

JAN 19 2018

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# A BILL FOR AN ACT

RELATING TO PUBLIC ACCOUNTANCY.

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

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

11           The legislature further finds that the existing  
12 registration process for out-of-state certified public  
13 accountants wishing to serve clients in Hawaii is burdensome,  
14 lacks viable enforcement mechanisms, and limits timely access to  
15 qualified certified public accountant services, especially in  
16 certain complex industries, such as energy, health care,  
17 transportation, and technology. Furthermore, existing mobility



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1 barriers have the harshest effect on small accountancy firms and  
2 sole practitioners. Larger accountancy firms in Hawaii can  
3 develop extensive resources and staff to accommodate the needs  
4 of these specialized industries. However, smaller accountancy  
5 firms and sole practitioners are unable to access enough  
6 qualified certified public accountants in Hawaii to meet their  
7 growing needs, and thus, are disproportionately affected by the  
8 lack of a mobility law. There is a critical need for Hawaii to  
9 adopt interstate mobility standards that will allow certified  
10 public accountants who are licensed in another state to provide  
11 services on a limited basis in Hawaii without the unnecessary  
12 burdens that exist now.

13 Without a mobility law, the state board of public  
14 accountancy has no jurisdiction over these out-of-state licensed  
15 certified public accountants. With the establishment of a  
16 mobility law, the state board of public accountancy will gain  
17 automatic jurisdiction over all certified public accountants  
18 practicing in Hawaii, thereby enabling the board to discipline  
19 out-of-state certified public accountants, regardless of whether  
20 they are licensed in Hawaii. Automatic jurisdiction is of



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1 critical importance to the enhancement of the board's public  
2 protection power.

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

9 SECTION 2. Chapter 466, Hawaii Revised Statutes, is  
10 amended by adding a new section to be appropriately designated  
11 and to read as follows:

12 "§466- Substantial equivalency. (a) An individual  
13 whose principal place of business is not in this State and who  
14 holds a valid current license as a certified public accountant  
15 from any state that the National Association of State Boards of  
16 Accountancy's National Qualification Appraisal Service has  
17 verified to be in substantial equivalence with the certified  
18 public accountant licensure requirements under the Uniform  
19 Accountancy Act shall:



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

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

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

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

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

20       provided that the individual obtains from the National  
21       Association of State Boards of Accountancy's National



1 Qualification Appraisal Service verification that the  
2 individual's certified public accountant qualifications are  
3 substantially equivalent to the certified public accountant  
4 licensure requirements under the Uniform Accountancy Act. Any  
5 individual who passed the Uniform Certified Public Accountant  
6 Examination and holds a valid license issued by any other state  
7 prior to January 1, 2012, may be exempt from the education  
8 requirement under section 466-5.5 for purposes of this  
9 subsection.

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

- 14 (1) To the personal and subject matter jurisdiction and  
15 disciplinary authority of the board;  
16 (2) To comply with this chapter and the rules adopted by  
17 the board;  
18 (3) In the event the license from the state of the  
19 licensee's principal place of business is no longer  
20 valid, as a licensee, to cease to offer or render



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- 1           professional services in this State as an individual  
2           and on behalf of the accountancy firm;
- 3       (4) To the appointment of the state board that issued the  
4           license as the licensee's agent upon whom process may  
5           be served in any action or proceeding by the board  
6           against the licensee;
- 7       (5) To promptly notify the board if:
- 8           (A) Any disciplinary action relating to the  
9               individual's license is commenced in any state;  
10           or
- 11           (B) The individual is convicted of any criminal  
12               offense in any state or country;
- 13       (6) To notify the regulated industries complaints office  
14           to refer reports of any licensee violation of this  
15           section to the board for investigation and  
16           disciplinary action; and
- 17       (7) To provide the department of taxation sufficient  
18           information to determine the licensee's tax  
19           liabilities in this State, to the extent required by  
20           law.



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

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

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

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

17       (e) A licensee of this State offering or rendering  
18 services or using the licensee's certified public accountant  
19 title in another state shall be subject to disciplinary action  
20 in this State for an act committed in another state for which  
21 the licensee would be subject to discipline for the act



1 committed in the other state. The board shall investigate any  
2 written complaint made by the board of accountancy of another  
3 state. The nature and extent of the investigation shall be  
4 determined by the board in the exercise of its discretion."

