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EXECUTIVE SUMMARY

We are pleased to submit our proposal to provide audit services to Hawaii Hurricane Relief Fund (HHRF) for the financial statement audit of HHRF for the fiscal year ending June 30, 2025. We are excited by this opportunity to continue to work with the HHRF team on the fiscal 2025 audit, as we have done so for over 15 years.

As the auditor for the State of Hawai'i (State) Annual Comprehensive Financial Report (ACFR) and other State agencies including the HHRF, we have a strong history serving the key stakeholders within the State's financial reporting environment as demonstrated by the successful completion of our engagements. We believe our extensive collaboration with the Office of the Auditor, Department of Accounting and General Services (DAGS), Department of Budget and Finance, and other departments and agencies, as well as multiple component auditors allowed us to successfully complete our audits for the respective State entities.

Our firm is recognized as having one of the most extensive insurance practices in the state, with a focus on the health, property and casualty insurance sectors. We have had the privilege of working with notable clients such as the Hawaii Medical Service Association (an independent licensee of the Blue Cross Blue Shield Association), AlohaCare, DB Insurance Co., Ltd., Hawaii Dental Service, University Health Alliance and a diverse group of over 45 captive insurance companies. Additionally, our insurance practice is comprised of over 20 dedicated professionals, each bringing a wealth of industry-specific knowledge and a proven track record of delivering exceptional service to our clients.

Our deep knowledge and extensive experience with the financial statement audits of state and local government and insurance entities, along with our access to national and international technical resources, uniquely positions Accuity to partner with the HHRF to achieve your business goals.

Accuity has served Hawai'i for more than 70 years and has 136 highly qualified professionals on staff. We are the exclusive Hawai'i member of the Baker Tilly International network, a strategic alliance with a national and international presence. We are also the only Hawai'i-based firm registered and regulated by the Public Company Accounting Oversight Board (PCAOB).

No other firm in Hawai'i can match Accuity's wealth of government and insurance expertise. Furthermore, as your auditor for the last 15 years, we are the only firm in Hawaii with a depth of knowledge and understanding of the HHRF and its operational processes and procedures. With this in mind, we already **know** HHRF and **know** that we can deliver exceptional service.

METHODOLOGY

Our Methodology

At Accuity, we don't believe in one-size-fits-all solutions. With our implementation of Statement on Auditing Standards No. 145, *Understanding the Entity and Its Environment and Assessing the Risk of Material Misstatement*, our methodology utilizes a true risk-based audit approach that is tailored to address the most significant concerns in an efficient, effective, and timely manner. Fully compliant with all professional standards, it allows our team to devote the bulk of our audit work to areas that contain the highest risk of material misstatement. We work directly with our clients to update our perception of risk and execute an audit plan tailored to the entity.

This proven approach provides the level of coverage and assurance necessary to meet the internal control and related governance objectives of management and oversight groups (e.g., State Legislature and federal granting agencies). This strategy is effective in improving the overall audit process without increasing costs or sacrificing audit quality.

With an industry-oriented, risk-based methodology and leading-edge technology tools, our tailored audit approach achieves optimal effectiveness and efficiencies. Accuity's audit approach is detailed in pages 3-7.



Step 1: Risk Assessment and Audit Approach

Our risk-based audit approach aims to mitigate the risk of material misstatement in the entity's audited financial statements. Our engagement teams use standard acceptance/continuance and risk assessment forms at the beginning of every audit engagement, including our independence assessments in accordance with *Government Auditing Standards*, as a starting point for identifying and addressing potential audit risks.

Our team identifies the probability of risk conditions that impact our client acceptance and continuance decision, and we develop an audit approach that involves the right people with the relevant specialist skills to respond to the identified risks.

We seek to develop a thorough understanding of the entity using our own analytical framework. Through research, analysis and benchmarking against peers and competitors, we develop a full picture of the organization, identify the drivers of value and key performance metrics, and form a point of view on the information that really matters to key management and stakeholders. This becomes the focus of our audit process.

Our audit teams combine extensive industry experience and broad technical skills necessary to mitigate audit risk. Our audit approach addresses the risk and circumstances of governmental organizations subject to audits performed under *Government Auditing Standards*.



Step 2: Evaluation and Testing of Controls

We identify, evaluate and validate the entity's control over the specific reporting risks that may affect the integrity of financial reporting. We test the reliability of the underlying information used by management to monitor the organization's performance.

