

**PRESENTATION OF THE  
BOARD OF PUBLIC ACCOUNTANCY**

**TO THE HOUSE COMMITTEE ON  
ECONOMIC REVITALIZATION & BUSINESS**

**TWENTY-SIXTH LEGISLATURE  
Regular Session of 2012**

**Tuesday, January 31, 2012  
8:30 a.m.**

**TESTIMONY ON HOUSE BILL NO. 2169, RELATING TO PUBLIC ACCOUNTANCY.**

**TO THE HONORABLE ANGUS L.K. MCKELVEY, CHAIR,  
AND MEMBERS OF THE COMMITTEE:**

My name is Thomas Ueno and I am the Chairperson of the Board of Public Accountancy ("Board"). Thank you for the opportunity to present testimony on House Bill No. 2169, Relating to Public Accountancy.

The purpose of this bill is to establish a peer review process for public accounting firms that engage in attest work, and to give the Board appropriate authority to regulate the peer review process.

Unfortunately, the Board has not yet held a meeting at which the language or substance of this bill has been available; therefore, there is no official Board position on this measure at this time. However, the Board is scheduled to meet this Friday, February 3, 2012, and will review this proposal in order to formulate its position, after which we will be prepared to report the Board's position to this Committee.

Although we have no official position on this measure at this time, the Board would like the Committee to know how it has worked to promulgate administrative rules to implement Act 66, SLH 2010 ("the Act"), which requires a CPA firm that engages in

attestation work to have this work reviewed as a condition of renewing its Hawaii permit to practice. This work review is called a peer review, which is the focus of this bill.

Specifically, the Act mandates that every accounting firm, including the Hawaii offices and Hawaii engagements of foreign or multi-state firms, undergo a peer review every three years on the firm's Hawaii attest work, and submit evidence of such a peer review at the time of the renewal of the firm's permit to practice. There were some concerns with the provisions of the Act, primarily because it mandated office-specific peer reviews that may not be consistent with current peer review standards.

There is no question that appropriately conducted peer reviews ensure the quality of work prepared by CPAs, and help protect the interests of the public who rely on the financial statements, audits, and similar work prepared by these firms. However, no other state mandates office-specific reviews, and the Board learned that the "gold standard" peer review program of the American Institute of Certified Public Accountants ("AICPA"), that is adopted by the overwhelming majority of states and jurisdictions that require peer review of CPA firms as a condition of licensure, could not be modified to ensure that a CPA firm's attest work, including the Hawaii offices and Hawaii engagements, would be included in the peer review.

Having identified these limitations of the AICPA peer review program, the Board realized that it will not be able to utilize the only existing peer review program that is time-proven and accepted by most, if not all, accountancy boards in states with mandatory peer review. Therefore, to focus its efforts on developing a peer review program that could not be modeled after the AICPA program, the Board established a sub-committee (called the Investigative Committee on Peer Review) solely tasked with

drafting administrative rules to establish and implement a peer review process, including the requirements and procedures for the qualification of entities to conduct peer reviews and for the performance of peer reviews by these entities.

This investigative committee has held a significant number of meetings with stakeholders, which include the Hawaii Association of Public Accountants, the Hawaii Society of Certified Public Accountants ("HSCPA"), and the Accountants Coalition, to identify the specific peer review issues that need to be addressed in the implementing rules. The investigative committee has consulted with the AICPA, as well as the HSCPA, and a number of Hawaii CPAs who possess extensive experience in conducting peer reviews, to explore alternative avenues by which to create a separately administered and entirely unprecedented peer review program specific to Hawaii and in compliance with the Act. This may take shape as a stand-alone program or as an addendum or supplemental process to established procedures.

Vice-Chair Choy may recall working with the Board on peer review endeavors in the past, and understands that this is a complicated and arduous process where requirements must be comprehensively evaluated and processes must be carefully tested. Should the investigative committee ultimately decide upon a Hawaii-specific peer review program and the Board adopts it, this alternative model will be the only one of its kind in the United States.