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

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

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

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

18 "Practice privilege" means the legal right to engage in the  
19 practice of public accountancy within the State pursuant to  
20 section 466- (a) or (b) and subject to the conditions and  
21 limitations established under section 466- .



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

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

6       (1) The education, examination, and experience  
7 requirements prescribed by law and rules of another  
8 state jurisdiction are comparable to or exceed the  
9 education, examination, and experience requirements  
10 under the Uniform Accountancy Act of the American  
11 Institute of Certified Public Accountants and National  
12 Association of State Boards of Accountancy; or

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

20 As used in this chapter, in ascertaining substantial  
21 equivalency, the board shall consider the qualification without



1 regard to the sequence in which experience, education, or  
2 examination requirements were attained.

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

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

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

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

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

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



- 1 (4) Any engagement to be performed in accordance with the  
2 government auditing standards, also known as the  
3 Yellow Book, issued by the United States Government  
4 Accountability Office; ~~and~~
- 5 (5) Any engagement to be performed in accordance with the  
6 standards of the Public Company Accounting Oversight  
7 Board~~[-]~~; and
- 8 (6) Any examination, review, or agreed upon procedures  
9 engagement to be performed in accordance with the  
10 Statements on Standards for Attestation Engagements of  
11 the American Institute of Certified Public  
12 Accountants, except for an examination under  
13 paragraph (3)."
- 14 3. By amending the definition of "report" to read:  
15 ""Report", when used with reference to ~~[financial~~  
16 ~~statements,-]~~ any attest or compilation service, means an  
17 opinion, report, or other form of language that states or  
18 implies the measure of assurance as to the reliability of ~~[any]~~  
19 the attested information or compiled financial statements, and  
20 that also includes, or is accompanied by, any statement or



1 implication that the firm issuing it has special knowledge or  
2 competence in accounting or auditing."

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

5 "§466-7 Permits to practice. (a) [A] Except as provided  
6 in section 466- and in subsection (d), a license and permit  
7 are required to actively engage in the practice of public  
8 accountancy. The board may grant or renew a permit to actively  
9 engage in the practice of public accountancy. Permits shall be  
10 initially issued and renewed for periods of two years [~~but in~~  
11 ~~any event~~] and shall expire on December 31 of every odd-numbered  
12 year. The board shall prescribe the methods and requirements  
13 for application.

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

- 16 (1) A valid license;
- 17 (2) Completed continuing professional education hours, the  
18 content of which shall be specified by the board,  
19 which may provide for special consideration by the  
20 board to applicants for permit renewal when, in the  
21 judgment of the board, full compliance with all



1 requirements of continuing education cannot reasonably  
2 be met;

3 (3) Completed an application;

4 (4) Paid appropriate fees and assessments; and

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

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

10 (1) Has attained eighteen years of age;

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

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



1 (4) Incidental to the person's practice in [~~sueh~~] the  
2 other [~~state or~~] country, desires to practice public  
3 accountancy in this State on a temporary basis; and

4 (5) Has completed an application.

5 [~~Sueh~~] The permit shall be effective for a period not exceeding  
6 three months, and shall specify the nature and extent of the  
7 practice [~~se~~] permitted.

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

13 The following requirements shall apply:

14 (1) The following firms shall hold a permit issued under  
15 this section:

16 (A) Any firm with an office in this State performing  
17 attest services as defined under section 466-3;

18 (B) Any firm with an office in this State that uses  
19 the title of "certified public accountant" or the  
20 abbreviation of "CPA", or "certified public



1           accountant firm" or abbreviation of "CPA firm";  
2           or  
3        (C) Any firm that does not have an office in this  
4           State, but for a client having its home office in  
5           this State, performs any audit or other  
6           engagements to be performed in accordance with  
7           the Statements on Auditing Standards, any  
8           examination or prospective financial information  
9           to be performed in accordance with the Statements  
10          on Standards for Attestation Engagements, or any  
11          engagement to be performed in accordance with the  
12          Auditing Standards of the Public Company  
13          Accounting Oversight Board;  
14        (2) A firm that does not have an office in this State may  
15          perform for a client having its home office in this  
16          State any review of a financial statement to be  
17          performed in accordance with the Statements on  
18          Standards for Accounting and Review Services and any  
19          compilation as defined under section 466-3, and may  
20          use the title "certified public accountant" or the  
21          abbreviation of "CPA", or "certified public accountant



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1 firm" or the abbreviation of "CPA firm" without a  
2 permit issued under this section only if:

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

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

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

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



1           (B) The firm can lawfully perform services in the  
2           state where the individual with practice  
3           privileges, if applicable, has the individual's  
4           principal place of business.

