

**PRESENTATION OF THE
BOARD OF PUBLIC ACCOUNTANCY**

TO THE HOUSE COMMITTEE ON FINANCE

TWENTY-FIFTH LEGISLATURE
Regular Session of 2010

Friday, March 26, 2010
12:00 p.m.

**TESTIMONY ON SENATE BILL NO. 2501, S.D. 1, H.D. 1, RELATING TO
PUBLIC ACCOUNTANCY.**

TO THE HONORABLE MARCUS R. OSHIRO, CHAIR,
AND MEMBERS OF THE COMMITTEE:

My name is Thomas Ueno and I am the Vice-Chairperson of the Board of Public Accountancy ("Board"). Thank you for the opportunity to present testimony on Senate Bill No. 2501, S.D. 1, H.D. 1, Relating to Public Accountancy.

The purpose of this bill is to provide a mechanism for firms engaged in the practice of public accountancy to undergo peer review on a regular basis; and to grant the Board appropriate power to regulate the peer review process.

The Board is in support of this measure that was passed by the House Committee on Consumer Protection and Commerce after including a number of the Board's recommendations; however, respectfully provides the following additional comments for this Committee's consideration:

- Section 2 of the bill amends HRS section 466-3 by adding two new definitions to the terms "attest" and "peer review", and amending the definition of the term "firm".

- The Board believes that the term “attest” is too narrowly defined and may limit the Board’s ability to recognize other types of attest work or other standards that may need to be acknowledged in the future. The Board has prepared a new definition for this term, which is attached for your consideration.
- The Board also believes the definition of the term “peer review” should be expanded to include clear guidelines on the qualifications of the individual who conducts a peer review. The Board has also prepared amendments to this definition, which is attached for your consideration.
- In addition, the Board recommends that the definition of the term “firm” be amended to include the language, “or any other form of business entity”.
- Section 5 of the bill amends HRS section 466-13.
 - Subpart (a): It is unclear to the Board whether the inclusion of Hawaii offices and Hawaii engagements of foreign or multistate firms in the peer review requirement should be mandated. If passed, Hawaii would be the only state in the nation that would require a local office of a national firm to be peer reviewed in order to renew that firm’s permit to practice. The Board requests that the language “including the Hawaii offices and

Hawaii engagements of foreign or multistate firms” be stricken from this section.

Subpart (b): The requirement that the “peer review process be for educational or remedial and not punitive purposes” would prevent the Board from acting in the best interest of the public in the case where a licensee commits a flagrant and serious violation of the laws and rules. The Board requests that the term “remedial” be defined, and that this sentence be amended to allow the Board to act expeditiously against licensees whose egregious violations of the Board’s laws and rules adversely affect Hawaii’s public.

- Subpart (d)(4): This provision to establish a process to allow a firm to appeal the findings of a peer review that results in the denial, termination, or non-renewal of its firm permit again points to the inconsistency in the characterization of a peer review to be “not punitive” in purpose. Implementing the Board’s previously-noted recommended changes to Section 5 of this measure will address this inconsistency and allow a CPA firm to appeal the conclusions of an unsatisfactory peer review that results in the Board’s punitive actions against the firm’s permit.

Thank you for the opportunity to provide testimony on Senate Bill

No. 2501, S.D. 1, H.D. 1. I will be happy to answer any questions you may have.

ATTACHMENT
TO THE HOUSE COMMITTEE ON FINANCE ON SENATE BILL NO. 2501,
S.D. 1, H.D. 1, RELATING TO PUBLIC ACCOUNTANCY

The Board requested amendment to the following definitions contained in S.B. No. 2501, S.D. 1, H.D. 1:

1. This definition be used instead for "attest":

"Attest" means and includes:

- (1) An audit or other similar engagement;
- (2) A review of a financial statement;
- (3) An examination of prospective financial information;
- (4) Any engagement to be performed in accordance with the standards of the PCAOB; and
- (5) Any other services specified in the rules of the Board.

The standards to be followed when performing attest services shall be specified in the rules of the Board; provided that such standards shall, at a minimum, include those developed for general application by recognized national accountancy organizations, such as the AICPA and the PCAOB.

2. This definition, as amended, be used instead for "peer review":

"Peer review" means a study, appraisal, or review of one or more aspects of the professional work of a license holder or CPA firm that issues attest or compilation reports, by a person or persons who currently hold permits to practice public accountancy under section 466-7 and who certificates or licenses, are CPAs, and are not affiliated with the license holder or CPA firm being studied, appraised, or reviewed.

**HAWAII ASSOCIATION OF PUBLIC ACCOUNTANTS**

Organized August 7, 1943
P.O. BOX 61043
HONOLULU, HAWAII 96839



Before the Committee on Finance

Friday, March 26, 2010 at 12:00 p.m.

Conference Room 308

Re: Support for SB2501, SD1, HD1

Relating to Public Accountancy

John W. Roberts, MBA, CPA

Chair Oshiro, Vice Chair Lee, and committee members:

I am a certified public accountant (CPA) and State President of the Hawaii Association of Public Accountants (HAPA). HAPA represents local public accounting practitioners throughout the State of Hawaii. I am also a principal of Niwao & Roberts, CPAs, a P.C.