We use our point of view about the operations and audit risks as a basis for interviewing management – from the executive level, down. We gain an understanding of the control environment and compare management's assessment of risk to our own to determine if any key risks have been missed or overlooked. We determine the controls management relies upon to ensure the entity is achieving its objectives, managing risk and reporting accurately on performance; then examine the reliability and effectiveness of the design and operation of each control.

Most, if not all, management controls rely on information generated within the organization's systems or external information such as peer group analyses or benchmarking. When testing management controls, this information is the focus of our audit procedures.

Management fraud is a significant threat to audit quality, and one we take very seriously whenever our teams believe a heightened risk of fraud exists. We include fraud procedures in our risk assessment and audit testing, which may include performing tests in a less predictable pattern or without senior management's knowledge.

Our evaluation of management controls enables us to determine what additional audit procedures are necessary to reduce the risk of material misstatement to an acceptable level. This involves rigorous analytical procedures and substantive tests of detail. The combination of controls and substantive testing provides the basis for our conclusions regarding the financial statements audited or other engagement objectives.

Internal control evaluation of automated systems and their security

Our IT audit approach for significant financial systems is based on an information-centric defense in depth concept, where IT controls incorporated into successive layers of security surrounding information assets are evaluated. With systems distributed across your network, interfaces and follow-up of abend notifications are integrated into our approach. Standard production control, back-up and recovery controls, and specific system implementation and change management controls are scoped in when necessary. Consideration is also given to cloud computing (e.g., software or platform-as-a-service, external hosting, etc.) where service organization and sub-service organization systems and organization controls reports are reviewed, and control activities to address complementary user entity control considerations are identified and evaluated.

We use the following computer assisted audit techniques and data analytics, as appropriate, to improve the effectiveness of our audit strategy:

- *Targeted analysis of journal entries posted to the general ledger based on specific risk criteria applied to extracted data*
- *Claims transaction accuracy and existence testing*
- *Targeted analysis of significant vendor transactions*
- *Regression analysis to evaluate the correlation of a dependent variable against one or more independent variables*
- *Data visualization and trend analysis*
- *Automated sample selections related to receivables/revenues and payables/expenses*

Step 3: Testing Financials and Reports

We compare management information with financial statements the organization reports to the public to identify anomalies and potential audit risks. This includes evaluating the transparency and clarity of the organization's reporting.

We consider if there are differences between the information used internally to manage the entity and the information that is reported to stakeholders, including information generated outside of the organization's systems and control processes. We address higher risks through special procedures, including the use of data mining software designed to identify any differences, highlighting those that are reasonable and those which need to be dealt with to avoid material misstatement. Every step of the way, we communicate with the entity about the quality of the financial reporting.

We immediately report significant issues or potential misstatements identified during our audit to management or the audit committee, if appropriate. We work with the entity to determine the proper communication to the organization for resolution or disclosure, if any.

Step 4: Final Assessment and Recommendations

We assess financial statements and convey our independent observations and recommendations for improving them.

An effective audit is based on thoroughly understanding the entity's business and all critical elements of management control over financial reporting. However, there is another element to the audit process: management's selection and application of accounting and reporting principles in the organization's financial statements. Generally accepted accounting principles (GAAP) are a complex set of rules and principles.

Continuous communication is critical to achieving a high-quality audit. Therefore, we will provide timely status updates to management throughout the process and adhere to our agreed-upon deliverables. We convey our insights and observations about the scope of our audit procedures, risks and controls, financial reporting and governance. We are in continuous contact with the management team of the entities we audit to discuss status, issues, and planned resolution of issues to ensure the timely completion of our audit.

Although the audit approach as laid out suggests a sequential process, the audit is a continuous process of gathering, updating, and analyzing information. Therefore, the audit process is iterative and nonlinear, wherein procedures are performed concurrently and risks are evaluated continuously.



DESCRIPTION OF FIRM

Background

Accuity LLP (Accuity) is one of the largest full-service professional services firms in our state, with 136 qualified employees including 52 CPAs, CFEs, CISAs, and JDs that offer a range of assurance, tax, consulting, and advisory services to some of the largest and most influential organizations and government agencies in Hawai'i.

While our name has changed since our founding in 1951, one thing has always remained consistent: our commitment to the State of Hawai'i and its people.

As a locally owned firm, we have a wealth of experience and expertise in state laws and regulations and possess a deep knowledge of our state government structure. We help our clients successfully navigate change and achieve the best outcomes whether operating under optimal or challenging circumstances. We work together to build value, manage risk, and achieve growth, and are proud to be Hawai'i's auditor of choice.

Effective January 1, 2025, Accuity completed an asset acquisition of another locally owned CPA firm. The integration of the acquired Firm's employees and their diverse skill sets further enhance Accuity's business advisory capabilities.

