action.** (a) In addition to any
20 other actions or conditions authorized by law, in accordance



1 with chapter 91, the board may take any one or more of the
2 following actions:

3 (1) Revoke a license or permit [7], or revoke or limit
4 practice privileges granted pursuant to section
5 466- ;

6 (2) Suspend a license or permit;

7 (3) Refuse to renew a license or permit;

8 (4) Reprimand, censure, or limit the scope of practice of
9 any licensee or firm;

10 (5) Impose an administrative fine not exceeding \$5,000 per
11 violation;

12 (6) Place a licensee or firm on probation;

13 (7) Require a firm to have a peer review conducted in the
14 manner specified by the board; or

15 (8) Require a licensee to attain satisfactory completion
16 of additional continuing professional education hours
17 as specified by the board.

18 (b) In addition to any other grounds for disciplinary
19 action authorized by law, any one or more of the following shall
20 constitute grounds for disciplinary action:

21 (1) Fraud or deceit in obtaining a license or permit;



- 1 (2) Disciplinary action taken by another state where the
2 license or practice privilege is canceled, revoked,
3 suspended, denied, or refused renewal;
- 4 (3) Failure, on the part of a holder of a license or a
5 permit to maintain compliance with the requirements
6 for issuance of a license or a permit, or renewal of a
7 license or permit, or to report changes to the board;
- 8 (4) Revocation or suspension of the right to practice
9 before any state or federal agency;
- 10 (5) Dishonesty, deceit, fraud, or gross negligence in the
11 practice of public accountancy as a licensee or
12 individual granted practice privileges, or in the
13 filing or failure to file a licensee's or firm's own
14 income tax returns;
- 15 (6) Violation of any provision of this chapter or of any
16 rule adopted by the board;
- 17 (7) Violation of any provision of professional conduct
18 established by the board under this chapter;
- 19 (8) Conviction of any crime an element of which is
20 dishonesty or fraud, under the laws of the United
21 States, of this State, or of any other state if the



1 act involved would have constituted a crime under the
2 laws of this State;

3 (9) Performance of any fraudulent act while holding a
4 practice privilege, license, or permit issued under
5 this chapter; or

6 (10) Any conduct reflecting adversely upon the licensee's
7 or permit holder's fitness to engage in the practice
8 of public accountancy[-] while a licensee or
9 individual granted practice privileges under section
10 466- .

11 (c) Upon application of any person against whom
12 disciplinary action has been taken under subsection (a), the
13 board, in accordance with chapter 91, may reinstate the person's
14 license, practice privilege, or permit to practice which was
15 affected by the disciplinary action.

16 (1) The board shall specify the manner in which an
17 application shall be made, the time within which it
18 shall be made, and the circumstances under which the
19 license or practice privilege may be reinstated; and

20 (2) Before reinstating, the board may:



- 1 (A) Require the applicant to show successful
- 2 completion of specified continuing professional
- 3 education; and
- 4 (B) Make the reinstatement of a license, practice
- 5 privilege, or permit conditional and subject to
- 6 satisfactory completion of a peer review
- 7 conducted in a manner as the board may specify."

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

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

- 12 (1) Except as otherwise provided in subsection (d) [~~of~~
- 13 ~~this section~~], no person shall assume or use the title
- 14 or designation "certified public accountant" or the
- 15 abbreviation "CPA" or any other title, designation,
- 16 words, letters, sign, card, or device likely to be
- 17 confused with "certified public accountant" or "CPA"
- 18 or tending to indicate that the person is a certified
- 19 public accountant, unless the person has a practice
- 20 privilege granted pursuant to section 466- or holds
- 21 a current license of certified public accountant



1 issued under this chapter and a current permit to
2 practice issued under this chapter;