HAPA is in favor of measures to improve the quality of the accounting profession, and HAPA's board of directors supports the language of SB 2501, SD1, HD1. Any Hawaii peer review program should be administered fairly and equitably with respect to the Hawaii market so that all firms are treated equally, regardless of whether they are a small local firm or the Hawaii office of a large international or multi-state firm. No CPA firm performing attest work in Hawaii or for Hawaii clients should be exempt from a Hawaii peer review for the protection of Hawaii consumers. In addition, the peer review process should be constructive and helpful to accountancy firms to improve the quality of their work, rather than punitive in nature. SB 2501, SD1, HD1 meets these conditions and will serve Hawaii's consumers and public accounting community well.

HAPA's support for SD1, HD1 of SB2501 is contingent upon no substantive changes being made to the language of SD1, HD1.

Thank you for this opportunity to testify.

Respectfully submitted,

A handwritten signature in cursive script that reads "John W. Roberts".

John W. Roberts, M.B.A., CPA
HAPA State President



Donald P. Yannell
Senior Vice President
and Area Manager
Waikiki Branch

Before the House Committee on Finance

Friday, March 26, 2010
12:00 p.m.
Conference Room 308

Testimony of Donald Yannell, Senior Vice President, First Hawaiian Bank

In Support of SB 2501, SD1, HD1
Relating to Public Accountancy

Chair Oshiro, Vice Chair Lee and Committee Members:

I strongly support the mandatory peer review requirement for CPAs. I support mandatory peer review in order to provide a level of assurance that financial statements prepared and issued by CPAs in the State of Hawaii are uniformly prepared in accordance with established professional standards.

The benefits of mandatory peer review program will: (1) improve the quality of the financial statements being prepared and issued by CPAs in the State of Hawaii; (2) enhance the creditability and reliability of financial statements prepared and issued by CPAs in the State of Hawaii; (3) most importantly, better protect the unsuspecting public and users of such financial statements, who incorrectly believe that all CPAs participate in a peer review or practice monitoring program to ensure that they comply with established professional standards; and (4) place CPAs who prepare and issue financials statements in the State of Hawaii on an equal playing field and enhance their competitiveness.

Hawaii is one of the few remaining states that do not have a peer review requirement (42 states have adopted peer review legislation).

For the above reasons, I urge you to support mandatory peer review for CPAs as it will provide the public with an improved level of assurance that CPA-prepared financial statements are prepared pursuant to uniform professional standards and fulfill the public's expectations.

Sincerely,

A handwritten signature in black ink, appearing to read "Donald Yannell", written over a circular stamp or seal.

Donald Yannell

**SEVEN-ELEVEN HAWAII, INC.**

7-ELEVEN Stores

House Committee on Finance

Friday, March 26, 2010

12:00 p.m.

Conference Room 308

Testimony in Support of SB 2501, SD1, HD1

Relating to Public Accountancy

Dear Chair, Vice-Chair and Committee Members:

I strongly support the mandatory peer review requirement for CPAs. I support mandatory peer review in order to provide a level of assurance that financial statements prepared and issued by CPAs in the State of Hawaii are uniformly prepared in accordance with established professional standards. Additionally, I support mandatory peer review, which has been mandatory since 1988 for a majority of practicing CPAs who prepare and issue financial statements in the State of Hawaii and are members of the American Institute of Certified Public Accountants ("AICPA"), as the current national debate is not whether peer review should be mandatory but should the peer review findings be made transparent and disclosed to better inform and protect the public's interest similar to the review results of the Public Company Oversight Accounting Board ("PCAOB") created under the Sarbanes-Oxley Act for publicly-held companies.

In turn, the benefits of mandatory peer review program will: (1) improve the quality of the financial statements being prepared and issued by CPAs in the State of Hawaii; (2) enhance the creditability and reliability of financial statements prepared and issued by CPAs in the State of Hawaii; (3) most importantly, better protect us, the unsuspecting public and users of such financial statements, who incorrectly believe that all CPAs participate in a peer review or practice monitoring program to ensure that they comply with established professional standards; and (4) place CPAs who prepare and issue financial statements in the State of Hawaii on an equal playing field and enhance their competitiveness.

For the above reasons, I urge you to support mandatory peer review for CPAs as it will provide the public with an improved level of assurance that CPA-prepared financial statements are prepared pursuant to uniform professional standards and fulfill the public's expectations.

Sincerely,

A handwritten signature in black ink, appearing to read 'Greg Hanna'.

Greg Hanna
Chief Financial Officer

△ GMK CONSULTING

VALUATION ADVISORY SERVICES

March 23, 2010

Before the House Committee on Finance

DATE: Friday, March 26, 2010
TIME: 12:00 P.M.
PLACE: Conference Room 308
State Capitol
415 South Beretania Street

In Support of SB 2501, SD1, HD1

Relating to Public Accountancy

Chair Oshiro, Vice Chair Lee, and Committee Members:

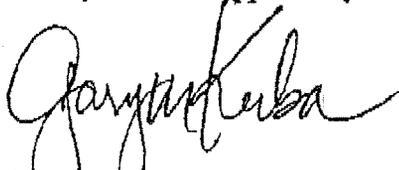
Mandatory peer review for CPAs will fulfill the public's expectations and ensure that CPA-prepared financial statements are prepared pursuant to uniform professional standards.