Accuity is uniquely positioned to address the challenges and opportunities that the HHRF faces at a crucial time when the HHRF attempts to navigate through a period of changes related to providing insurance to the State of Hawaii's condominium market, aimed at stabilizing the crisis in the property insurance market caused by rapidly rising insurance premiums.

We believe our experience, proven track record, extensive resources, and responsive and collaborative approach will help HHRF navigate through its most significant financial, regulatory, and operational opportunities and risks in the coming years.

136

PROFESSIONALS

52

CPAs, CFEs, CISAs, JDs

73-YR

HISTORY IN HAWAII

Use of Technology

We recognize the changes occurring in our profession where technology is becoming a powerful tool that should be leveraged to gain operational efficiencies in our audits while providing valuable business insights. As we challenge our profession's traditional audit methods, we believe a movement has begun towards further automating the audit to transform mundane tasks into critical analysis. We are utilizing new technologies powered by computing intelligence that can securely ingest data from the HHRF's accounting systems.

Audit Software

We utilize Thomson Reuters Engagement Manager, an integrated, paperless cloud-based audit and tax software package – to document, organize and manage our work product. The system allows for real-time, continuous collaboration among our team members across all lines of service while enabling our engagement leads to actively review the progress and status of our work securely from any location at any time, resulting in higher quality results and increased service efficiency.

Research Tools

We use web-based tools from Thomson Reuters and PricewaterhouseCoopers LLP (PwC) to research relevant accounting pronouncements and incorporate them into our service approach. We also utilize a comprehensive financial statement and Single Audit disclosure checklist system that is tailored to state and local governments, customized to include broad-based transaction types and updated for elections to early adopt new accounting standards.

“

We are utilizing new technologies powered by computing intelligence that can securely ingest data from the 's accounting systems.”



THOMSON
REUTERS



pwc

Data Extraction, Analytics and Visualization Tools

We've incorporated several data extraction and analytics tools into our audit process. Tools such as Power BI, Power Query and MindBridge assist with the extraction, transformation and loading of data from various sources such as client systems, web pages, PDF files or Microsoft Office files into our data analysis software. Depending on the audit procedure, additional tools such as IDEA and PowerPivot complement the extraction and analysis tools to perform general and subledger data analysis procedures, including applying statistical, logical or regression analysis to evaluate, visualize, and summarize financial transactions. This analysis also extends to fraud-related tests pertaining to journal entry, vendor, and payments to employees testing.

We use data visualizations to analyze entities in more meaningful and intuitive ways to enhance the audit experience. We can also use these tools to develop customized diagnostic and sustainable analytical solutions to assist in providing more in-depth insight into performance and to monitor enhanced financial metrics.



Secure Collaboration Tools

Accuity offers flexible methods of collaborating with our clients. We can set up clients on a Microsoft Teams channel allowing us to post audit updates and files and participate in virtual meetings to discuss accounting and audit-related matters. We have also collaborated and attended numerous management and Audit Committee meetings with our clients using the Zoom or WebEx platforms for general discussion and presentation of materials and used separate rooms for private sessions.

We offer the use of a cloud-based file sharing tool named Suralink which incorporates built-in internal workflows and dashboards to reduce the administrative time to organize and coordinate file sharing. We also license ShareFile software to securely email sensitive files to our clients.



Automation and Repetitive Task Removal

We constantly strive to improve the efficiency and effectiveness of our audits and have successfully incorporated robotic process automation (RPA) using the UiPath and DataSnipper platforms. We have established an RPA Center of Excellence to formalize best practices in the development, testing and release of RPA to our audit environment. DataSnipper is a powerful tool that we use to automate tests of detailed transactions (e.g., revenue and expense testing), using advanced OCR and machine learning to automatically match and validate transaction details to source documents.



Data Security

In addition to our strict vendor oversight protocols for cloud-based technology tools, we commit significant resources to ensure that client data is fully secure through encrypted virtual private network connections as well as the implementation of encryption software, server firewalls, spam filters and antivirus technology.

Communication, collaboration and proactive recommendations

We believe continuous and consistent communication is critical for an effective audit process. Upon appointment, we meet with all key members of the project to discuss the scope, plan, timing, deliverables, and expectations of all stakeholders. Meetings are conducted regularly throughout the engagement including an exit conference at the conclusion of the project. We have a proven service approach to developing practical solutions and collaboratively addressing issues resulting in the achievement of mutual objectives. Our team also takes proactive measures in identifying new standards and federal requirements to ensure that the government entities we work with are in full compliance.

