STAND. COM. REP. NO. 548 -10 Honolulu, Hawaii Merch 19, 2010 S.B. No. 2501 RE.

S.D. 1 H.D. 1

Honorable Calvin K.Y. Say Speaker, House of Representatives Twenty-Fifth State Legislature Regular Session of 2010 State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred S.B. No. 2501, S.D. 1, entitled:

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

begs leave to report as follows:

The purpose of this bill is to promote standards in public accountancy work by requiring public accountancy firms to undergo peer review of attest work as a condition of permits to practice.

The Hawaii Society of Certified Public Accountants and numerous concerned individuals testified in support of this bill. A concerned individual opposed this measure. The Board of Public Accountancy (Board) and two concerned individuals provided comments.

This bill establishes a peer review requirement to help improve the quality of financial statements prepared by accountants in Hawaii and provide a level of assurance that these documents are uniformly prepared in accordance with established professional standards. Your Committee finds that this bill attempts to add a critical layer of protection against professional deficiencies or misconduct in the accounting profession.



Your Committee has amended this bill by:

- (1) Making the peer review requirement an express condition of a permit to practice public accountancy;
- (2) Requiring the peer review to be conducted every three years, rather than at the time the firm's permit is to be renewed;
- (3) Requiring firms, at the time of permit renewal, to submit evidence of having undergone the peer review;
- (4) Providing that the Board may authorize third-party entities to administer peer reviews without having to do so by contract;
- (5) Clarifying that a third-party entity authorized by the Board to administer peer reviews may not require a firm's owners or employees to become members of the entity to participate in peer review;
- (6) Clarifying that a person involved in the peer review process cannot be required to testify on the process, but that a person's statements in connection with the peer review process is subject to discovery if the person is a party to an action or proceeding concerning a matter that was reviewed in the peer review process;
- (7) Making various amendments to correct inaccurate references; and
- (8) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2501, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2501, S.D. 1, H.D. 1, and be referred to the Committee on Finance.



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

ROBERT N. HERKES, Chair



## State of Hawaii House of Representatives The Twenty-fifth Legislature



## **Record of Votes of the Committee on Consumer Protection & Commerce**

Bill/Resolution No.:	Committee	Referral:		Date: 🥏	1.1	6
SB 2501, SD1	CPC,FI	IN			$\gamma \Pi /$	10
The committee is reconsidering its prev				-1	1	( -
The recommendation is to:   Image: Pass, unamended (as is)   Image: Pass, with amendments (HD)   Image: Pass, Hold     Image: Pass short form bill with HD to recommit for future public hearing (recommit)						
CPC Members		Ayes	Ayes (WF	t)	Nays	Excused
1. HERKES, Robert N. (C)		V				
2. WAKAI, Glenn (VC)		V				/
3. BELATTI, Della Au		1				$\checkmark$
4. CABANILLA, Rida		V				
5. CARROLL, Mele		VI				修计计算机
6. ITO, Ken		V				1
7. KARAMATSU, Jon Riki						V
8. LUKE, Sylvia		4				
9. McKELVEY, Angus L.K.		VI				
10. MIZUNO, John M.						
11. MORITA, Hermina M.		V				
12. SOUKI, Joseph M.		V				
13. TSUJI, Clift		V				
14. MARUMOTO, Barbara C.		V				
15. THIELEN, Cynthia		V				
			1		1	
<b>TOTAL (15)</b>		2	Ø		$\emptyset$	3
The recommendation is:  Ado If joint r	referral,	Not Adopted mmittee acronym(s)	did not s	support reco	ommendation	Ŀ
Vice Chair's or designee's signature:	- 7	y or	2			
<b>Distribution:</b> Original (White) – Commit	ttee Dur	lieate (Yellow) -	Chief Clerk's (	Office	Duplicate (P	ink) – HMSO