The argument proposed by opponents of this bill claims that multistate firms in Hawaii should not be exempt. Those firms that audit publicly traded companies undergo a much more rigorous peer review program through the Center for Audit Quality and Public Company Audit Oversight Board (PCAOB). Multistate firms are not exempt from the process. All offices within a firm must be included in the scope of the peer review.

The unsuspecting public deserves to know that a CPA firm's quality control policies and procedures are in accordance with those professional standards promulgated by the accounting profession and that the firm is complying with those policies and procedures.

Please do the right thing to protect the public.

Thank you for the opportunity to testify.



Gary Kuba
2766A Manoa Road
Honolulu, HI 96822

△ GMK CONSULTING

VALUATION ADVISORY SERVICES

March 23, 2010

Before the House Committee on Finance

DATE: Friday, March 26, 2010
TIME: 12:00 P.M.
PLACE: Conference Room 308
State Capitol
415 South Beretania Street

In Support of SB 2501, SD1, HD1

Relating to Public Accountancy

Chair Oshiro, Vice Chair Lee, and Committee Members:

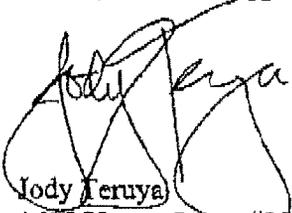
Mandatory peer review for CPAs will fulfill the public's expectations and ensure that CPA-prepared financial statements are prepared pursuant to uniform professional standards.

The argument proposed by opponents of this bill claims that multistate firms in Hawaii should not be exempt. Those firms that audit publicly traded companies undergo a much more rigorous peer review program through the Center for Audit Quality and Public Company Audit Oversight Board (PCAOB). Multistate firms are not exempt from the process. All offices within a firm must be included in the scope of the peer review.

The unsuspecting public deserves to know that a CPA firm's quality control policies and procedures are in accordance with those professional standards promulgated by the accounting profession and that the firm is complying with those policies and procedures.

Please do the right thing to protect the public.

Thank you for the opportunity to testify.



Jody Teruya
1635 Young Street #303
Honolulu, HI 96826

Presentation of the Committee on Finance

Friday, March 26, 2010 at 12:00 p.m.

Testimony on Bill S.B. 2501, SD1, HD1 Peer Review for Public Accountancy

Support the Intent

TO: The Honorable Chair Marcus R. Oshiro
The Honorable Vice Chair Marilyn B. Lee
Members of the Committee

I am Gary Fujitani, Executive Director of the Hawaii Bankers Association (HBA), testifying on behalf of HBA in **support of the intent** of S.B. 2501, SD1, HD1. HBA is the trade organization that represents all FDIC insured depository institutions doing business in Hawaii.

SB 2501 is to provide a mechanism for firms engaged in the practice of public accounting to undergo peer review on a regular basis. We understand the intent of peer review is to enhance the quality of accounting, auditing and attestation services performed by Certified Public Accountants (CPAs) in public practice.

Banks, as lenders to business, rely on financial statements audited by CPAs in making loan decisions. Therefore, the reliability of the financial data presented for a loan request is of paramount importance in making a proper loan analysis.

Our expectation is that CPA firms are qualified to express an independent and expert opinion on the fairness of financial statements, an important and valuable service rendered by the public accounting profession.

If peer review helps to improve the quality and reliability of audited financial data, it will aid us in making the appropriate loan decisions.

Thank you for the opportunity to provide our testimony



Taketa, Iwata, Hara & Associates, LLC

Certified Public Accountants & Consultants

101 Aupuni Street, Suite 139

Hilo, Hawaii 96720-4260

Before the House of Representatives Committee on Finance

Friday, March 26, 2010 at 12:00 p.m.

Conference Room 308

State Capitol

Re: Support for SB 2501, SD1, HD1

Relating to Public Accountancy

Testimony of Gregg M. Taketa

Chair Oshiro, Vice Chair Lee and committee members:

I respectfully ask that you vote YES on SB 2501, SD1, HD1. I am a partner in the CPA firm of Taketa, Iwata, Hara & Associates, LLC in Hilo. I am also a member of the Hawaii Association of Public Accountants, Hawaii Society of Certified Public Accountants (HSCPA) and the American Institute of Certified Public Accountants (AICPA).

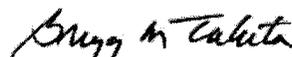
Our firm has been a member of the Private Companies Practice Section (PCPS) of the AICPA since 1989 and we completed our first on-site peer review (now known as a system review) in 1991. I am a firm believer in the benefits of peer reviews as it provides a healthy exchange of information and ideas between peer reviewer and the firm with the objective of continued improvement in attest work.

I support SB 2501, SD1, HD1 because it addresses the main concerns regarding mandatory peer review rather than relying on the rules to clarify issues.