3 (2) No partnership or corporation shall assume or use the
4 title or designation "certified public accountant" or
5 the abbreviation "CPA" or any other title,
6 designation, words, letters, abbreviation, sign, card,
7 or device likely to be confused with "certified public
8 accountant" or "CPA" or tending to indicate that such
9 partnership or corporation is composed of certified
10 public accountants, unless each of the partners of the
11 partnership who are in the practice of public
12 accountancy in this State[7] and whose principal place
13 of business is in this State, or each of the
14 shareholders of the corporation who are in the
15 practice of public accountancy in this State[7] and
16 whose principal place of business is in this State,
17 holds a current license of certified public accountant
18 issued under this chapter and a current permit to
19 practice issued under this chapter; and

20 (3) No person shall assume or use the title or designation
21 "certified public accountant" or the abbreviation



S.B. NO. 208

1 "CPA" or any other title, designation, words, letters,
2 abbreviation, sign, card, or device likely to be
3 confused with "certified public accountant" or "CPA",
4 in conjunction with names indicating or implying that
5 there is a partnership or corporation, or in
6 conjunction with the designation "and Company" or "and
7 Co." or a similar designation if, in any case, there
8 is in fact no bona fide partnership or corporation
9 existing under the laws of this State[-] or registered
10 to do business in this State.

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

12 (1) Except as otherwise provided in subsection (d) [~~of~~
13 ~~this section~~], no person shall assume or use the title
14 or designation "public accountant" or the abbreviation
15 "PA" or any other title, designation, words, letters,
16 sign, card, or device likely to be confused with
17 "public accountant" or "PA" or tending to indicate
18 that the person is a public accountant unless the
19 person holds a current registration of public
20 accountant issued under this chapter and a current
21 permit to practice issued under this chapter;



- 1 (2) No partnership or corporation shall assume or use the
2 title or designation "public accountant" or the
3 abbreviation "PA" or any other title, designation,
4 words, letters, abbreviation, sign, card, or device
5 likely to be confused with "public accountant" or "PA"
6 or tending to indicate that the partnership or
7 corporation is composed of public accountants, unless
8 each of the partners of the partnership who are in the
9 practice of public accountancy in this State, or each
10 of the shareholders of the corporation who are in the
11 practice of public accountancy in this State, holds a
12 current license of public accountant issued under this
13 chapter and a current permit to practice issued under
14 this chapter; and
- 15 (3) No person shall assume or use the title or designation
16 "public accountant" or the abbreviation "PA" or any
17 other title, designation, words, letters,
18 abbreviation, sign, card, or device likely to be
19 confused with "public accountant" or "PA", in
20 conjunction with names indicating or implying that
21 there is a partnership or corporation, or in



1 conjunction with the designation "and Company" or "and
 2 Co." or a similar designation if, in any case, there
 3 is in fact no bona fide partnership or corporation
 4 existing under the laws of this State.

5 (c) Representation of special knowledge:

6 (1) ~~[No]~~ Except as otherwise provided in subsection (d),
 7 no person shall sign or affix the person's name or any
 8 trade or assumed name used by the person in the
 9 person's profession or business with any wording
 10 indicating, suggesting, or implying that the person is
 11 an accountant or auditor, or with any wording
 12 indicating, suggesting, or implying that the person
 13 has special knowledge in accounting or auditing, to
 14 any opinion or certificate attesting in any way to the
 15 reliability of any representation or estimate in
 16 regard to any person or organization embracing:

17 (A) Financial information~~[7]~~ or attest service; or

18 (B) Facts respecting compliance with conditions
 19 established by law or contract, including but not
 20 limited to statutes, ordinances, regulations,
 21 grants, loans, and appropriations,



1 unless the person holds a current license and a
2 current permit to practice issued under this
3 chapter[-]; and

- 4 (2) No person shall sign or affix a partnership or
5 corporate name with any wording indicating,
6 suggesting, or implying that it is a partnership or
7 corporation composed of accountants or auditors or
8 persons having special knowledge of accounting or
9 auditing, to any opinion or certificate attesting in
10 any way to the reliability of any representation or
11 estimate in regard to any person or organization
12 embracing:

13 (A) Financial information[-]; or

14 (B) Facts respecting compliance with conditions
15 established by law or contract, including but not
16 limited to statutes, ordinances, regulations,
17 grants, loans, and appropriations,

18 unless each of the partners of the partnership who are
19 in the practice of public accountancy in this State
20 and whose principal place of business is in this
21 State, or each of the shareholders of the corporation



1 who are in the practice of public accountancy in this
2 State and whose principal place of business is in this
3 State holds a current license of certified public
4 accountant or of public accountant issued under this
5 chapter and a current permit to practice issued under
6 this chapter.