Although the investigative committee has not yet finalized the administrative rules for approval by the full Board, in the twenty months since the enactment of the Act, it has made considerable strides in its efforts to draft rules that implement a peer review program that is unique to Hawaii and that fully complies with the provisions of the Act.

Testimony on H.B. No. 2169  
January 31, 2012  
Page 4

The Board anticipates completion of the investigative committee's work and its recommendation in the near future.

Thank you for the opportunity to testify on House Bill No. 2169. I will be happy to answer any questions you may have.

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**From:** HSCPA Communication [info@hscpa.org]  
**Sent:** Monday, January 30, 2012 10:43 AM  
**To:** ERBtestimony  
**Subject:** Testimony in Opposition of HB 2169

**BEFORE THE HOUSE COMMITTEE  
ON ECONOMIC REVITALIZATION & BUSINESS**

**Tuesday, January 31, 2012 at 8:30 a.m.  
State Capitol, Conference Room 312**

**In Opposition of House Bill 2169**

Chair McKelvey, Vice-Chair Choy, and Members of the Committee:

My name is Wendell Lee and I am a past president of the Hawaii Society of Certified Public Accountants (HSCPA) and current member of its Board of Directors. On behalf of the HSCPA Board, we oppose House Bill 2169 as written.

The HSCPA Board supports peer review as a licensing condition for Hawaii CPA firms engaging in attestation work. HB 2169 in its current is not implementable under the *AICPA Standards for Performing and Reporting on Peer Reviews*.

We have consulted with and received verification from the National Association of Boards of Accountancy (NASBA) and the American Institute of Certified Public Accountants (AICPA) that it would be impossible for the Hawaii Board of Public Accountancy and Hawaii CPA firms to comply with this measure as written.

Respectfully submitted,



Lee, CPA

Member of the HSCPA Board of Directors

Ross R. Murakami  
1848 St. Louis Drive  
Honolulu, HI 96816

**BEFORE THE HOUSE COMMITTEE  
ON ECONOMIC REVITALIZATION & BUSINESS**

**Tuesday, January 31, 2012 at 8:30 a.m.  
State Capitol, Conference Room 312**

**In Opposition of House Bill 2169**

Chair McKelvey, Vice-Chair Choy, and Members of the Committee:

My name is Ross Murakami and I am a past president of the Hawaii Society of Certified Public Accountants (HSCPA) and current member of its Board of Directors. I am also a partner with KMH LLP, one of the largest locally owned accounting and business consulting firms in Hawaii. I would like to submit my testimony in opposition to House Bill 2169 as written.

Based on discussions with my professional colleagues at the HSCPA, including those that conduct peer reviews for many CPA firms in Hawaii, I understand that HB 2169 in its current form is not implementable under the *AICPA Standards for Performing and Reporting on Peer Reviews*. Given that Hawaii has adopted these AICPA standards as the framework and governance of peer reviews for CPA firms doing business in Hawaii, any statute must consider its applicability under them. Yet HB 2169 introduces new definitions and measures that simply do not exist in the current AICPA peer review standards. Therefore, passage of HB 2169 would create statute which is not implementable.

It should be noted that the passage of HB 2169 is not expected to have any negative impact upon my firm. Its primary impact will be felt by a small number of national CPA firms that have a physical office in Honolulu, employing dozens of local residents and servicing many Hawaii organizations that are simply too large or complex to be properly serviced by CPA's solely based in Hawaii. By creating additional quality assurance compliance requirements for firms that already have "world-class" practices, which encompass their Hawaii operations, will just make doing business in Hawaii more

Ross R. Murakami  
1848 St. Louis Drive  
Honolulu, HI 96816

burdensome and further encourage these national firms to close their Hawaii practices and service their clients from the mainland with mainland CPAs. Interestingly enough, this new type of practice structure would not be covered by HB 2169.