- SB 2501, SD1, HD1 provides a level playing field as all CPA firms performing attest work in Hawaii would be required to participate in the peer review process administered by the state board of public accountancy.
- SB 2501, SD1, HD1 provides definitions for "peer review" and "attest" and clarifies the definition of "firm".
- SB 2501, SD1, HD1 provides due process provisions for firms that may lose their right to practice due to the peer review process.
- SB 2501, SD1, HD1 states that the peer review process shall be for educational or remedial rather than punitive purposes. This setting will foster a relationship between peer reviewer and CPA firm that will encourage the exchange of information and ideas necessary for the continued improvement of professional services.

I urge the committee to support SB 2501, SD1, HD1 for these reasons. Thank you for this opportunity to testify.

Respectfully submitted,


Gregg M. Taketa, CPA

Gregg M. Taketa, CPA • Brian M. Iwata, CPA • Janet W. Hara, CPA

Tel (808) 935-5404 Fax (808) 969-1499 E-mail: info@tihcpa.com Website: www.tihcpa.com

S A N D A L W O O D A V I A T I O N L L C

Before the House Committee on Finance

**Friday, March 26, 2010
12:00 p.m.
Conference Room 308**

Testimony of Timothy Ng

In Support of SB 2501, SD1, HD1

Chair Oshiro, Vice-Chair Lee and Committee Members:

I strongly support the mandatory peer review requirement for CPAs. I support mandatory peer review in order to provide a level of assurance that financial statements prepared and issued by CPAs in the State of Hawaii are uniformly prepared in accordance with established professional standards.

The benefits of mandatory peer review program will: (1) improve the quality of the financial statements being prepared and issued by CPAs in the State of Hawaii; (2) enhance the creditability and reliability of financial statements prepared and issued by CPAs in the State of Hawaii; (3) most importantly, better protect the unsuspecting public and users of such financial statements, who incorrectly believe that all CPAs participate in a peer review or practice monitoring program to ensure that they comply with established professional standards; and (4) place CPAs who prepare and issue financials statements in the State of Hawaii on an equal playing field and enhance their competitiveness.

For the above reasons, I urge you to support mandatory peer review for CPAs as it will provide the public with an improved level of assurance that CPA-prepared financial statements are prepared pursuant to uniform professional standards and fulfill the public's expectations.

Sincerely,

Timothy Ng
Founding Member
Sandalwood Aviation LLC



Jani-King Hawaii
94-155 Leole Street
Suite 119
Waipahu, Hawaii 96797
(808) 535-6100
(808) 535-6199 Fax

House Committee on Finance
Friday, March 26, 2010
12:00 p.m.
Conference Room 308

In Support of SB 2501, SD1, HD1

United States
Albuquerque
Atlanta • Austin
Ballmore
Baton Rouge
Birmingham
Boston • Buffalo
Charleston
Charlotte • Chicago
Cincinnati • Cleveland
Colton • Columbia
Columbus • Dallas
Dayton • Denver
Detroit • Fort Worth
Greensboro
Greenville/Spartanburg
Hampton Roads
Hartford • Hawaii
Houston • Huntsville
Indianapolis • Jackson
Jacksonville • Kansas City
Knoxville • Las Vegas
Los Angeles • Louisville
Madison • Memphis
Miami • Milwaukee
Minneapolis • Mobile
Nashville • New Jersey
New Orleans
New York • Oakland
Oklahoma City • Orlando
Philadelphia • Phoenix
Pittsburgh • Portland
Raleigh/Durham
Rhode Island • Richmond
Sacramento
St. Louis • Salt Lake City
San Antonio • San Diego
San Francisco • Seattle
Southeast Mississippi
Tampa Bay • Tucson
Tulsa • Washington, D.C.

Dear Chair, Vice-Chair and Committee Members:

I strongly support the mandatory peer review requirement for CPAs. I support mandatory peer review in order to provide a level of assurance that financial statements prepared and issued by CPAs in the State of Hawaii are uniformly prepared in accordance with established professional standards. Additionally, I support mandatory peer review, which has been mandatory since 1988 for a majority of practicing CPAs who prepare and issue financial statements in the State of Hawaii and are members of the American Institute of Certified Public Accountants ("AICPA"), as the current national debate is not whether peer review should be mandatory but should the peer review findings be made transparent and disclosed to better inform and protect the public's interest similar to the review results of the Public Company Oversight Accounting Board ("PCAOB") created under the Sarbanes-Oxley Act for publicly-held companies.

In turn, the benefits of mandatory peer review program will: (1) improve the quality of the financial statements being prepared and issued by CPAs in the State of Hawaii; (2) enhance the creditability and reliability of financial statements prepared and issued by CPAs in the State of Hawaii; (3) most importantly, better protect us, the unsuspecting public and users of such financial statements, who incorrectly believe that all CPAs participate in a peer review or practice monitoring program to ensure that they comply with established professional standards; and (4) place CPAs who prepare and issue financial statements in the State of Hawaii on an equal playing field and enhance their competitiveness.