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

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

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

16           (2) Payment of required fees.

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

19           (1) If the firm has an office this State, all partners,  
20           officers, shareholders, members, or managers residing  
21           in this State or whose principal place of business is



1           in this State, hold a current permit to practice  
2           issued under this chapter; or  
3       (2) If the firm does not have an office in this State,  
4           notwithstanding any other law, a simple majority of  
5           the ownership of the firm, in terms of financial  
6           interests and voting rights of all partners, officers,  
7           shareholders, members, or managers, belongs to holders  
8           of a certificate who are licensed in a state, and  
9           those partners, officers, shareholders, members, or  
10          managers whose principal places of business are in  
11          this State and who perform professional services in  
12          this State hold a valid permit issued under this  
13          chapter or the corresponding prior law, or are public  
14          accountants licensed under section 466-6. Although  
15          firms may include non-licensed owners, the firm and  
16          its ownership shall comply with the rules adopted by  
17          the board. An individual who has practice privileges  
18          pursuant to section 466-     and performs services for  
19          which a firm permit is required under section 466-  
20          shall not be required to obtain a certificate or  
21          permit from this State; and



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

9       (h) Firms that fall out of compliance with subsection  
10      (g) (2) due to changes in firm ownership or personnel after  
11      receiving or renewing a permit shall take corrective action to  
12      return the firm to compliance as soon as possible. The board  
13      may grant a reasonable period of time for a firm to take  
14      corrective action. Failure to return the firm to compliance  
15      within a reasonable period, as defined by the board, shall  
16      result in the suspension or revocation of the firm 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~~[7]~~, or revoke or limit  
4 practice privileges granted pursuant to section  
5 466- ;

6 (2) Suspend a license or permit;

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;

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

12 (6) Place a licensee or firm on probation;

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

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

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

21 (1) Fraud or deceit in obtaining a license or permit;



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- 1           (2)   Disciplinary action taken by another state where the  
2                    license or practice privilege is canceled, revoked,  
3                    suspended, denied, or refused renewal;
- 4           (3)   Failure, on the part of a holder of a license or a  
5                    permit to maintain compliance with the requirements  
6                    for issuance of a license or a permit, or renewal of a  
7                    license or permit, or to report changes to the board;
- 8           (4)   Revocation or suspension of the right to practice  
9                    before any state or federal agency;
- 10          (5)   Dishonesty, deceit, fraud, or gross negligence in the  
11                   practice of public accountancy as a licensee or  
12                   individual granted practice privileges, or in the  
13                   filing or failure to file a licensee's or firm's own  
14                   income tax returns;
- 15          (6)   Violation of any provision of this chapter or of any  
16                   rule adopted by the board;
- 17          (7)   Violation of any provision of professional conduct  
18                   established by the board under this chapter;
- 19          (8)   Conviction of any crime an element of which is  
20                   dishonesty or fraud, under the laws of the United  
21                   States, of this State, or of any other state if the



1 act involved would have constituted a crime under the  
2 laws of this State;

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

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

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

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

20 (2) Before reinstating, the board may:



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1 (A) Require the applicant to show successful  
2 completion of specified continuing professional  
3 education; and

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

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

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

12 (1) Except as otherwise provided in subsection (d) of this  
13 section, no person shall assume or use the title or  
14 designation "certified public accountant" or the  
15 abbreviation "CPA" or any other title, designation,  
16 words, letters, sign, card, or device likely to be  
17 confused with "certified public accountant" or "CPA"  
18 or tending to indicate that the person is a certified  
19 public accountant, unless the person has a practice  
20 privilege granted pursuant to section 466- or holds  
21 a current license of certified public accountant



1 issued under this chapter and a current permit to  
2 practice issued under this chapter;

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

- 20 (3) No person shall assume or use the title or designation  
21 "certified public accountant" or the abbreviation



1 "CPA" or any other title, designation, words, letters,  
2 abbreviation, sign, card, or device likely to be  
3 confused with "certified public accountant" or "CPA",  
4 in conjunction with names indicating or implying that  
5 there is a partnership or corporation, or in  
6 conjunction with the designation "and Company" or "and  
7 Co." or a similar designation if, in any case, there  
8 is in fact no bona fide partnership or corporation  
9 existing under the laws of this State[-] or registered  
10 to do business in this State.