The HSCPA board has consulted with and received verification from the National Association of Boards of Accountancy (NASBA) and the American Institute of Certified Public Accountants (AICPA) that it would be impossible for the Hawaii Board of Public Accountancy and Hawaii CPA firms to comply with this measure as written. Accordingly, please do not pass this bill.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "R. R. Murakami". The signature is fluid and cursive, with the first name "R." and last name "Murakami" clearly distinguishable.

Ross R. Murakami, CPA  
Past President, HSCPA

**Before the House Committee on Economic Revitalization & Business  
Tuesday, January 31, 2012 at 8:30 a.m.  
Conference Room 312  
Re: Support for HB2169**

Chair Angus L.K. McKelvey, Vice Chair Isaac W. Choy, and Committee Members:

I am a Certified Public Accountant licensed by the State of Hawaii. I am the Principal of The Matsumoto Group, CPA, Inc possessing a firm permit to practice in this state.

I support HB2169 because it will help protect Hawaii's consumers as well as apply mandatory CPA firm peer review requirements equally and fairly to all firms permitted to practice in Hawaii, regardless of size or where the firm is based. If a firm practices public accounting in the State of Hawaii, by this law, they would be mandated to have peer review.

Thank you for this opportunity to testify.

Respectfully submitted,

Gilbert J Matsumoto  
Certified Public Accountant  
License # 524





**Before the House Committee on Economic Revitalization & Business  
Tuesday, January 31, 2012 at 8:30 a.m.  
Conference Room 312**

**Re: Support for HB2169**

Chair Angus L.K. McKelvey, Vice Chair Isaac W. Choy, and Committee Members:

I am a CPA and practice public accounting in Honolulu, Hawaii under MC Group Hawaii, Inc. I support HB2169 because it will help protect Hawaii's consumers as well as apply mandatory CPA firm peer review requirements equally and fairly to all firms that practice before the public in Hawaii. I don't believe any firm practicing in the State of Hawaii should be exempt from this requirement regardless of the size of the firm or where it is based.

Thank you for this opportunity to testify.

Respectfully submitted,  
MC Group Hawaii, Inc.

Gary Y. Miyashiro, CPA  
President

**Before the House Committee on Economic Revitalization & Business  
Tuesday, January 31, 2012 at 8:30 a.m.  
Conference Room 312  
Re: Support for HB2169**

Chair Angus L.K. McKelvey, Vice Chair Isaac W. Choy, and Committee Members:

I am an accountant and practice public accounting on Hawaii, Hawaii. I support HB2169 because it will help protect Hawaii's consumers as well as apply mandatory CPA firm peer review requirements equally and fairly to all firms that practice before the public in Hawaii, regardless of the size of the firm or where it is based.

Thank you for this opportunity to testify.

Respectfully submitted,

Darice Cullio, Accountant

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 ECONOMIC REVITALIZATION & BUSINESS**

**Re: House Bill 2169**

**Tuesday, January 31, 2012 at 8:30 am  
State Capitol, Conference Room 312**

Chair McKelvey, Vice-Chair Choy, 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 concept of peer review for CPAs, but I oppose House Bill 2169 in its current form.

The American Institute of Certified Public Accountants has established national standards and procedures for the peer review of CPA firms. Those standards are followed across the country. The standards and procedures are clear and well-defined.

HB 2169 attempts to impose requirements in Hawaii that are different from the established national standards. In fact, as currently drafted, the bill may require reports that if issued, could be viewed as inconsistent with, and possibly in violation of, national standards. At best, this bill would create confusion, uncertainty, and additional burdens for some CPA firms.

The basic goal is to make sure that all CPA firms undergo a regular peer review. We can do that – and we should do that – without creating additional burdens for firms that have already completed a peer review in compliance with the applicable national standards.