For the above reasons, I urge you to support mandatory peer review for CPAs as it will provide the public with an improved level of assurance that CPA-prepared financial statements are prepared pursuant to uniform professional standards and fulfill the public's expectations.

Sincerely,

Lani Price
Controller

Argentina
Australia
Brazil
Canada
Toronto
Windsor
France
Great Britain
Hong Kong
Korea
Malaysia
Mexico
New Zealand
Singapore
Taiwan
Turkey



Horwath Kam & Company
An Accountancy Corporation
Member of Horwath International
700 Bishop Street, Suite 1700
Honolulu, Hawaii 96813 USA
808.524-8080 Tel
808.524-8081 Fax
www.horwath-hi.com

**HOUSE OF REPRESENTATIVES
THE TWENTY-FIFTH LEGISLATURE
REGULAR SESSION OF 2010**

Testimony in Support of SB2501, SB1, HB1

Dear Chair Marcus R. Oshiro, Vice Chair Lee & Committee Members on Finance:

I strongly support the mandatory peer review requirement for CPAs. I support mandatory peer review in order to provide a level of assurance that financial statements prepared and issued by CPAs in the State of Hawaii are uniformly prepared in accordance with established professional standards.

The benefits of mandatory peer review program will: (1) improve the quality of the financial statements being prepared and issued by CPAs in the State of Hawaii; (2) enhance the creditability and reliability of financial statements prepared and issued by CPAs in the State of Hawaii; (3) most importantly, provide a greater level of confidence to the public and users of such financial statements, who currently, but incorrectly, believe that all CPAs participate in a peer review process or practice monitoring program to ensure that those statements comply with established professional standards.

Additionally, we are one of the few remaining states that have yet to enact a mandatory peer review requirement for CPA's (42 states have a mandatory peer review requirement).

For these reasons, I urge you to support mandatory peer review for CPAs as it will provide the public with an improved level of assurance that CPA-prepared financial statements are issued pursuant to uniform professional standards, and most importantly fulfill the public's expectations and reliance thereon.

For the above reasons, I urge you to support mandatory peer review for CPAs, who perform attest services, to include the suggested modifications.

Very truly yours,

A handwritten signature in black ink, appearing to read "Howard K. Kam, Jr." with a stylized flourish at the end.

Howard K. Kam, Jr., CPA
Managing Director

ALAN K. BERNALDO
CERTIFIED PUBLIC ACCOUNTANT

1871 WILI PA LOOP, SUITE B
WAILUKU, HAWAII 96793

(808) 242-5951 / FAX: (808) 244-3030

Before the Committee on Finance
Friday, March 26, 2010 at 12:00 p.m.
Conference Room 308

Re: Support for SB2501, SD1, HD1

Relating to Public Accountancy

Testimony of ALAN K. BERNALDO, CPA

Chair Oshiro, Vice Chair Lee, and committee members:

I am a practicing CPA whose practice is located on the island of Maui. I have been in practice for just about 30 years and have always voluntarily participated in the State's peer review program.

SB2501, SD1, HD1 provides for mandatory peer review once every three years for a CPA firm's attest work, in conjunction with the renewal of a CPA firm's permit to practice. I am in favor of measures to improve the quality of the public accounting profession in Hawaii. I also support the language of SB2501, SD1, HD1 in that the requirements for peer review are applied equitably to all CPA firms practicing public accountancy in Hawaii, including the Hawaii offices and Hawaii engagements of the large international CPA firms (which are usually not selected for peer review).

If an exception is made to exempt the Hawaii offices and Hawaii engagements of these foreign or multi-state firms from peer review, only local firms would be at risk for losing their firms' permit to practice and only local firms would be required to take remedial measures. In addition, exempting the Hawaii offices and Hawaii engagements of the large CPA firms is not in the best interest for Hawaii consumers who depend upon the Hawaii work product of CPA firms who do business in Hawaii.

Thank you for your consideration of the above.

Respectfully submitted,



Alan K. Bernaldo, CPA



CERTIFIED PUBLIC ACCOUNTANTS
ACCOUNTING, TAXES AND TECHNOLOGY

Before the Committee on Finance
Friday, March 26, 2010 at 12:00 p.m.
Conference Room 308

Re: Support for SB2501, SD1, HD1
Relating to Public Accountancy

Testimony of Gary Y. Miyashiro

Chair Oshiro, Vice Chair Lee, and committee members:

I am a CPA practicing in Hawaii with Manoa Consulting Group, LLC – Certified Public Accountants, and our firm has been voluntarily peer reviewed for a number of years.

SB2501, SD1, HD1 provides for mandatory peer review once every three years for a CPA firm's attest work, in conjunction with the renewal of a CPA firm's permit to practice. I am in favor of measures to improve the quality of the public accounting profession in Hawaii. I also support the language of SB2501, SD1, HD1 in that the requirements for peer review are applied equitably to all CPA firms practicing public accountancy in Hawaii, including the Hawaii offices and Hawaii engagements of the large international CPA firms (which are usually not selected for peer review).

