
A BILL FOR AN ACT

RELATING TO OCCUPATIONAL LICENSURE.

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

1 SECTION 1. The legislature finds that certain aspects of
2 the occupational licensing requirement for certified public
3 accountants in the State may impact consumers' and businesses'
4 access to high-quality financial services and impede reciprocity
5 for otherwise well-qualified public accountants certified in
6 other states who seek to relocate or work in Hawaii. The
7 legislature recognizes that certified public accountants
8 practice public accountancy across state lines on an
9 increasingly frequent basis. In fact, many factors, including
10 interstate commerce and virtual technologies, lead public
11 accountants to conduct business across state borders every day.
12 The legislature also recognizes that each state, except Hawaii,
13 has enacted a "mobility law", which facilitates the ability of
14 consumers and businesses in the state to obtain services from
15 qualified public accountants certified in other States.

16 The legislature further finds that the State's existing
17 registration process for out-of-state certified public



1 accountants who wish to serve clients in Hawaii is burdensome,
2 lacks viable enforcement mechanisms, and limits timely access to
3 qualified accountancy services, especially in certain complex
4 industries, including energy, health care, transportation, and
5 technology. Furthermore, existing mobility barriers have the
6 harshest effect on small accountancy firms and sole
7 practitioners. Larger accountancy firms in Hawaii can develop
8 extensive resources and hire many staffers to accommodate the
9 needs of specialized industries. However, smaller accountancy
10 firms and sole practitioners are unable to access a sufficient
11 number of qualified Hawaii-certified public accountants to meet
12 their growing needs, and are thus disproportionately affected by
13 the State's lack of a mobility law. There is a critical need in
14 Hawaii for standards that will authorize certified public
15 accountants who are licensed in other states to provide services
16 in Hawaii, on a limited basis, without the State's current and
17 unnecessary regulatory burdens.

18 The legislature finds that without a mobility law, the
19 state board of public accountancy has no jurisdiction over
20 certified public accountants licensed by other states. If the
21 State establishes a mobility law, the state board of public



1 accountancy will gain automatic jurisdiction over all certified
2 public accountants practicing in Hawaii, which is of critical
3 importance to the enhancement of the board's public protection
4 power. Automatic jurisdiction will thus enable the board to
5 discipline out-of-state certified public accountants, regardless
6 of whether the accountants are licensed in Hawaii.

7 The legislature believes that it is necessary to modernize
8 the current law for certified public accountants to increase
9 employment for the profession, encourage market competition and
10 innovation, and create worker reciprocity. The legislature also
11 believes that it is possible to achieve this modernization
12 without undermining the rigorous standards necessary for
13 licensure.

14 Accordingly, the purpose of this Act is to:

- 15 (1) Improve Hawaii consumers' access to qualified
16 certified public accountants, wherever those certified
17 public accountants may reside; and
18 (2) Protect Hawaii's consumers by granting the state board
19 of public accountancy clear disciplinary power over
20 all certified public accountants conducting business
21 in Hawaii.



SECTION 2. Chapter 466, Hawaii Revised Statutes, is amended by adding a new section to part I 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 and 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 and permit under sections 466-5 and 466-7.

(b) An individual whose principal place of business is not in this State and who holds a valid and current license as a certified public accountant from any state that the National Association of State Boards of Accountancy's National



1 Qualification Appraisal Service has not verified to be in
2 substantial equivalence with the certified public accountant
3 licensure requirements under the Uniform Accountancy Act shall:

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

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

10 provided that the individual obtains verification from the
11 National Association of State Boards of Accountancy's National
12 Qualification Appraisal Service that the individual's certified
13 public accountant qualifications are substantially equivalent to
14 the certified public accountant licensure requirements under the
15 Uniform Accountancy Act. Any individual who passed the Uniform
16 Certified Public Accountant Examination and holds a valid
17 license issued by any other state prior to January 1, 2012, may
18 be exempt from the education requirement under section 466-5.5
19 for purposes of this subsection.



