A BILL FOR AN ACT

RELATING TO PUBLIC ACCOUNTANCY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAI'I:

SECTION 1. The legislature finds that certified public accountants practice public accountancy across state lines on an increasingly more frequent basis. In fact, business realities, including interstate commerce and virtual technologies, make conducting business across state borders an everyday occurrence. For this reason, mobility laws for certified public accountants have been enacted in every state, except Hawaii, to allow users to obtain services from qualified certified public accountants wherever those certified public accountants may happen to reside.

The legislature further finds that the existing registration process for out-of-state certified public accountants wishing to serve clients in Hawaii is burdensome, lacks viable enforcement mechanisms, and limits timely access to qualified certified public accountant services, especially in certain complex industries, such as energy, health care, transportation, and technology. Furthermore, existing mobility...
barriers have the harshest effect on small accountancy firms and sole practitioners. Larger accountancy firms in Hawaii can develop extensive resources and staff to accommodate the needs of these specialized industries. However, smaller accountancy firms and sole practitioners are unable to access enough qualified certified public accountants in Hawaii to meet their growing needs, and thus, are disproportionately affected by the lack of a mobility law. There is a critical need for Hawaii to adopt interstate mobility standards that will allow certified public accountants who are licensed in another state to provide services on a limited basis in Hawaii without the unnecessary burdens that exist now.

Without a mobility law, the state board of public accountancy has no jurisdiction over these out-of-state licensed certified public accountants. With the establishment of a mobility law, the state board of public accountancy will gain automatic jurisdiction over all certified public accountants practicing in Hawaii, thereby enabling the board to discipline out-of-state certified public accountants, regardless of whether they are licensed in Hawaii. Automatic jurisdiction is of
critical importance to the enhancement of the board's public protection power.

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

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

"§466- Substantial equivalency. (a) An individual whose principal place of business is not in this State and who holds a valid current license as a certified public accountant from any state that the National Association of State Boards of Accountancy's National Qualification Appraisal Service has verified to be in substantial equivalence with the certified public accountant licensure requirements under the Uniform Accountancy Act shall:
(1) Be presumed to have qualifications that are substantially equivalent to this State's requirements; and

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

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

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

(2) Have a practice privilege in this State, subject to subsections (c) and (d), without the need to obtain a license under sections 466-5 and 466-7; provided that the individual obtains from the National Association of State Boards of Accountancy's National
Qualification Appraisal Service verification that the individual's certified public accountant qualifications are substantially equivalent to the certified public accountant licensure requirements under the Uniform Accountancy Act. Any individual who passed the Uniform Certified Public Accountant Examination and holds a valid license issued by any other state prior to January 1, 2012, may be exempt from the education requirement under section 466-5.5 for purposes of this subsection.

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

(1) To the personal and subject matter jurisdiction and disciplinary authority of the board;

(2) To comply with this chapter and the rules adopted by the board;

(3) In the event the license from the state of the licensee's principal place of business is no longer valid, as a licensee, to cease to offer or render
professional services in this State as an individual
and on behalf of the accountancy firm;

(4) To the appointment of the state board that issued the
license as the licensee's agent upon whom process may
be served in any action or proceeding by the board
against the licensee;

(5) To promptly notify the board if:

(A) Any disciplinary action relating to the
individual's license is commenced in any state;

or

(B) The individual is convicted of any criminal
offense in any state or country;

(6) To notify the regulated industries complaints office
to refer reports of any licensee violation of this
section to the board for investigation and
disciplinary action; and

(7) To provide the department of taxation sufficient
information to determine the licensee's tax
liabilities in this State, to the extent required by
law.
(d) An individual who has been granted practice privileges under this section may only do so through an accountancy firm that has obtained a permit issued under section 466-7(d) if the individual, for any entity with its home office in this State, performs any of the following services:

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

(2) Any examination of prospective financial information to be performed in accordance with Statements on Standards for Attestation Engagements of the American Institute of Certified Public Accountants; or

(3) Any engagement to be performed in accordance with the Public Company Accounting Oversight Board's auditing standards.

(e) A licensee of this State offering or rendering services or using the licensee's certified public accountant title in another state shall be subject to disciplinary action in this State for an act committed in another state for which the licensee would be subject to discipline for the act
committed in the other state. The board shall investigate any
written complaint made by the board of accountancy of another
state. The nature and extent of the investigation shall be
determined by the board in the exercise of its discretion."