7 (d) Nothing contained in this chapter shall prohibit any
8 person:

9 (1) Who holds a current license of certified public
10 accountant issued under this chapter from assuming and
11 using the title and designation "certified public
12 accountant" or "CPA"; provided that if the person does
13 not also hold a current permit to practice issued
14 under this chapter, the person shall clearly indicate
15 in assuming and using said title that the person does
16 not hold the person's self out to be in the practice
17 of public accountancy;

18 (2) Who holds a current license of public accountant
19 issued under this chapter from assuming and using the
20 title and designation "public accountant" or "PA";
21 provided that if the person does not also hold a



1 current permit to practice issued under this chapter,
2 the person shall clearly indicate in assuming and
3 using the title that the person does not hold the
4 person's self out to be in the practice of public
5 accountancy;

6 (3) Who holds a temporary practice permit issued under
7 this chapter from using the title and designation
8 under which the person is generally known in the
9 ~~[state or]~~ country from which the person received a
10 valid comparable certificate, registration, or license
11 for the practice of public accountancy;

12 (4) Who qualifies for a practice privilege granted
13 pursuant to section 466- from using the title and
14 designation "certified public accountant" or the
15 abbreviation "CPA" or from providing any service that
16 may be performed by certified public accountants of
17 this State without having to obtain a certificate or
18 permit to practice; provided that the conditions
19 prescribed under section 466- are satisfied;

20 ~~[-4-]~~ (5) Who is not a certified public accountant or
21 public accountant from serving as an employee of, or



1 an assistant to, a certified public accountant or
2 public accountant; provided that the employee or
3 assistant works under the control and supervision of a
4 person who holds a current license of certified public
5 accountant or of public accountant and a current
6 permit to practice issued under this chapter; and
7 provided further that the employee or assistant does
8 not issue any statement or report over the person's
9 name except office reports to the person's employer as
10 are customary, and that the employee or assistant is
11 not in any manner held out to the public as a
12 certified public accountant or public accountant;

13 ~~[-(5)-]~~ (6) Who is an officer, employee, partner, or
14 principal of any organization from signing or affixing
15 the person's name to any statement or report in
16 reference to the affairs of that organization;
17 provided that in so signing or affixing the person's
18 name the person shall clearly indicate that the person
19 is an officer, employee, partner, or principal of the
20 organization, and the position, title, or office which
21 the person holds therein;



S.B. NO. 208

1 ~~[(6)]~~ (7) Who is a public official or public employee from
 2 the performance of the person's duties as such; or
 3 ~~[(7)]~~ (8) Who is an attorney at law from engaging in
 4 practice as such.

5 (e) Notwithstanding any law to the contrary, there is no
 6 violation of this section for a firm that does not hold a valid
 7 permit under section 466-7 and does not have an office in this
 8 State to use the title "certified public accountant" or the
 9 abbreviation "CPA" as part of the firm's name to provide
 10 professional services in this State and its licensees and
 11 individuals to provide services on behalf of the firm; provided
 12 that the firm complies with section 466-7(d) (2) or (3), as
 13 applicable. An individual or firm authorized under section
 14 466- to exercise practice privileges in this State shall
 15 comply with applicable licensee requirements under section
 16 466- ."