1 (c) An individual who qualifies to have a practice
2 privilege in the State shall have the practice privilege for no
3 more than one hundred twenty days per calendar year.

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

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

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

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

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

21 (5) To promptly notify the board within thirty days if:



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

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

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

10 (7) To provide the department of taxation sufficient
11 information to determine the licensee's tax
12 liabilities in this State, to the extent required by
13 law.

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

19 (1) Any financial statement audit or other engagement to
20 be performed in accordance with statements on auditing



1 standards of the American Institute of Certified
2 Public Accountants;

3 (2) Any examination of prospective financial information
4 to be performed in accordance with statements on
5 standards for attestation engagements of the American
6 Institute of Certified Public Accountants; or

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

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

19 (g) In ascertaining substantial equivalency, the board
20 shall consider the qualification without regard to the sequence



1 in which experience, education, or examination requirements were
2 attained.

3 (h) The board may impose on an individual having a
4 practice privilege or on a permit holder fees, fines, and costs
5 associated with investigation and enforcement."

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

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

10 "Compilation" means providing a service, to be performed
11 in accordance with statements on standards for accounting and
12 review services, that is presenting, in the form of financial
13 statements, information that is the representation of management
14 or owners without undertaking to express any assurance on the
15 statements.

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

19 "Practice privilege" means the legal right to engage in the
20 practice of public accountancy within the State pursuant to



1 section 466- (a) or (b) and subject to the conditions and
2 limitations established under section 466- .

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

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

- 8 (1) The education, examination, and experience
9 requirements prescribed by law and rules of another
10 state jurisdiction are comparable to or exceed the
11 education, examination, and experience requirements
12 under the Uniform Accountancy Act of the American
13 Institute of Certified Public Accountants and National
14 Association of State Boards of Accountancy; or
15 (2) An individual's certified public accountant education,
16 examination, and experience qualifications are
17 comparable to or exceed the education, examination,
18 and experience requirements under the Uniform
19 Accountancy Act of the American Institute of Certified
20 Public Accountants and National Association of State
21 Boards of Accountancy.



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

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

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

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

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

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

19 (4) Any engagement to be performed in accordance with the
20 government auditing standards, also known as the



1 Yellow Book, issued by the United States Government
2 Accountability Office; ~~and~~

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

6 (6) Any examination, review, or agreed-upon procedures
7 engagement to be performed in accordance with the
8 statements on standards for attestation engagements of
9 the American Institute of Certified Public
10 Accountants, except for an examination under paragraph
11 (3).

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

13 "Report", when used with reference to ~~[financial~~
14 ~~statements,~~] any attest or compilation service, means an
15 opinion, report, or other form of language that states or
16 implies the measure of assurance as to the reliability of ~~[any]~~
17 the attested information or compiled financial statements, and
18 that also includes, or is accompanied by, any statement or
19 implication that the firm issuing it has special knowledge or
20 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;



1 (4) Paid appropriate fees and assessments; and

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

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

7 (1) Has attained eighteen years of age;

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

10 (3) Holds [~~a valid license of certified public accountant~~
11 ~~or of public accountant issued under the laws of~~
12 ~~another state, or who holds~~] a valid comparable
13 certificate, registration, or license or degree from a
14 foreign country determined by the board to be a
15 recognized qualification for the practice of public
16 accountancy in [~~such~~] the other country;

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

20 (5) Has completed an application.



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

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

10 (1) The following firms shall hold a permit issued under
11 this section:

12 (A) Any firm having an office in this State
13 performing attest services;

14 (B) Any firm having an office in this State that uses
15 the title of "certified public accountant" or the
16 abbreviation of "CPA", or "certified public
17 accountant firm" or abbreviation of "CPA firm";
18 or

19 (C) Any firm that does not have an office in this
20 State, but performs for a client having its home
21 office in this State any audit or other



1 engagements to be performed in accordance with
2 the statements on auditing standards, any
3 examination of prospective financial information
4 to be performed in accordance with the statements
5 on standards for attestation engagements, or any
6 engagement to be performed in accordance with the
7 auditing standards of the Public Company
8 Accounting Oversight Board;