If an exception is made to exempt the Hawaii offices and Hawaii engagements of these foreign or multi-state firms from peer review, only local firms would be at risk for losing their firms' permit to practice and only local firms would be required to take remedial measures. In addition, exempting the Hawaii offices and Hawaii engagements of the large CPA firms is not in the best interest for Hawaii consumers who depend upon the Hawaii work product of CPA firms who do business in Hawaii.

Thank you for your consideration of the above.

Respectfully submitted,

Gary Y. Miyashiro, CPA

Natalie J. Iwasa, CPA, Inc.
1331 Lunalilo Home Road
Honolulu, HI 96825
808-395-3233

DATE: March 24, 2010

TO: Representative Oshiro, Chair
Representative Lee, Vice Chair
Committee on Finance

HEARING DATE: Friday, March 26, 2010, 12 p.m.

SUBJECT: SB2501, SD1, HD1 Relating to Public Accountancy – **Additional Comments**

Aloha Chair, Vice Chair and Members of the Committee,

Thank you for this opportunity to provide additional comments regarding this bill and its related amendments.

Page 1, line 17, defines "attest" in part as "any compilation or review of a financial statement . . ." Under AICPA rules, a firm is not required to be peer reviewed if the highest level of service performed is compilations of management-use only financial statements with no report. The current wording of this bill and its amendments would require firms that currently are not required to have a peer review to be reviewed. Consideration should be given to the impact this new requirement would have on firms that only issue management-use only financial statements.

Page 3, line 9, indicates "An applicant for the initial issuance or renewal of a permit shall have," continuing on line 20, "Undergone any applicable peer review process . . ." The due date of a firm's first peer review, under AICPA rules, is ordinarily 18 months from the date it enrolled in the peer review program or should have enrolled, whichever date is earlier. Consideration should therefore be given to clarifying when a peer review is required for initial permit applicants.

Sincerely,



Natalie Iwasa, CPA

Ann Fukuhara, CPA MBA
An Accountancy Corporation

714 Kanoelchua Avenue
P.O. Box 6691
Hilo, Hawaii 96720
(808) 961-5532
Facsimile: (808) 934-8589

Before the Committee on Finance

Friday, March 26, 2010 at 12:00 p.m.

Conference Room 308

Re: Support for SB2501, SD1, HD1
Relating to Public Accountancy
Testimony of Ann Fukuhara CPA

Chair Oshiro, Vice Chair Lee, and committee members:

I am a certified public accountant in Hilo, Hawaii and have been in private practice for over fifteen years.

SB2501, SD1, HD1 provides for mandatory peer review once every three years for a CPA firm's attest work, in conjunction with the renewal of a CPA firm's permit to practice. I am in favor of measures to improve the quality of the public accounting profession in Hawaii. I also support the language of SB2501, SD1, HD1 in that the requirements for peer review are applied equitably to all CPA firms practicing public accountancy in Hawaii, including the Hawaii offices and Hawaii engagements of the large international CPA firms (which are usually not selected for peer review).

If an exception is made to exempt the Hawaii offices and Hawaii engagements of these foreign or multi-state firms from peer review, Hawaii firms exclusively would be at risk for losing their firms' permit to practice and only Hawaii firms would be required to take remedial measures.

In addition, exempting the Hawaii offices and Hawaii engagements of the large CPA firms is not in the best interest for Hawaii consumers who depend upon the Hawaii work product of CPA firms who do business in Hawaii.

Thank you for your consideration of the above matter and please do not hesitate to contact me at (808) 961-5532 if you have any questions concerning my testimony.

Very truly yours,

Ann Fukuhara, CPA MBA, An Accountancy Corporation



Ann Fukuhara, CPA MBA

FUSATO CPA INC.
140 N. Market Street, Suite 200
Wailuku, Hawaii 96793-1732
(808) 242-9100
Fax (808) 244-1375

Before the Committee on Finance
Friday, March 26, 2010 at 12:00 p.m.
Conference Room 308
Re: Support for SB2501, SD1, HD1
Relating to Public Accountancy

Testimony of Ross Fusato

Dear Chair Oshiro, Vice Chair Lee, and committee members:

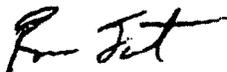
I am a CPA that started my own practice in 2009. My company on Maui employs 10 people and offers tax, bookkeeping and payroll services.

SB2501, SD1, HD1 provides for mandatory peer review once every three years for a CPA firm's attest work, in conjunction with the renewal of a CPA firm's permit to practice. I am in favor of measures to improve the quality of the public accounting profession in Hawaii. I also support the language of SB2501, SD1, HD1 in that the requirements for peer review are applied equitably to all CPA firms practicing public accountancy in Hawaii, including the Hawaii offices and Hawaii engagements of the large international CPA firms (which are usually not selected for peer review).

If an exception is made to exempt the Hawaii offices and Hawaii engagements of these foreign or multi-state firms from peer review, only local firms would be at risk for losing their firms' permit to practice and only local firms would be required to take remedial measures. In addition, exempting the Hawaii offices and Hawaii engagements of the large CPA firms is not in the best interest for Hawaii consumers who depend upon the Hawaii work product of CPA firms who do business in Hawaii.

Thank you for your consideration of the above.

