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REPORT TO THE HAWAII STATE LEGISLATURE REGULAR SESSION 2010, PURSUANT TO ACT 172, SLH 2009, RELATING TO PUBLIC ACCOUNTANCY

This report is filed pursuant to Act 172, SLH 2009, which requires the Department of Commerce and Consumer Affairs (“DCCA”) to report to the Legislature the progress and status of the adoption of rules, pursuant to Chapter 91, Hawaii Revised Statutes (“HRS”), prescribing the methods and requirements for a firm to apply for and obtain a permit to engage in the practice of public accountancy pursuant to section 466-7, HRS, as that section read on the day before July 6, 2009, the effective date of Act 172. The Board of Public Accountancy (“Board”) is responding to the Legislative request on behalf of the DCCA.

Act 172 amended HRS Chapter 466, Relating to Public Accountancy, by suspending the requirement that accounting firms obtain a permit to actively engage in the practice of accountancy, through the repeal of the requirement until one hundred eighty days after the effective date of administrative rules establishing the methods and requirements for obtaining a firm permit.

The Board had been actively involved in a comprehensive revision of many of the sections of Hawaii Administrative Rules (“HAR”) Title 16, Chapter 71, Relating to Certified Public Accountants and Public Accountants, prior to and during the 2009 Legislature. At its meeting of February 6, 2009, the Board approved the final revisions to the rules and reaffirmed its approval of all revisions to the entire HAR Chapter 16-71. On April 27, 2009, the Governor approved the proposed administrative rules to proceed to public hearing, which was scheduled to be held on August 10, 2009.

During the interim period prior to the public hearing, the Board noted that the process and timing of promulgating the rules had resulted in the unintended consequence of requiring each certified public accountant (“CPA”) and public accountant (“PA”) to obtain four (4) hours of continuing professional education (“CPE”) in ethics or professional conduct in order to renew that CPA or PA license on December 31, 2009. Should the rules be adopted before

this renewal date, all CPA and PA licensees would have to acquire these CPE hours in just the few months before the end of 2009.

In order to remedy this inadvertent but potentially adverse situation, the Board voted to hold the public hearing as scheduled on August 10, 2009, and to submit the results of that public hearing to the Governor during the first week of January 2010, thereby ensuring that the rules would not be adopted prior to the end of 2009. In coming to that decision, the Board acknowledged that it had no control over the timing of the Governor's granting of final approval of the rules after the public hearing, and that subsequent to the Governor's final approval, the rules are to be transmitted to the Lieutenant Governor's Office where they are posted for ten (10) days before official adoption.

The public hearing was held as scheduled on August 10, 2009, where oral testimony was received from seven (7) individuals and written testimony was submitted by four (4) individuals. At its meeting immediately following the public hearing, the Board fully considered all testimonies, and voted unanimously to accept certain recommended non-substantive changes and to approve all proposed amendments to HAR Chapter 16-71.

As of the date of this report, the Board fully intends to submit its request to the Governor for final approval for the adoption of the proposed amendments to the rules, concurrently with the submittal of the "Small Business Statement After Public Hearing" to the Small Business Regulatory Review Board, during the first week of January 2010.

Furthermore, pursuant to Section 7 of Act 172, the Board will respond to the Legislative request on behalf of the DCCA, to promptly notify the Legislature in writing upon the final adoption of the administrative rules that prescribe the methods and requirements for a firm to apply for and obtain a permit to engage in the practice of public accountancy, and will provide statewide public notice of the adoption of the rules pursuant to Chapter 1-28.5, HRS.