9 (2) A firm that does not have an office in this State may
10 perform for a client having its home office in this
11 State any review of a financial statement to be
12 performed in accordance with the statements on
13 standards for accounting and review services and any
14 compilation, and may use the title "certified public
15 accountant" or the abbreviation of "CPA", or
16 "certified public accountant firm" or the abbreviation
17 of "CPA firm" without a permit issued under this
18 section; provided that:

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



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

5 (3) A firm that is not subject to paragraph (1) or (2) may
6 perform other professional services while using the
7 title "certified public accountant" or the
8 abbreviation of "CPA", or "certified public accountant
9 firm" or the abbreviation of "CPA firm" in this State
10 without a permit issued under this section; provided
11 that:

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

16 (B) The firm can lawfully perform services in the
17 state where the individual having practice
18 privileges, if applicable, has the individual's
19 principal place of business.

20 (e) Failure to submit the required fees, continuing
21 education hours, or other requirements for renewal as specified



1 in this section by December 31 of every odd-numbered year, shall
2 constitute forfeiture of the permit. Continued performance in
3 the practice of public accountancy without a permit shall
4 constitute unlicensed activity and the individual or firm shall
5 be subject to sections 466-9, 466-11, 487-13, and 26-9.

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

8 (1) The requirements of subsection (a), (b), (c), or (d)
9 ~~[of this section]~~; and

10 (2) Payment of required fees.

11 (g) For the initial issuance or renewal of a firm permit
12 to practice under this section:

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

19 (2) If the firm does not have an office in this State,
20 notwithstanding any other law to the contrary, the
21 firm shall provide evidence that a simple majority of



1 the ownership of the firm, in terms of financial
2 interests and voting rights of all partners, officers,
3 shareholders, members, or managers, belongs to holders
4 of a certificate who are licensed in a state, and
5 those partners, officers, shareholders, members, or
6 managers whose principal places of business are in
7 this State and who perform professional services in
8 this State hold a valid permit issued under this
9 chapter or the corresponding prior law, or are public
10 accountants licensed under section 466-6; provided
11 that:

12 (A) Although a firm may include non-licensed owners,
13 the firm and its ownership shall comply with the
14 rules adopted by the board; and

15 (B) Any individual who has practice privileges
16 pursuant to section 466- and performs services
17 for which a firm permit is required under section
18 466- shall not be required to obtain a
19 certificate or permit from this State; and

20 (3) The firm shall provide evidence that any individual
21 licensee or any individual granted practice privileges



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

8 (h) A firm that no longer complies with subsection (g)(2)
9 due to changes in the firm's ownership or personnel after the
10 firm receives or renews a permit shall take corrective action to
11 return the firm to compliance as soon as possible. The board
12 may grant a reasonable period of time for a firm to take
13 corrective action. A firm's failure to return the firm to
14 compliance within a reasonable period, as defined by the board,
15 shall result in the suspension or revocation of the firm
16 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~~[+]~~, or revoke or limit
4 practice privileges granted pursuant to section
5 466- ;

6 (2) Suspend a license or permit~~[+]~~ or practice privilege;

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]~~, firm, or individual having a
10 practice privilege;

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

13 (6) Place a licensee ~~[or firm on probation]~~, firm, or
14 individual having a practice privilege on probation;

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

17 (8) Require a licensee or individual having a practice
18 privilege to attain satisfactory completion of

19 additional continuing professional education hours as
20 specified by the board.