Respectfully submitted,

  
\_\_\_\_\_  
Ronald I. Heller

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**From:** Leslie Kaya [lskayacpa@yahoo.com]  
**Sent:** Monday, January 30, 2012 7:41 AM  
**To:** ERBtestimony  
**Subject:** HB2169 Support

**Before the House Committee on Economic Revitalization and Business  
Tuesday, January 31, 2012 at 8:30 a.m.  
Conference Room 312  
Re: Support for HB 2169**

Chair Angus L.K. McKelvey, Vice Chair Isaac W. Choy, and Committee Members

I am a practicing CPA on the island of Oahu for over twenty five years and am presently the owner of my own firm, Leslie S. Kaya, CPA. I wish to extend my support of HB2169 which fairly extends the spirit of peer review among CPAs. I agree with its principles of protecting consumers in our State as well as applying mandatory CPA firm review fairly and equitably to all firms that practice before the public regardless of the size of the firm or where it is based.

Thank you for the opportunity to testify .

Respectfully submitted,

Leslie S. Kaya, CPA

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**From:** Carleton L. Williams [CWilliams@cwassociatescpas.com]  
**Sent:** Monday, January 30, 2012 11:19 AM  
**To:** ERBtestimony  
**Subject:** Testimony in Opposition to HB 2169

**BEFORE THE HOUSE COMMITTEE  
ON ECONOMIC REVITALIZATION & BUSINESS**

**Tuesday, January 31, 2012 at 8:30 a.m.  
State Capitol, Conference Room 312**

**In Opposition of House Bill 2169**

Chair McKelvey, Vice-Chair Choy, and Members of the Committee:

I write in opposition to House Bill 2169 **as written** while remaining strongly in support of peer reviews for all firms performing attest work.

It is clear to me as an experienced peer reviewer and after a careful reading that neither peer reviewers nor firms can comply with both the proposed legislation and the AICPA standards for peer reviews.

Carleton L. Williams, CPA

**CW Associates, CPAs**

Carleton L. Williams, Managing Partner  
700 Bishop Street, Suite 1040  
Honolulu, Hawaii 96813  
E-Mail: [cwilliams@cwassociatescpas.com](mailto:cwilliams@cwassociatescpas.com)  
Telephone: (808) 531-1040  
Facsimile: (808) 531-1041  
Cellular: (808) 286-3961  
Direct: (808) 695-4016

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**FUJIEKI FUKUHARA & CO., CPA, INC.**

1585 Kapiolani Blvd., Suite 1218  
Honolulu, Hawaii 96814

**Before the House Committee on Economic Revitalization & Business  
Tuesday, January 31, 2012 at 8:30 a.m.  
Conference Room 312  
Re: Support for HB2169**

Dear Chair Angus L.K. McKelvey, Vice Chair Isaac W. Choy, and Committee Members:

I am a certified public accountant and a principal of Fujieki Fukuhara & Company, Cpa, Inc., a public accounting firm on Oahu

I support HB2169 because it will help protect Hawaii's consumers as well as apply mandatory CPA firm peer review requirements equally and fairly to all firms that practice before the public in Hawaii, regardless of the size of the firm or where it is based.

Thank you for this opportunity to testify.

Respectfully submitted,



Robert H. Fukuhara Jr.  
Certified Public Accountant  
January 30, 2012

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Sunday, January 29, 2012 1:15 PM  
**To:** ERBtestimony  
**Cc:** brian@tihcpa.com  
**Subject:** Testimony for HB2169 on 1/31/2012 8:30:00 AM

Testimony for ERB 1/31/2012 8:30:00 AM HB2169

Conference room: 312  
Testifier position: Support  
Testifier will be present: No  
Submitted by: Brian Iwata  
Organization: Individual  
E-mail: [brian@tihcpa.com](mailto:brian@tihcpa.com)  
Submitted on: 1/29/2012

Comments:  
Brian M. Iwata, CPA  
101 Aupuni St., #139  
Hilo, HI 96720

January 29, 2012

The Honorable Representative Angus L. K. McKelvey, Chair The Honorable Representative Isaac W. Choy, Vice  
Chair Committee on Economic Revitalization & Business Hawaii State Capitol  
415 South Beretania Street  
Honolulu, HI 96813

Re: Support for HB 2169  
Relating to Public Accountancy

Chair McKelvey, Vice-chair Choy, and committee members:

I support HB 2169 for the very reason that it addresses my concerns via the statutes about the peer review process. This bill will apply equally to all CPAs operating in Hawaii and there will be due process rights under the law.