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

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

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

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

    "Practice privilege" means the legal right to engage in the
practice of public accountancy within the State pursuant to
section 466- (a) or (b) and subject to the conditions and
limitations established under section 466- .
"Principal place of business" means the office location
designated by a licensee for purposes of substantial equivalency
and reciprocity.

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

1. The education, examination, and experience
   requirements prescribed by law and rules of another
   state jurisdiction are comparable to or exceed the
   education, examination, and experience requirements
   under the Uniform Accountancy Act of the American
   Institute of Certified Public Accountants and National
   Association of State Boards of Accountancy; or

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

As used in this chapter, in ascertaining substantial
 equivalency, the board shall consider the qualification without
regard to the sequence in which experience, education, or examination requirements were attained.

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

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

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

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

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

(3) Any examination of prospective financial information to be performed in accordance with the statements on standards for attestation engagements of the American Institute of Certified Public Accountants;
(4) Any engagement to be performed in accordance with the government auditing standards, also known as the Yellow Book, issued by the United States Government Accountability Office; [and]

(5) Any engagement to be performed in accordance with the standards of the Public Company Accounting Oversight Board[ ]; and

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

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

"Report", when used with reference to [financial statements], any attest or compilation service, means an opinion, report, or other form of language that states or implies the measure of assurance as to the reliability of [any] the attested information or compiled financial statements, and that also includes, or is accompanied by, any statement or
implication that the firm issuing it has special knowledge or
competence in accounting or auditing."

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

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

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

(1) A valid license;

(2) Completed continuing professional education hours, the
content of which shall be specified by the board;

which may provide for special consideration by the
board to applicants for permit renewal when, in the
judgment of the board, full compliance with all
requirements of continuing education cannot reasonably be met;

(3) Completed an application;

(4) Paid appropriate fees and assessments; and

(5) In the case of a renewal, undergone and provided proof of having undergone the peer review process pursuant to part II.

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

(1) Has attained eighteen years of age;

(2) Possesses a history of competence, trustworthiness, and fair dealing;

(3) Holds a valid license of certified public accountant or of public accountant issued under the laws of another state, or who holds a valid comparable certificate, registration, or license or degree from a foreign country determined by the board to be a recognized qualification for the practice of public accountancy in [such] the other country;
(4) Incidental to the person's practice in [such] the
other [state-er] country, desires to practice public
accountancy in this State on a temporary basis; and
(5) Has completed an application.
[Sueh] The permit shall be effective for a period not exceeding
three months, and shall specify the nature and extent of the
practice [ee] permitted.
(d) [All firms shall obtain a permit to practice.] The
board [may] shall issue or renew a permit to actively engage in
the practice of public accountancy to any firm [which] that
submits a completed application and demonstrates qualifications
in accordance with this section and as prescribed by the board.
The following requirements shall apply:
(1) The following firms shall hold a permit issued under
this section:
(A) Any firm with an office in this State performing
attest services as defined under section 466-3;
(B) Any firm with an office in this State that uses
the title of "certified public accountant" or the
abbreviation of "CPA", or "certified public
accountant firm" or abbreviation of "CPA firm";

or

(C) Any firm that does not have an office in this
State, but for a client having its home office in
this State, performs any audit or other
engagements to be performed in accordance with
the Statements on Auditing Standards, any
examination or prospective financial information
to be performed in accordance with the Statements
on Standards for Attestation Engagements, or any
engagement to be performed in accordance with the
Auditing Standards of the Public Company
Accounting Oversight Board;

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

(A) The firm meets the firm ownership and peer review
requirements specified by this chapter and rules
adopted by the board; and

(B) The firm performs services through an individual
who holds a current permit to practice issued
under this chapter or who is granted practice
privileges under section 466-; and

(3) A firm that is not subject to the requirements under
paragraph (1) or (2) may perform other professional
services while using the title "certified public
accountant" or the abbreviation of "CPA", or
"certified public accountant firm" or the abbreviation
of "CPA firm" in this State without a permit issued
under this section only if:

(A) The firm performs services through an individual
who holds a current permit to practice issued
under this chapter or who is granted practice
privileges under section 466-; and
(B) The firm can lawfully perform services in the state where the individual with practice privileges, if applicable, has the individual's principal place of business.