We are committed to keeping management apprised of new standards while ensuring successful implementation and compliance. We leverage our role as the independent auditor for the State ACFR to ensure that the State implements new accounting pronouncements in a coordinated and consistent manner Statewide.

STAFF SUMMARY

EMPLOYEE CLASSIFICATION	AUDIT	TAX	CONSULTING	SUPPORT	TOTAL
Partners / Principals	7	3	1	0	11
Senior Managers / Managers	9	5	8	4	26
Supervisors / Seniors	15	9	11	11	46
Staff	10	6	5	13	34
Clerks, typists, and other supporting staff	8	3	2	6	19
TOTAL Organization Employees	49	26	27	34	136



REDACTED - CONFIDENTIAL

REDACTED - CONFIDENTIAL

EXTERNAL QUALITY CONTROL REVIEWS

Commitment to quality control

At Accuity, we adhere to the highest level of quality control as government, healthcare and non-profit entities comprise the largest portion of our practice. We take measures to be fully compliant with U.S. Government Accountability Office's (GAO) auditor independence requirements in Government Auditing Standards (GAS).

Accuity is the only Hawai'i-based firm registered with the Public Company Accounting Oversight Board (PCAOB), subjecting our firm to inspections at least every five years. We are also registered with the American Institute of Certified Public Accountants (AICPA) Center for Audit Quality where we are subject to external peer reviews every three years. Accuity is proud to have received pass ratings by both national oversight groups. Attached for your reference are our most recent PCAOB inspection and peer review reports (Attachments 1 and 2). Accuity also successfully underwent inspection by the U.S. Department of Labor, Office of Inspector General.

Accuity's audit practice is structured to embed a significant number of quality assurance roles within our engagement teams that support collaboration and timely resolution of technical issues.

QUALITY ACHIEVEMENTS

Highest rating awarded for Accuity's current external peer review (2022)

Accuity passed its sixth PCAOB inspection (2024)

Clean opinion granted by U.S. Department of Labor, Office of Inspector General quality control inspection (2022)

AUDIT TIMELINE

PHASE	SCHEDULE	DESCRIPTION
1 Pre-engagement Activities	MAY	Client acceptance/continuance assessment based on significant changes in the HHRF's operations and business environment; independence verification; and determination of scope with the HHRF.
2 Coordination and Communication with State ACFR Audit Team	MAY – DEC	We will plan and coordinate the HHRF's audit concurrently with the planning and execution of the ACFR audit. We will ensure real-time communication of significant accounting and reporting matters affecting the HHRF and State.
3 Risk Assessment	JULY	Based on our knowledge of past financial statement misstatements, internal control deficiencies and instances of federal noncompliance; review of preliminary financial information; review of governance committee meeting minutes; and on-site meetings with personnel, we establish quantitative planning materiality levels and identify significant risks of material financial statement misstatement, federal noncompliance, and reportable fraud or abuse.
4 Internal Control Assessment	JULY	We identify and assess the design and implementation of entity-level, computer, fiscal and compliance controls that mitigate the HHRF's significant risks based on the elements of the COSO framework.
5 Audit Strategy	JULY	<p>We synthesize the information gathered during the risk and internal control assessments to determine residual audit risk. We develop our detailed audit strategy comprised of financial and compliance internal control tests, analytical procedures, and substantive transaction tests that are designed to address residual audit risk. The most senior members of the engagement team are deeply involved in this process as it sets the tone for overall audit execution.</p> <p>Once our strategy is established, we provide the HHRF with comprehensive information requests and work paper templates well in advance of our fieldwork to ensure that the HHRF has adequate time to prepare for our audit procedures. We meet with HHRF personnel to discuss our requests and agree on deliverable due dates and timing of audit fieldwork.</p>

Continued on next page

PHASE	SCHEDULE	DESCRIPTION
6 Audit Execution and Evaluation	AUGUST	Our audit teams execute the procedures laid out in the audit strategy. Throughout execution, the results of detailed procedures are evaluated to ensure that residual audit risk has been adequately mitigated, or if necessary, the audit strategy is modified and additional procedures are performed.
7 Preparation of Deliverables	SEPTEMBER	Our audit teams work closely with the HHRF to prepare the final deliverables. We provide management with access to the full resources of our firm, including comprehensive disclosure checklists, sample disclosures, report support templates, and interpretive technical manuals.
8 Required Auditor Communications	SEPTEMBER	Prior to issuance, we present each deliverable to the management and those charged with governance and candidly discuss the audit results.
9 Debrief	OCTOBER	Upon issuance of all deliverables, we debrief internally and with management and those charged with governance to identify areas for improvement and kick-off planning for the following year. This final phase of the audit process is very important for us to ensure that we deliver effective and efficient audit services to the HHRF year after year. We are constantly challenging ourselves to elevate our standards of quality service, and post-engagement feedback provides the opportunity for our team to improve our services for the HHRF.