I find this bill to be very timely since the Board of Public Accountancy has failed again to promulgate rules to implement the current peer review law.

I ask your committee to pass this bill without making any substantive changes.

Respectfully submitted,





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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Sunday, January 29, 2012 1:18 PM  
**To:** ERBtestimony  
**Cc:** gregg@tihcpa.com  
**Subject:** Testimony for HB2169 on 1/31/2012 8:30:00 AM

Testimony for ERB 1/31/2012 8:30:00 AM HB2169

Conference room: 312  
Testifier position: Support  
Testifier will be present: No  
Submitted by: Gregg Taketa  
Organization: Individual  
E-mail: [gregg@tihcpa.com](mailto:gregg@tihcpa.com)  
Submitted on: 1/29/2012

**Comments:**

Before the House of Representatives Committee on Economic Revitalization & Business Tuesday, January 31, 2012 at 8:30 p.m.  
Conference Room 312  
State Capitol

Re: Support for HB 2169  
Relating to Public Accountancy

Testimony of Gregg M. Taketa

Chair McKelvey, Vice Chair Choy and committee members:

I respectfully ask that you vote YES on HB 2169. I am a partner in the CPA firm of Taketa, Iwata, Hara & Associates, LLC in Hilo. I am also the past president of the Hawaii Association of Public Accountants and a member of the Hawaii Society of Certified Public Accountants (HSCPA) and the American Institute of Certified Public Accountants (AICPA).

I support HB 2169 because it establishes a peer review process for public accounting firms that perform attest work in Hawaii.

During the 2010 Legislative Session, Act 066 was adopted; requiring peer reviews as a condition of certified public accountancy permits to practice for firms that perform attest work in Hawaii. Since that time, the Hawaii State Board of Public Accountancy has failed to adopt rules to establish the peer review process.

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.

The ultimate objective of the peer review program is the protection of the public, who relies on the results of attest work performed by certified public accounting firms.

I urge the committee to support HB 2169 for these reasons. Thank you for this opportunity to testify.

Respectfully submitted,

Gregg M. Taketa, CPA

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, January 30, 2012 9:47 AM  
**To:** ERBtestimony  
**Cc:** laura@tihcpa.com  
**Subject:** Testimony for HB2169 on 1/31/2012 8:30:00 AM

Testimony for ERB 1/31/2012 8:30:00 AM HB2169

Conference room: 312  
Testifier position: Support  
Testifier will be present: No  
Submitted by: Laura Wesley-Kemueli  
Organization: Individual  
E-mail: [laura@tihcpa.com](mailto:laura@tihcpa.com)  
Submitted on: 1/30/2012

**Comments:**

Chair Angus L.K. McKelvey, Vice Chair Isaac W. Choy, and Committee Members:

I am an accountant and practice public accounting on the Big Island Hawaii. I support HB2169 because it will help protect Hawaii's consumers as well as apply mandatory CPA firm peer review requirements equally and fairly to all firms that practice before the public in Hawaii, regardless of the size of the firm or where it is based

Thank you for this opportunity to testify.

Respectfully submitted,  
Laura Wesley-Kemueli

**House Committee on Economic Revitalization & Business  
Tuesday, January 31, 2012 at 8:30 a.m.  
Conference Room 312  
Re: Support for HB2169**

Chair Angus L.K. McKelvey, Vice Chair Isaac W. Choy, and Committee Members:

I am an accountant and practice public accounting on the Big Island. I support HB2169 because it will help protect Hawaii's consumers as well as apply mandatory CPA firm peer review requirements equally and fairly to all firms that practice before the public in Hawaii, regardless of the size of the firm or where it is based.

Thank you for this opportunity to testify.