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

12 (1) Except as otherwise provided in subsection (d) [~~of~~  
13 ~~this section~~], no person shall assume or use the title  
14 or designation "public accountant" or the abbreviation  
15 "PA" or any other title, designation, words, letters,  
16 sign, card, or device likely to be confused with  
17 "public accountant" or "PA" or tending to indicate  
18 that the person is a public accountant unless the  
19 person holds a current registration of public  
20 accountant issued under this chapter and a current  
21 permit to practice issued under this chapter;



1           (2) No partnership or corporation shall assume or use the  
2           title or designation "public accountant" or the  
3           abbreviation "PA" or any other title, designation,  
4           words, letters, abbreviation, sign, card, or device  
5           likely to be confused with "public accountant" or "PA"  
6           or tending to indicate that the partnership or  
7           corporation is composed of public accountants, unless  
8           each of the partners of the partnership who are in the  
9           practice of public accountancy in this State, or each  
10          of the shareholders of the corporation who are in the  
11          practice of public accountancy in this State, holds a  
12          current license of public accountant issued under this  
13          chapter and a current permit to practice issued under  
14          this chapter; and

15          (3) No person shall assume or use the title or designation  
16          "public accountant" or the abbreviation "PA" or any  
17          other title, designation, words, letters,  
18          abbreviation, sign, card, or device likely to be  
19          confused with "public accountant" or "PA", in  
20          conjunction with names indicating or implying that  
21          there is a partnership or corporation, or in



1 conjunction with the designation "and Company" or "and  
2 Co." or a similar designation if, in any case, there  
3 is in fact no bona fide partnership or corporation  
4 existing under the laws of this State.

5 (c) Representation of special knowledge:

6 (1) ~~[No]~~ Except as otherwise provided in subsection (d),  
7 no person shall sign or affix the person's name or any  
8 trade or assumed name used by the person in the  
9 person's profession or business with any wording  
10 indicating, suggesting, or implying that the person is  
11 an accountant or auditor, or with any wording  
12 indicating, suggesting, or implying that the person  
13 has special knowledge in accounting or auditing, to  
14 any opinion or certificate attesting in any way to the  
15 reliability of any representation or estimate in  
16 regard to any person or organization embracing:

17 (A) Financial information~~[7]~~ or attest service; or

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



1 unless the person holds a current license and a  
2 current permit to practice issued under this  
3 chapter[-]; and

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

13 (A) Financial information[-]; or

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

18 unless each of the partners of the partnership who are  
19 in the practice of public accountancy in this State  
20 and whose principal place of business is in this  
21 State, or each of the shareholders of the corporation



1           who are in the practice of public accountancy in this  
2           State and whose principal place of business is in this  
3           State holds a current license of certified public  
4           accountant or of public accountant issued under this  
5           chapter and a current permit to practice issued under  
6           this chapter.

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

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

18           (2) Who holds a current license of public accountant  
19           issued under this chapter from assuming and using the  
20           title and designation "public accountant" or "PA";  
21           provided that if the person does not also hold a



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

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

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

20 ~~[(4)]~~ (5) Who is not a certified public accountant or  
21 public accountant from serving as an employee of, or



1 an assistant to, a certified public accountant or  
2 public accountant; provided that the employee or  
3 assistant works under the control and supervision of a  
4 person who holds a current license of certified public  
5 accountant or of public accountant and a current  
6 permit to practice issued under this chapter; and  
7 provided further that the employee or assistant does  
8 not issue any statement or report over the person's  
9 name except office reports to the person's employer as  
10 are customary, and that the employee or assistant is  
11 not in any manner held out to the public as a  
12 certified public accountant or public accountant;

13 [~~(5)~~] (6) Who is an officer, employee, partner, or  
14 principal of any organization from signing or affixing  
15 the person's name to any statement or report in  
16 reference to the affairs of that organization;  
17 provided that in so signing or affixing the person's  
18 name the person shall clearly indicate that the person  
19 is an officer, employee, partner, or principal of the  
20 organization, and the position, title, or office which  
21 the person holds therein;



1       ~~[(6)]~~ (7) Who is a public official or public employee from  
2               the performance of the person's duties as such; or  
3       ~~[(7)]~~ (8) Who is an attorney at law from engaging in  
4               practice as such.