PROFESSIONAL FEES

We are committed to delivering exceptional service and value at a fair price. Our approach involves meticulous planning, utilizing our extensive industry expertise, understanding our clients' needs, employing cutting-edge technology, and ensuring direct oversight by senior members of our team at every stage of the project. We maintain open lines of communication with our clients throughout the process.

Our pricing structure is crafted to offer you unparalleled value and service. We take pride in our ability to provide efficient service and give you our undivided attention. Prompt answers to your inquiries and regular updates are integral to our service, and this is reflected in our pricing.

Based on our understanding of the scope of services to be provided, we estimate our audit fee for the audit of the June 30, 2025 financial statements to be as follows:

CATEGORY OF PERSONNEL	GOVERNMENTAL HOURLY RATE	ESTIMATED HOURS	ESTIMATED COST AT GOVERNMENTAL HOURLY RATE
FINANCIAL STATEMENTS			
Partners and Principals	\$ 473	12	\$ 5,676
Managers	275	35	9,625
Supervisors / Sr Associates	188	65	12,220
Associates	150	30	4,500
Proposed Fee (Rounded)		142	\$ 32,000

The fee estimate above does not include the costs associated with our use of an independent actuary specialist to evaluate the liability for unpaid losses and loss adjustment expenses, should this be required. The cost of the independent actuary specialist is estimated to be \$5,500, however the cost will be billed at the actual cost incurred.

APPENDICES

1. Accuity Team
2. Peer Review Report
3. PCAOB Inspection Report

APPENDIX 1

Accuity Team



The Accuity Team



Name:

Erin Takamine

Position with Firm:

Assurance Partner

	TOTAL	AS PARTNER/ PRINCIPAL IN THIS FIRM	AS PARTNER/ PRINCIPAL IN OTHER FIRMS
Years of Experience	28	3	6

Current CPE Requirements Met:

(In accordance with 2018 revision of Government Auditing Standards)

☒ Yes

☐ No

Education (College; Degree; Specialization):

University of Massachusetts at Amherst; BBA; Accounting

Membership in Professional Organizations:

American Institute of Certified Public Accountants
Association of Government Accountants – Hawai'i Chapter
Hawai'i Society of Certified Public Accountants
Honolulu Japanese Chamber of Commerce
WomenCorporateDirectors – Hawai'i Chapter

Licenses (State; Type; Number; Original License Date; License Expiration Date):

Hawai'i; CPA; CPA-4331; Issued: 2006; Exp.: 2025
Massachusetts; CPA; CPA-20950; Issued: 2001; Exp. 2025

Responsibilities on Previous Government or Similar Type of Engagements:

Partner/Principal for the following government clients:

Department of Transportation, Airports Division**
University of Hawaii**
Hawai'i Hurricane Relief Fund
Department of Transportation, Harbors Division**
Employees' Retirement System of the State of Hawai'i
Department of the Attorney General**

Other clients include:

Lanai Island Holdings
Outrigger Hotels Hawaii
Four Seasons Resort O'ahu
Hawaii Dental Service
DB Insurance Co., Ltd. (U.S. Branch)
University Health Alliance
R.C. Wo & Sons, Ltd.
40+ captive insurance companies

* Includes ACFR and Single Audit
** Includes Single Audit

The Accuity Team



Name:

Donn Nakamura

Position with Firm:

Assurance Partner

	TOTAL	AS PARTNER/ PRINCIPAL IN THIS FIRM	AS PARTNER/ PRINCIPAL IN OTHER FIRMS
Years of Experience	27	11	-

Current CPE Requirements Met:

(In accordance with 2018 revision of Government Auditing Standards)

☒ Yes

☐ No

Education (College; Degree; Specialization):

Santa Clara University; BSC; Accounting

Membership in Professional Organizations:

American Institute of Certified Public Accountants
Hawai'i Society of Certified Public Accountants
Association of Government Accountants – Hawai'i Chapter
Honolulu Japanese Chamber of Commerce
IV&V Institute

Licenses (State; Type; Number; Original License Date; License Expiration Date):