Respectfully submitted,



Ross Fusato

FUSATO CPA INC.
140 N. Market Street, Suite 200
Wailuku, Hawaii 96793-1732
(808) 242-9100
Fax (808) 244-1375

Before the Committee on Finance
Friday, March 26, 2010 at 12:00 p.m.
Conference Room 308
Re: Support for SB2501, SD1, HD1
Relating to Public Accountancy

Testimony of Mindy Fusato

Dear Chair Oshiro, Vice Chair Lee, and committee members:

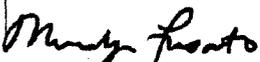
I am a CPA that started my own practice in 2009. My company on Maui employs 10 people and offers tax, bookkeeping and payroll services.

SB2501, SD1, HD1 provides for mandatory peer review once every three years for a CPA firm's attest work, in conjunction with the renewal of a CPA firm's permit to practice. I am in favor of measures to improve the quality of the public accounting profession in Hawaii. I also support the language of SB2501, SD1, HD1 in that the requirements for peer review are applied equitably to all CPA firms practicing public accountancy in Hawaii, including the Hawaii offices and Hawaii engagements of the large international CPA firms (which are usually not selected for peer review).

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Thank you for your consideration of the above.

Respectfully submitted,


Mindy Fusato

FUSATO CPA INC.
140 N. Market Street, Suite 200
Wailuku, Hawaii 96793-1732
(808) 242-9100
Fax (808) 244-1375

Before the Committee on Finance
Friday, March 26, 2010 at 12:00 p.m.
Conference Room 308
Re: Support for SB2501, SD1, HD1
Relating to Public Accountancy

Testimony of CAROL S. UHL, CPA

Dear Chair Oshiro, Vice Chair Lee, and committee members:

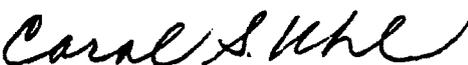
I am a CPA licensed to practice in the State of Hawaii for the past thirty years and have worked for several local firms as well as one of the Big Four. I am currently employed at a local CPA firm here on Maui.

SB2501, SD1, HD1 provides for mandatory peer review once every three years for a CPA firm's attest work, in conjunction with the renewal of a CPA firm's permit to practice. I am in favor of measures to improve the quality of the public accounting profession in Hawaii. I also support the language of SB2501, SD1, HD1 in that the requirements for peer review are applied equitably to all CPA firms practicing public accountancy in Hawaii, including the Hawaii offices and Hawaii engagements of the large international CPA firms (which are usually not selected for peer review).

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Thank you for your consideration of this testimony.

Respectfully submitted,


Carol S. Uhl, CPA

BRAND, KARIMOTO & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS

Serving Hawaii Business Since 1973

Before the Committee on Finance

Friday, March 26, 2010 at 12:00 p.m.

Conference Room 308

Re: Support for SB2501, SD1, HD1

Relating to Public Accountancy

Testimony of Jean Wu

Chair Oshiro, Vice Chair Lee, and committee members:

I am a Certified Public Accountant and Staff Accountant of Brand, Karimoto & Company. Our firm has voluntarily been peer reviewed.

SB2501, SD1, HD1 provides for mandatory peer review once every three years for a CPA firm's attest work, in conjunction with the renewal of a CPA firm's permit to practice. I am in favor of measures to improve the quality of the public accounting profession in Hawaii. I also support the language of SB2501, SD1, HD1 in that the requirements for peer review are applied equitably to all CPA firms practicing public accountancy in Hawaii, including the Hawaii offices and Hawaii engagements of the large international CPA firms (which are usually not selected for peer review).

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Thank you for your consideration of the above.

Respectfully submitted,



Jean Wu

BRAND, KARIMOTO & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS

Serving Hawaii Business Since 1973

Before the Committee on Finance

Friday, March 26, 2010 at 12:00 p.m.

Conference Room 308

Re: Support for SB2501, SD1, HD1

Relating to Public Accountancy

Testimony of Wayne Karimoto

Chair Oshiro, Vice Chair Lee, and committee members:

I am a Certified Public Accountant and Principal of Brand, Karimoto & Company. Our firm has voluntarily been peer reviewed.

SB2501, SD1, HD1 provides for mandatory peer review once every three years for a CPA firm's attest work, in conjunction with the renewal of a CPA firm's permit to practice. I am in favor of measures to improve the quality of the public accounting profession in Hawaii. I also support the language of SB2501, SD1, HD1 in that the requirements for peer review are applied equitably to all CPA firms practicing public accountancy in Hawaii, including the Hawaii offices and Hawaii engagements of the large international CPA firms (which are usually not selected for peer review).

If an exception is made to exempt the Hawaii offices and Hawaii engagements of these foreign or multi-state firms from peer review, only local firms would be at risk for losing their firms' permit to practice and only local firms would be required to take remedial measures. In addition, exempting the Hawaii offices and Hawaii engagements of the large CPA firms is not in the best interest for Hawaii consumers who depend upon the Hawaii work product of CPA firms who do business in Hawaii.

Thank you for your consideration of the above.