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

4 (1) Fraud or deceit in obtaining a license [~~or~~] permit[~~+~~],
5 or practice privilege;

6 (2) Disciplinary action taken by another state where the
7 license or practice privilege is canceled, revoked,
8 suspended, denied, or refused renewal;

9 (3) Failure, on the part of a holder of a license or a
10 permit to maintain compliance with the requirements
11 for issuance of a license [~~or a~~] permit, or practice
12 privilege or renewal of a license or permit, or to
13 report changes to the board;

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

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



- 1 (6) Violation of any provision of this chapter or of any
2 rule adopted by the board;
- 3 (7) Violation of any provision of professional conduct
4 established by the board under this chapter;
- 5 (8) Conviction of any crime an element of which is
6 dishonesty or fraud, under the laws of the United
7 States, of this State, or of any other state if the
8 act involved would have constituted a crime under the
9 laws of this State;
- 10 (9) Performance of any fraudulent act while holding a
11 practice privilege, license, or permit issued under
12 this chapter; or
- 13 (10) Any conduct reflecting adversely upon the licensee's
14 or permit or privilege holder's fitness to engage in
15 the practice of public accountancy[-] while a licensee
16 or individual granted practice privileges under
17 section 466- .
- 18 (c) Upon application of any person against whom
19 disciplinary action has been taken under subsection (a), the
20 board, in accordance with chapter 91, may reinstate the person's



1 license, practice privilege, or permit to practice which was
2 affected by the disciplinary action.

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

8 (2) Before reinstating, the board may:

9 (A) Require the applicant to show successful
10 completion of specified continuing professional
11 education; and

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

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

18 "**§466-10 Prohibited acts.** (a) Use of title "certified
19 public accountant":

20 (1) Except as otherwise provided in subsection (d) [~~of~~
21 ~~this section~~], no person shall assume or use the title



1 or designation "certified public accountant" or the
2 abbreviation "CPA" or any other title, designation,
3 words, letters, sign, card, or device likely to be
4 confused with "certified public accountant" or "CPA"
5 or tending to indicate that the person is a certified
6 public accountant, unless the person has a practice
7 privilege granted pursuant to section 466- or holds
8 a current license of certified public accountant
9 issued under this chapter and a current permit to
10 practice issued under this chapter;

11 (2) No partnership or corporation shall assume or use the
12 title or designation "certified public accountant" or
13 the abbreviation "CPA" or any other title,
14 designation, words, letters, abbreviation, sign, card,
15 or device likely to be confused with "certified public
16 accountant" or "CPA" or tending to indicate that such
17 partnership or corporation is composed of certified
18 public accountants, unless each of the partners of the
19 partnership who are in the practice of public
20 accountancy in this State[7] and whose principal place
21 of business is in this State, or each of the



1 shareholders of the corporation who are in the
2 practice of public accountancy in this State~~[7]~~ and
3 whose principal place of business is in this State,
4 holds a current license of certified public accountant
5 issued under this chapter and a current permit to
6 practice issued under this chapter; and

7 (3) No person shall assume or use the title or designation
8 "certified public accountant" or the abbreviation
9 "CPA" or any other title, designation, words, letters,
10 abbreviation, sign, card, or device likely to be
11 confused with "certified public accountant" or "CPA",
12 in conjunction with names indicating or implying that
13 there is a partnership or corporation, or in
14 conjunction with the designation "and Company" or "and
15 Co." or a similar designation if, in any case, there
16 is in fact no bona fide partnership or corporation
17 existing under the laws of this State~~[7]~~ or registered
18 to do business in this State.

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

20 (1) Except as otherwise provided in subsection (d) [~~of~~
21 ~~this section~~], no person shall assume or use the title



1 or designation "public accountant" or the abbreviation
2 "PA" or any other title, designation, words, letters,
3 sign, card, or device likely to be confused with
4 "public accountant" or "PA" or tending to indicate
5 that the person is a public accountant unless the
6 person holds a current registration of public
7 accountant issued under this chapter and a current
8 permit to practice issued under this chapter;

- 9 (2) No partnership or corporation shall assume or use the
10 title or designation "public accountant" or the
11 abbreviation "PA" or any other title, designation,
12 words, letters, abbreviation, sign, card, or device
13 likely to be confused with "public accountant" or "PA"
14 or tending to indicate that the partnership or
15 corporation is composed of public accountants, unless
16 each of the partners of the partnership who are in the
17 practice of public accountancy in this State, or each
18 of the shareholders of the corporation who are in the
19 practice of public accountancy in this State, holds a
20 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) ~~[No]~~ 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