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

(f) The board may restore forfeited permits to the individual or firm that satisfies the following:

1. The requirements of subsection (a), (b), (c), or (d) of this section; and
2. Payment of required fees.

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

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

(2) If the firm does not have an office in this State,
notwithstanding any other law, a simple majority of
the ownership of the firm, in terms of financial
interests and voting rights of all partners, officers,
shareholders, members, or managers, belongs to holders
of a certificate who are licensed in a state, and
those partners, officers, shareholders, members, or
managers whose principal places of business are in
this State and who perform professional services in
this State hold a valid permit issued under this
chapter or the corresponding prior law, or are public
accountants licensed under section 466-6. Although
firms may include non-licensed owners, the firm and
its ownership shall comply with the rules adopted by
the board. An individual who has practice privileges
pursuant to section 466- and performs services for
which a firm permit is required under section 466-
shall not be required to obtain a certificate or
permit from this State; and
Any individual licensee or any individual granted practice privileges under this chapter who is responsible for supervising attest of compilation services and signs or authorizes a person to sign the accountant's report on the financial statements on behalf of the firm shall meet the competency requirements prescribed in the applicable professional standards for these services.

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

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

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

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

(2) Suspend a license or permit;

(3) Refuse to renew a license or permit;

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

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

(6) Place a licensee or firm on probation;

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

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

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

(1) Fraud or deceit in obtaining a license or permit;
(2) Disciplinary action taken by another state where the license or practice privilege is canceled, revoked, suspended, denied, or refused renewal;

(3) Failure, on the part of a holder of a license or a permit to maintain compliance with the requirements for issuance of a license or a permit, or renewal of a license or permit, or to report changes to the board;

(4) Revocation or suspension of the right to practice before any state or federal agency;

(5) Dishonesty, deceit, fraud, or gross negligence in the practice of public accountancy as a licensee or individual granted practice privileges, or in the filing or failure to file a licensee's or firm's own income tax returns;

(6) Violation of any provision of this chapter or of any rule adopted by the board;

(7) Violation of any provision of professional conduct established by the board under this chapter;

(8) Conviction of any crime an element of which is dishonesty or fraud, under the laws of the United States, of this State, or of any other state if the
act involved would have constituted a crime under the laws of this State;

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

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

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

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

(2) Before reinstating, the board may:
(A) Require the applicant to show successful completion of specified continuing professional education; and

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

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

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

(1) Except as otherwise provided in subsection (d) [of this section], no person shall assume or use the title or designation "certified public accountant" or the abbreviation "CPA" or any other title, designation, words, letters, sign, card, or device likely to be confused with "certified public accountant" or "CPA" or tending to indicate that the person is a certified public accountant, unless the person has a practice privilege granted pursuant to section 466- or holds a current license of certified public accountant
issued under this chapter and a current permit to practice issued under this chapter;

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

(3) No person shall assume or use the title or designation "certified public accountant" or the abbreviation
"CPA" or any other title, designation, words, letters, abbreviation, sign, card, or device likely to be confused with "certified public accountant" or "CPA", in conjunction with names indicating or implying that there is a partnership or corporation, or in conjunction with the designation "and Company" or "and Co." or a similar designation if, in any case, there is in fact no bona fide partnership or corporation existing under the laws of this State or registered to do business in this State.

(b) Use of title "public accountant":

(1) Except as otherwise provided in subsection (d) [of this section], no person shall assume or use the title or designation "public accountant" or the abbreviation "PA" or any other title, designation, words, letters, sign, card, or device likely to be confused with "public accountant" or "PA" or tending to indicate that the person is a public accountant unless the person holds a current registration of public accountant issued under this chapter and a current permit to practice issued under this chapter;
(2) No partnership or corporation shall assume or use the title or designation "public accountant" or the abbreviation "PA" or any other title, designation, words, letters, abbreviation, sign, card, or device likely to be confused with "public accountant" or "PA" or tending to indicate that the partnership or corporation is composed of public accountants, unless each of the partners of the partnership who are in the practice of public accountancy in this State, or each of the shareholders of the corporation who are in the practice of public accountancy in this State, holds a current license of public accountant issued under this chapter and a current permit to practice issued under this chapter; and

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

(c) Representation of special knowledge:

(1) Except as otherwise provided in subsection (d), no person shall sign or affix the person's name or any trade or assumed name used by the person in the person's profession or business with any wording indicating, suggesting, or implying that the person is an accountant or auditor, or with any wording indicating, suggesting, or implying that the person has special knowledge in accounting or auditing, to any opinion or certificate attesting in any way to the reliability of any representation or estimate in regard to any person or organization embracing:

(A) Financial information or attest service; or

(B) Facts respecting compliance with conditions established by law or contract, including but not limited to statutes, ordinances, regulations, grants, loans, and appropriations,
unless the person holds a current license and a
current permit to practice issued under this
chapter[\(\rightarrow\)]; and

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

(A) Financial information[\(\rightarrow\)] or

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

unless each of the partners of the partnership who are
in the practice of public accountancy in this State
and whose principal place of business is in this
State, or each of the shareholders of the corporation
who are in the practice of public accountancy in this State and whose principal place of business is in this State holds a current license of certified public accountant or of public accountant issued under this chapter and a current permit to practice issued under this chapter.

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

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

(2) Who holds a current license of public accountant issued under this chapter from assuming and using the title and designation "public accountant" or "PA"; provided that if the person does not also hold a
current permit to practice issued under this chapter,
the person shall clearly indicate in assuming and
using the title that the person does not hold the
person's self out to be in the practice of public
accountancy;

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

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

(5) Who is not a certified public accountant or
public accountant from serving as an employee of, or
an assistant to, a certified public accountant or public accountant; provided that the employee or assistant works under the control and supervision of a person who holds a current license of certified public accountant or of public accountant and a current permit to practice issued under this chapter; and provided further that the employee or assistant does not issue any statement or report over the person's name except office reports to the person's employer as are customary, and that the employee or assistant is not in any manner held out to the public as a certified public accountant or public accountant;

(6) Who is an officer, employee, partner, or principal of any organization from signing or affixing the person's name to any statement or report in reference to the affairs of that organization; provided that in so signing or affixing the person's name the person shall clearly indicate that the person is an officer, employee, partner, or principal of the organization, and the position, title, or office which the person holds therein;
(7) Who is a public official or public employee from
the performance of the person's duties as such; or
(8) Who is an attorney at law from engaging in
practice as such.

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

SECTION 7. Section 466-34, Hawaii Revised Statutes, is
amended as follows:
1. By amending subsections (b), (c), and (d) to read:
"(b) [All] Except for firms exempt from the permit
requirement pursuant to section 466-7(d)(2) or (3), all firms
subject to this part and performing Hawaii attest work as of December 31, 2014, shall enroll in the applicable program of an approved sponsoring organization by December 31, 2015, notify the board of enrollment in that program, and have a peer review performed by December 31, 2017.

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

(1) Notify the board within thirty days of the beginning of the performance of attest work;

(2) Enroll in the applicable programs of an approved sponsoring organization within one year from its initial licensing date or the performance of Hawaii attest work that requires a peer review;

(3) Provide the board with enrollment information within one year of the date the Hawaii attest work was first performed;

(4) Have a peer review performed within eighteen months of the date the Hawaii attest work was first performed;
(5) Adopt the peer review due date assigned by the sponsoring organization and notify the board of the peer review due date within thirty days of its assignment; and

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

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

2. By amending subsection (i) to read:

"(i) [An] Except for a firm exempt from the permit requirement pursuant to section 466-7(d)(2) or (3), an out-of-state firm performing Hawaii attest work shall comply with this part."
SECTION 8. Section 466-35, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

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

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

(2) The peer reviewer does not hold permits to practice public accountancy under section 466-7 or is not licensed to practice public accountancy in any other state, except inspectors for the public company accounting oversight board; or

(3) The final report resulting from any inspection by the public company accounting oversight board firm inspection program does not include the firm's Hawaii offices, if any, and Hawaii attest engagements in the scope of the inspection, and the firm is not required
to enroll in another peer review program under section 466-34."

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

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

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

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

(3) Obtain from the reviewed firm, the reports, financial statements, work papers, and work product resulting from the attest engagements selected;
(4) Read and compare the reports, work papers, and work product to an appropriate disclosure checklist to evaluate the firm’s compliance with professional standards; and

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

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

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

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

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

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

SECTION 11. Statutory material to be repealed is bracketed
and stricken. New statutory material is underscored.

SECTION 12. This Act shall take effect on January 1, 2020.

INTRODUCED BY: ____________________________

By Request
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.