Respectfully submitted,

Nathan Colgrove

**House Committee on Economic Revitalization & Business  
Tuesday, January 31, 2012 at 8:30 a.m.  
Conference Room 312  
Re: Support for HB2169**

Chair Angus L.K. McKelvey, Vice Chair Isaac W. Choy, and Committee Members:

I am an accountant and practice public accounting on the Big Island. I support HB2169 because it will help protect Hawaii's consumers as well as apply mandatory CPA firm peer review requirements equally and fairly to all firms that practice before the public in Hawaii, regardless of the size of the firm or where it is based.

Thank you for this opportunity to testify.

Respectfully submitted,

Nathan Colgrove

WENDY MANUEL  
6740 PIKOO ST.  
HONOLULU, HI 96825

BEFORE THE HOUSE COMMITTEE  
ON

ECONOMIC REVITALIZATION & BUSINESS

Tuesday, January 31, 2012 8:30am  
State Capitol, Conference Room 312

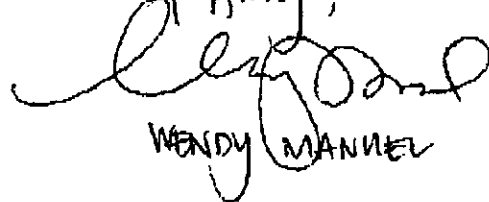
IN OPPOSITION OF H.B. 2169

Chair McKevey, Vice Chair Choy, and  
Members of the Committee:

My name is Wendy Manuel and I am an audit senior manager at Ernst & Young LLP. I strongly oppose House Bill 2169 as currently drafted.

I support peer review as a condition for Hawaii CPAs to engage in attest work. However, H.B. 2169, as it is currently drafted, is not implementable under the peer review rules established by the American Institute of Certified Public Accountants (AICPA). The AICPA and National Association of State Boards have confirmed that the Hawaii Board of Public Accountancy and the CPA firms in Hawaii would not be able to comply with the legislation as drafted.

Respectfully,



WENDY MANUEL

Terri Fujii, 919 Kahana St, Honolulu, HI 96825

(808) 586-8479

(800) 535-3857

BEFORE THE HOUSE COMMITTEE  
ON

ECONOMIC REVITALIZATION &amp; BUSINESS

Tuesday, January 31, 2012 at 8:30 am

State Capitol, Conference Room 312

IN OPPOSITION OF HB 2169Chair McKelvey, Vice Chair Choy, and  
Members of the Committee:

My name is Terri Fujii and I am the current President of the Hawaii Society of CPAs (HSCPA) and the office managing partner of the Honolulu office of Ernst & Young LLP. I strongly oppose House Bill 2169 as currently drafted. I do strongly oppose HB 2169 that I have hand written my testimony as I currently do not have access to my computer.

I support peer review as a condition for Hawaii CPAs to engage in attest work. However, HB 2169, as it is currently drafted, is not implementable under the peer review rules established by the American Institute of Certified Public Accountants. The AICPA and National Association of State Boards have confirmed that the Hawaii Board of Public Accountancy and the CPA firms in Hawaii would not be able to comply with the legislation as drafted.

Respectfully,

Terri Fujii  
Terri Fujii

Grayson Nose  
1112 Punahoa St #2604  
Honolulu, HI 96826

BEFORE THE HOUSE COMMITTEE  
ON  
ECONOMIC REVITALIZATION & BUSINESS

Tuesday, January 31, 2012 at 8:30am  
State Capitol, Conference Room 312

IN OPPOSITION OF HB 2169

Chair McKevey, Vice Chair Choy, and  
Members of the Committee:

My name is Grayson Nose and I am an audit manager at Ernst & Young LLP. I strongly oppose House Bill 2169 as currently drafted.

I support peer review as a condition for Hawaii CPAs to engage in attest work. However, H.B. 2169, as it is currently drafted, is not implementable under the peer review rules established by the American Institute of Certified Public Accountants (AICPA). The AICPA and National Association of State Boards have confirmed that the Hawaii Board of Public Accountancy and the CPA firms in Hawaii would not be able to comply with the legislation as drafted.

Respectfully,



Grayson Y. Nose