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

5 (A) Financial information[+] or attest service; 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 the person holds a current license and a
11 current permit to practice issued under this
12 chapter[+]; and

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



1 (A) Financial information[7]; or

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

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

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

18 (1) Who holds a current license of certified public
19 accountant issued under this chapter from assuming and
20 using the title and designation "certified public
21 accountant" or "CPA"; provided that if the person does



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

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

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



1 (4) Who qualifies for a practice privilege granted
2 pursuant to section 466- from using the title and
3 designation "certified public accountant" or the
4 abbreviation "CPA" or from providing any service that
5 may be performed by certified public accountants of
6 this State without having to obtain a certificate or
7 permit to practice; provided that the conditions
8 prescribed under section 466- are satisfied;
9 ~~[(4)]~~ (5) Who is not a certified public accountant or
10 public accountant from serving as an employee of, or
11 an assistant to, a certified public accountant or
12 public accountant; provided that the employee or
13 assistant works under the control and supervision of a
14 person who holds a current license of certified public
15 accountant or of public accountant and a current
16 permit to practice issued under this chapter; and
17 provided further that the employee or assistant does
18 not issue any statement or report over the person's
19 name except office reports to the person's employer as
20 are customary, and that the employee or assistant is



1 not in any manner held out to the public as a
2 certified public accountant or public accountant;
3 ~~[(+5+)]~~ (6) Who is an officer, employee, partner, or
4 principal of any organization from signing or affixing
5 the person's name to any statement or report in
6 reference to the affairs of that organization;
7 provided that in so signing or affixing the person's
8 name the person shall clearly indicate that the person
9 is an officer, employee, partner, or principal of the
10 organization, and the position, title, or office which
11 the person holds therein;
12 ~~[(+6+)]~~ (7) Who is a public official or public employee from
13 the performance of the person's duties as such; or
14 ~~[(+7+)]~~ (8) is an attorney at law from engaging in practice
15 as such."

16 (e) Notwithstanding any law to the contrary, there is no
17 violation of this section for a firm that does not hold a valid
18 permit under section 466-7 and does not have an office in this
19 State to use the title "certified public accountant" or the
20 abbreviation "CPA" as part of the firm's name to provide
21 professional services in this State and its licensees and



1 individuals to provide services on behalf of the firm; provided
2 that the firm complies with section 466-7(d)(2) or (3), as
3 applicable. An individual or firm authorized under section
4 466- to exercise practice privileges in this State shall
5 comply with applicable licensee requirements under section
6 466- ."

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

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

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

17 (c) [~~Any~~] Except for firms exempt from the permit
18 requirement pursuant to section 466-7(d)(2) or (3), any firm
19 that begins performing Hawaii attest work after December 31,
20 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 is
4 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 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 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;



(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:



1 "(a) [A] Except for a firm 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. Statutory material to be repealed is bracketed
18 and stricken. New statutory material is underscored.

19 SECTION 12. This Act shall take effect on July 1, 2022;
20 provided that this Act shall be repealed on June 30, 2024, and:



1 (1) The definitions of "attest" and "report" in section
2 466-3, Hawaii Revised Statutes; and
3 (2) Sections 466-7, 466-9, 466-10, 466-34(b), (c), (d),
4 and (i), 466-35(b), 466-36(a), and 466-38(a), Hawaii
5 Revised Statutes,
6 shall be reenacted in the form in which they read on the day
7 before the effective date of this Act.

8
INTRODUCED BY: _____



JAN 26 2022



H.B. NO. 2426

Report Title:

Certified Public Accountants; State Board of Public Accountancy

Description:

Establishes procedures and eligibility criteria for a privilege to practice public accountancy in this State for public accountants and certified public accountants licensed in another state with comparable education, examination, and experience requirements. Subjects all holders of a privilege to practice to the regulatory and enforcement jurisdiction of the Board of Accountancy. Sunsets on 6/30/2024.

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