Hawai'i; CPA; CPA-3964; Issued: 2002; Exp.: 2025

Guam; CPA; Issued: 2012; Exp. 2024

Other Certifications: IVVT, 2019

Responsibilities on Previous Government or Similar Type of Engagements:

Partner/Principal, engagement quality control reviewer, or manager for the following government clients:

State of Hawaii*

Office of the Auditor:

- Department of Budget and Finance
- Department of Transportation
- Hawai'i Health Systems Corporation

Board of Water Supply**

City and County of Honolulu*

County of Hawai'i*

County of Kaua'i, Department of Water

Department of Agriculture**

Department of Health**

(continued on next page)

* Includes ACFR and Single Audit

** Includes Single Audit

The Accuity Team

Donn Nakamura
Assurance Partner

(continued from previous page)

Department of Human Services**
Department of Transportation, Harbors Division**
Department of Transportation, Highways Division**
Hawai'i Housing Finance and Development Corporation**
Hawai'i Tourism Authority**
Oahu Metropolitan Planning Organization**
Oahu Transit Services
Public Utilities Commission

Other clients include:

Kuakini Health System**
Kyo-ya Pacific Company, LLC
Maui Land and Pineapple Company
Waianae Coast Comprehensive Health Center**

* Includes ACFR and Single Audit
** Includes Single Audit

The Accuity Team



Name:

Eric Tsukamoto

Position with Firm:

Assurance Senior Manager

	TOTAL	AS MANAGER/ SENIOR IN THIS FIRM	AS MANAGER/ SENIOR IN OTHER FIRMS
Years of Experience	12	6	-

Current CPE Requirements Met:

(In accordance with 2018 revision of Government Auditing Standards)

☒ Yes

☐ No

Education (College; Degree; Specialization):

University of Hawai'i, BBA; Accounting

Membership in Professional Organizations:

American Institute of Certified Public Accountants

Association of Government Accountants – Hawai'i Chapter

Licenses (State; Type; Number; Original License Date; License Expiration Date):

Hawai'i; CPA; CPA-5206; Issued: 2014; Exp.: 2025

Responsibilities on Previous Government or Similar Type of Engagements:

Manager or in-charge of the following clients:

State of Hawai'i*

City and County of Honolulu*

County of Hawai'i*

Department of Education**

Department of Hawaiian Home Lands**

Hawai'i Tourism Authority**

Research Corporation of the University of Hawaii**

State of Hawaii Insurance Division

University of Hawai'i **

Other clients include:

DB Insurance Co., Ltd. (U.S. Branch)

Servco Pacific Inc.

Kamehameha Schools

40+ captive insurance companies

* Includes ACFR and Single Audit

** Includes Single Audit

APPENDIX 2

Peer Review Report





CliftonLarsonAllen LLP
CLAconnect.com

Report on the Firm's System of Quality Control

December 28, 2022

To the Partners
Accuity LLP
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Accuity LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2022. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards* including compliance audits under the Single Audit Act, audits of employee benefit plans and an examination of a service organization (SOC 1 engagement).

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Accuity LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2022 has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Accuity LLP has received a peer review rating of *pass*.

CliftonLarsonAllen, LLP

CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See CLAGlobal.com/disclaimer.



May 01, 2023

Cory Kubota
Accuity LLP
999 Bishop St Ste 1900
Honolulu, HI 96813-4427

Dear Cory Kubota:

It is my pleasure to notify you that on April 28, 2023, the National Peer Review Committee accepted the report on the most recent System Review of your firm. The due date for your next review is November 30, 2025. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Thank you for your cooperation.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Wagner", with a stylized, cursive script.

Michael Wagner
Chair, National PRC

+1.919.402.4502

cc: Barbara Lewis

Firm Number: 900004528590

Review Number: 593498

APPENDIX 3

PCAOB Inspection Report



2024 Inspection Accuity LLP

(Headquartered in Honolulu,
Hawaii)

September 27, 2024

THIS IS A PUBLIC VERSION OF A PCAOB INSPECTION REPORT

PORTIONS OF THE COMPLETE REPORT ARE OMITTED FROM THIS
DOCUMENT IN ORDER TO COMPLY WITH SECTIONS 104(g)(2) AND
105(b)(5)(A) OF THE SARBANES-OXLEY ACT OF 2002

PCAOB RELEASE NO. 104-2024-148

A P P E N D I X 3



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2024 INSPECTION

In the 2024 inspection of Accuity LLP, the Public Company Accounting Oversight Board (PCAOB) assessed the firm's compliance with laws, rules, and professional standards applicable to the audits of public companies.