5       (e) Notwithstanding any law to the contrary, there is no  
6 violation of this section for a firm that does not hold a valid  
7 permit under section 466-7 and does not have an office in this  
8 State to use the title "certified public accountant" or the  
9 abbreviation "CPA" as part of the firm's name to provide  
10 professional services in this State and its licensees and  
11 individuals to provide services on behalf of the firm; provided  
12 that the firm complies with section 466-7(d)(2) or (3), as  
13 applicable. An individual or firm authorized under section  
14 466-    to exercise practice privileges in this State shall  
15 comply with applicable licensee requirements under section  
16 466-    ."

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

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

20       "(b) ~~[All]~~ Except for firms exempt from the permit  
21 requirement pursuant to section 466-7(d)(2) or (3), all firms



1 subject to this part and performing Hawaii attest work as of  
2 December 31, 2014, shall enroll in the applicable program of an  
3 approved sponsoring organization by December 31, 2015, notify  
4 the board of enrollment in that program, and have a peer review  
5 performed by December 31, 2017."

6 (c) [Any] Except for firms exempt from the permit  
7 requirement pursuant to section 466-7(d)(2) or (3), any firm  
8 that begins performing Hawaii attest work after December 31,  
9 2014, shall:

- 10 (1) Notify the board within thirty days of the beginning  
11 of the performance of attest work;
- 12 (2) Enroll in the applicable programs of an approved  
13 sponsoring organization within one year from its  
14 initial licensing date or the performance of Hawaii  
15 attest work that requires a peer review;
- 16 (3) Provide the board with enrollment information within  
17 one year of the date the Hawaii attest work was first  
18 performed;
- 19 (4) Have a peer review performed within eighteen months of  
20 the date the Hawaii attest work was first performed;



1           (5) Adopt the peer review due date assigned by the  
2           sponsoring organization and notify the board of the  
3           peer review due date within thirty days of its  
4           assignment; and

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

12          (d) A firm that does not perform Hawaii attest work or is  
13 exempt from the permit requirement pursuant to section  
14 466-7(d)(2) or (3) shall be exempt from the peer review  
15 process."

16          2. By amending subsection (i) to read:

17          "(i) [~~An~~] Except for a firm exempt from the permit  
18 requirement pursuant to section 466-7(d)(2) or (3), an out-of-  
19 state firm performing Hawaii attest work shall comply with this  
20 part."



1 SECTION 8. Section 466-35, Hawaii Revised Statutes, is  
2 amended by amending subsection (b) to read as follows:

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

- 8 (1) A peer review report from an approved sponsoring  
9 organization does not include the selection of a  
10 Hawaii office or Hawaii attest engagement;
- 11 (2) The peer reviewer does not hold permits to practice  
12 public accountancy under section 466-7 or is not  
13 licensed to practice public accountancy in any other  
14 state, except inspectors for the public company  
15 accounting oversight board; or
- 16 (3) The final report resulting from any inspection by the  
17 public company accounting oversight board firm  
18 inspection program does not include the firm's Hawaii  
19 offices, if any, and Hawaii attest engagements in the  
20 scope of the inspection, and the firm is not required



1 to enroll in another peer review program under section  
2 466-34."

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

5 "(a) A firm that is required to undergo a peer review  
6 under this chapter and is not exempt from the permit requirement  
7 pursuant to section 466-7(d) (2) or (3) shall engage the services  
8 of a practitioner or firm holding a permit issued under section  
9 466-7 to perform the following procedures to supplement the peer  
10 review report:

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

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

18 (3) Obtain from the reviewed firm, the reports, financial  
19 statements, work papers, and work product resulting  
20 from the attest engagements selected;



1           (4) Read and compare the reports, work papers, and work  
2           product to an appropriate disclosure checklist to  
3           evaluate the firm's compliance with professional  
4           standards; and

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

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

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

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

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

20           (3) A copy of any report or Part I and any other public  
21           portion of the report resulting from any inspection by





# S.B. NO. 2059

**Report Title:**

Certified Public Accountants; Mobility; Substantial Equivalency;  
State Board of Public Accountancy

**Description:**

Establishes procedures for an out-of-state individual licensed as a certified public accountant or certain accountancy firms to be granted practice privileges in this State by the board of public accountancy if the licensee or firm meets certain qualifications and requirements for substantial equivalency. Makes conforming amendments to the laws relating to public accountancy to reflect practice privileges. Takes effect on 1/1/2019.

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