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

- 19 1. By amending subsections (b), (c), and (d) to read:
 20 "(b) ~~[All]~~ Except for firms exempt from the permit
 21 requirement pursuant to section 466-7(d) (2) or (3), all firms



1 subject to this part and performing Hawaii attest work as of
2 December 31, 2014, shall enroll in the applicable program of an
3 approved sponsoring organization by December 31, 2015, notify
4 the board of enrollment in that program, and have a peer review
5 performed by December 31, 2017.

6 (c) [Any] Except for firms exempt from the permit
7 requirement pursuant to section 466-7(d)(2) or (3), any firm
8 that begins performing Hawaii attest work after December 31,
9 2014, shall:

- 10 (1) Notify the board within thirty days of the beginning
11 of the performance of attest work;
- 12 (2) Enroll in the applicable programs of an approved
13 sponsoring organization within one year from its
14 initial licensing date or the performance of Hawaii
15 attest work that requires a peer review;
- 16 (3) Provide the board with enrollment information within
17 one year of the date the Hawaii attest work was first
18 performed;
- 19 (4) Have a peer review performed within eighteen months of
20 the date the Hawaii attest work was first performed;



1 (5) Adopt the peer review due date assigned by the
2 sponsoring organization and notify the board of the
3 peer review due date within thirty days of its
4 assignment; and

5 (6) Schedule and begin an additional review within three
6 years of the previous review's due date, or earlier if
7 required by the sponsoring organization or the board;
8 provided that the firm shall be responsible for
9 anticipating its needs for peer review services in
10 sufficient time to enable the reviewer to complete the
11 review by the assigned review due date.

12 (d) A firm that does not perform Hawaii attest work or is
13 exempt from the permit requirement pursuant to section
14 466-7(d) (2) or (3) shall be exempt from the peer review
15 process."

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

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



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

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

- 8 (1) A peer review report from an approved sponsoring
9 organization does not include the selection of a
10 Hawaii office or Hawaii attest engagement;
- 11 (2) The peer reviewer does not hold permits to practice
12 public accountancy under section 466-7 or is not
13 licensed to practice public accountancy in any other
14 state, except inspectors for the public company
15 accounting oversight board; or
- 16 (3) The final report resulting from any inspection by the
17 public company accounting oversight board firm
18 inspection program does not include the firm's Hawaii
19 offices, if any, and Hawaii attest engagements in the
20 scope of the inspection, and the firm is not required



1 to enroll in another peer review program under section
2 466-34."

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

5 "(a) A firm that is required to undergo a peer review
6 under this chapter and is not exempt from the permit requirement
7 pursuant to section 466-7(d)(2) or (3) shall engage the services
8 of a practitioner or firm holding a permit issued under section
9 466-7 to perform the following procedures to supplement the peer
10 review report:

11 (1) Obtain from the reviewed firm a list of Hawaii attest
12 engagements included in the scope of the peer review,
13 in accordance with the American Institute of Certified
14 Public Accountants Standards for Performing and
15 Reporting on Peer Reviews;

16 (2) Select one or more engagements from the list of
17 engagements obtained from the reviewed firm;

18 (3) Obtain from the reviewed firm, the reports, financial
19 statements, work papers, and work product resulting
20 from the attest engagements selected;



1 (4) Read and compare the reports, work papers, and work
2 product to an appropriate disclosure checklist to
3 evaluate the firm's compliance with professional
4 standards; and

5 (5) Document all instances of noncompliance with
6 professional standards detected while performing the
7 procedures listed in this section."

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

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

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

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

20 (3) A copy of any report or Part I and any other public
21 portion of the report resulting from any inspection by



S.B. NO. 208

Report Title:

Certified Public Accountants; Mobility; Substantial Equivalency;
State Board of Public Accountancy

Description:

Establishes procedures for an out-of-state individual licensed as a certified public accountant or certain accountancy firms to be granted practice privileges in this State by the board of public accountancy if the licensee or firm meets certain qualifications and requirements for substantial equivalency. Makes conforming amendments to the laws relating to public accountancy to reflect practice privileges.

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