We selected for review three audits of issuers with fiscal years ending in 2022. For each issuer audit selected, we reviewed a portion of the audit. We also evaluated elements of the firm's system of quality control.

2024 Inspection Approach

In selecting issuer audits for review, we use a risk-based method of selection. We make selections based on (1) our internal evaluation of audits we believe have a heightened risk of material misstatement, including those with challenging audit areas, and (2) other risk-based characteristics, including issuer and firm considerations. In certain situations, we may select all of the firm's issuer audits for review.

When we review an audit, we do not review every aspect of the audit. Rather, we generally focus our attention on audit areas we believe to be of greater complexity, areas of greater significance or with a heightened risk of material misstatement to the issuer's financial statements, and areas of recurring deficiencies. We may also select some audit areas for review in a manner designed to incorporate unpredictability.

Our selection of audits for review does not necessarily constitute a representative sample of the firm's total population of issuer audits. Additionally, our inspection findings are specific to the particular portions of the issuer audits reviewed. They are not an assessment of all of the firm's audit work or of all of the audit procedures performed for the audits reviewed.

View the details on the [scope of our inspections and our inspections procedures](#).

OVERVIEW OF THE 2024 INSPECTION AND HISTORICAL DATA BY INSPECTION YEAR

The following information provides an overview of our 2024 inspection as well as data from the previous inspection. We use a risk-based method to select audits for review and to identify areas on which we focus our review. Because our inspection process evolves over time, it can, and often does, focus on a different mix of audits and audit areas from inspection to inspection and firm to firm. Further, a firm's business, the applicable auditing standards, or other factors can change from the time of one inspection to the next. As a result of these variations, we caution that our inspection results are not necessarily comparable over time or among firms.

Firm Data and Audits Selected for Review

	2024	2021
Firm data		
Total issuer audit clients in which the firm was the principal auditor	3	3
Total engagement partners on issuer audit work¹	1	1
Audits reviewed		
Total audits reviewed	3	3
Audits in which the firm was the principal auditor	3	3
Integrated audits of financial statements and internal control over financial reporting (ICFR)	0	1
Audits with Part I.A deficiencies	1	0
Percentage of audits with Part I.A deficiencies	33%	0%

If we include a deficiency in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In many cases, the firm has performed remedial actions after the deficiency was identified. Depending on the circumstances, remedial actions may include performing additional audit procedures, informing management of the issuer of the need for changes to the financial statements or reporting on ICFR, or taking steps to prevent reliance on prior audit reports.

¹ The number of engagement partners on issuer audit work represents the total number of firm personnel (not necessarily limited to personnel with an ownership interest) who had primary responsibility for an issuer audit (as defined in AS 1201, *Supervision of the Audit Engagement*) during the twelve-month period preceding the outset of the inspection.

Our inspection may include a review, on a sample basis, of the adequacy of a firm’s remedial actions, either with respect to previously identified deficiencies or deficiencies identified during the current inspection. If a firm does not take appropriate actions to address deficiencies, we may criticize its system of quality control or pursue a disciplinary action.

If we include a deficiency in our report — other than those deficiencies for audits with incorrect opinions on the financial statements and/or ICFR — it does not necessarily mean that the issuer’s financial statements are materially misstated or that undisclosed material weaknesses in ICFR exist. It is often not possible for us to reach a conclusion on those points based on our inspection procedures and related findings because, for example, we have only the information that the auditor retained and the issuer’s public disclosures. We do not have direct access to the issuer’s management, underlying books and records, and other information.

Audit Areas Most Frequently Reviewed

This table reflects the audit areas we have selected most frequently for review in the 2024 inspection and the previous inspection. For the issuer audits selected for review, we selected these areas because they were generally significant to the issuer’s financial statements, may have included complex issues for auditors, and/or involved complex judgments in (1) estimating and auditing the reported value of related accounts and disclosures and (2) implementing and auditing the related controls.

2024		2021	
Audit area	Audits reviewed	Audit area	Audits reviewed
Investment securities	2	Investment securities	2
Revenue and related accounts	1	Revenue and related accounts	1
Significant estimates	1	Long-lived assets	1
		Participant and employer contributions	1
		Participant distributions	1

PART I: INSPECTION OBSERVATIONS

Part I.A of our report discusses deficiencies, if any, that were of such significance that we believe the firm, at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion(s) on the issuer's financial statements and/or ICFR.

Part I.B discusses certain deficiencies, if any, that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to support its opinion(s). This section does not discuss instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence.

Part I.C discusses instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules, if any, related to maintaining independence.