Respectfully submitted,



Wayne Karimoto

BRAND, KARIMOTO & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS

Serving Hawaii Business Since 1973

Before the Committee on Finance

Friday, March 26, 2010 at 12:00 p.m.

Conference Room 308

Re: Support for SB2501, SD1, HD1

Relating to Public Accountancy

Testimony of Kent Ahuna

Chair Oshiro, Vice Chair Lee, and committee members:

I am a Certified Public Accountant and Senior Accountant of Brand, Karimoto & Company. Our firm has voluntarily been peer reviewed.

SB2501, SD1, HD1 provides for mandatory peer review once every three years for a CPA firm's attest work, in conjunction with the renewal of a CPA firm's permit to practice. I am in favor of measures to improve the quality of the public accounting profession in Hawaii. I also support the language of SB2501, SD1, HD1 in that the requirements for peer review are applied equitably to all CPA firms practicing public accountancy in Hawaii, including the Hawaii offices and Hawaii engagements of the large international CPA firms (which are usually not selected for peer review).

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Thank you for your consideration of the above.

Respectfully submitted,


Kent Ahuna

NIWAO
&
ROBERTS

Certified Public Accountants, A Professional Corporation

Before the Committee on Finance

Friday, March 26, 2010 at 12:00 p.m.

Conference Room 308

Re: Support for SB2501, SD1, HD1

Relating to Public Accountancy

Testimony of Marilyn M. Niwao, J.D., CPA

Chair Oshiro, Vice Chair Lee, and committee members:

I am a licensed certified public accountant (CPA) and attorney in the State of Hawaii. I am also a principal of Niwao & Roberts, CPAs, a P.C., a CPA firm on Maui. Our firm has voluntarily obtained on-site peer reviews from 1990, when it was first required for membership in the AICPA.

Our firm supports SB2501, SD1, HD1. SB2501, SD1, HD1 provides for mandatory peer review once every three years for a CPA firm's attest work, in conjunction with the renewal of a CPA firm's permit to practice. I am in favor of measures to improve the quality of the public accounting profession in Hawaii.

SB2501, SD1, HD1 provides that all firms, including the Hawaii offices and Hawaii engagements of foreign or multistate firms, shall undergo peer review on the firm's attest work. There shall be no exceptions from peer review for any firms performing attest work in Hawaii. This means that if a foreign or multi-state CPA firm performs attest work in Hawaii, the Hawaii peer review requirement cannot be met by having a mainland office of the foreign or multi-state CPA firm peer reviewed.

Currently, Hawaii offices of the large international CPA firms are oftentimes not peer reviewed because they are not picked in the sample of offices to be peer reviewed because of their relatively small size compared to other mainland offices. However, in these cases, the firm peer review should not be utilized to meet the Hawaii peer review requirement. Otherwise, it is like saying that the health inspections of a mainland McDonald's restaurant in New York should be utilized to exempt a Hawaii McDonald's restaurant from any Hawaii health inspection requirement because both McDonald's restaurants are held to the same standards by the franchisor.

Our firm supports SB2501, SD1 as long as there are no substantive changes to the language of the bill, and all firms performing attest work in Hawaii must undergo mandatory peer review, with no exceptions.

Thank you for your consideration of the above.

Respectfully submitted,

A handwritten signature in black ink that reads "Marilyn M. Niwao". The signature is written in a cursive style with a horizontal line underneath the name.

Marilyn M. Niwao, J.D., CPA
President

Ronald I. Heller
700 Bishop Street, Suite 1500
Honolulu, Hawaii 96813

phone 808 523 6000 fax 808 523 6001
rheller@torkildson.com

**TESTIMONY BEFORE THE HOUSE COMMITTEE
ON FINANCE**

Re: Senate Bill 2501 SD 1, HD 1

**Friday, March 26, 2010 at 12:00 pm
State Capitol, Conference Room 308**

Agenda #3

Chair Oshiro, Vice-Chair Lee, and Members of the Committee:

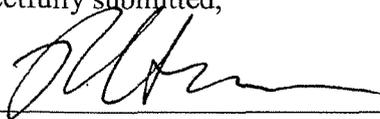
My name is Ronald Heller. I am a practicing attorney, and also licensed as a Certified Public Accountant. I support the general intent of Senate Bill 2501, and urge you to pass this bill.

In order to obtain a CPA license in Hawaii, the applicant is required to satisfy strict criteria regarding education and experience, and to pass an examination. Those rules exist to make sure that anyone holding himself or herself out to the public as a CPA is qualified to perform professional services. However, we can and should improve on that protection. The existing rules focus on the initial licensing of a CPA. This bill would add a system for reviewing the quality of a CPA's professional work on a continuing basis throughout his or her career.

Many CPAs already participate in peer-review programs on a voluntary basis. Unfortunately, some do not. Typically, consumers are not aware of this, and do not know whether they are receiving services from a CPA who has been through a peer review process.

Senate Bill 2501 would tie the peer review process to license renewal, to create a process that lasts throughout a CPA's entire career. This would enhance professionalism and competence, and improve protection for the public.

Respectfully submitted,



Ronald I. Heller