Consistent with the Sarbanes-Oxley Act ("Act"), it is the Board's assessment that nothing in Part I of this report deals with a criticism of, or potential defect in, the firm's quality control system. We discuss any such criticisms or potential defects in Part II. Further, you should not infer from any Part I deficiency, or combination of deficiencies, that we identified a quality control finding in Part II. Section 104(g)(2) of the Act restricts us from publicly disclosing Part II deficiencies unless the firm does not address the criticisms or potential defects to the Board's satisfaction no later than 12 months after the issuance of this report.

Classification of Audits with Part I.A Deficiencies

Within Part I.A of this report, we classify each issuer audit in one of the categories discussed below based on the Part I.A deficiency or deficiencies identified in our review.

The purpose of this classification system is to group and present issuer audits by the number of Part I.A deficiencies we identified within the audit as well as to highlight audits with an incorrect opinion on the financial statements and/or ICFR.

Audits with an Incorrect Opinion on the Financial Statements and/or ICFR

This classification includes instances where a deficiency was identified in connection with our inspection and, as a result, an issuer's financial statements were determined to be materially misstated, and the issuer restated its financial statements. It also includes instances where a deficiency was identified in connection with our inspection and, as a result, an issuer's ICFR was determined to be ineffective, or there were additional material weaknesses that the firm did not identify, and the firm withdrew its opinion, or revised its report, on ICFR.

This classification does not include instances where, unrelated to our review, an issuer restated its financial statements and/or an issuer's ICFR was determined to be ineffective. We include any deficiencies identified in connection with our reviews of these audits in the audits with multiple deficiencies or audits with a single deficiency classification below.

Audits with Multiple Deficiencies

This classification includes instances where multiple deficiencies were identified that related to a combination of one or more financial statement accounts, disclosures, and/or important controls in an ICFR audit.

Audits with a Single Deficiency

This classification includes instances where a single deficiency was identified that related to a financial statement account or disclosure or to an important control in an ICFR audit.

PART I.A: AUDITS WITH UNSUPPORTED OPINIONS

This section of our report discusses the deficiencies identified, by specific issuer audit reviewed, in the audit work supporting the firm's opinion on the issuer's financial statements.

We identify each issuer by a letter (e.g., Issuer A). Each deficiency could relate to several auditing standards, but we reference the PCAOB standard that most directly relates to the requirement with which the firm did not comply.

We present issuer audits below within their respective deficiency classifications (as discussed previously). Within the classifications, we generally present the audits based on our assessment as to the relative significance of the identified deficiencies, taking into account the significance of the financial statement accounts and/or disclosures affected, and/or the nature or extent of the deficiencies.

Audits with an Incorrect Opinion on the Financial Statements and/or ICFR

None

Audits with Multiple Deficiencies

Issuer A

Type of audit and related area affected

In our review, we identified deficiencies in the financial statement audit related to **Significant Estimates**, for which the firm identified a significant risk.

Description of the deficiencies identified

The issuer engaged a specialist to develop an estimate. The firm did not test the accuracy and completeness of issuer-produced data that the company's specialist used to develop the estimate. (AS 1105.A8a)

The firm did not perform procedures to test another estimate, beyond reconciling the amount to a confirmation. (AS 2501.07)

Audits with a Single Deficiency

None

PART I.B: OTHER INSTANCES OF NON-COMPLIANCE WITH PCAOB STANDARDS OR RULES

This section of our report discusses certain deficiencies that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to support its opinion(s). This section does not discuss instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence.

When we review an audit, we do not review every aspect of the audit. As a result, the area below was not necessarily reviewed on every audit. In some cases, we assess the firm's compliance with specific PCAOB standards or rules on other audits that were not reviewed and include any instances of non-compliance below.

We identified the following deficiency:

In one audit reviewed, the engagement team performed procedures to determine whether or not matters were critical audit matters but, in performing those procedures, did not include certain matters that were communicated to the audit committee and that related to accounts or disclosures that were material to the financial statements. In this instance, the firm was non-compliant with AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*. This instance of non-compliance does not necessarily mean that other critical audit matters should have been communicated in the auditor's report.

PART I.C: INDEPENDENCE

In the 2024 inspection, we did not identify, and the firm did not bring to our attention, any instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence. Although this section does not include any instances of potential non-compliance that we identified or the firm brought to our attention, there may be instances of non-compliance with SEC or PCAOB rules related to independence that were not identified through our procedures or the firm's monitoring activities.

While the firm did not bring to our attention any instances of potential non-compliance, the number, large or small, of firm-identified instances of potential non-compliance may be reflective of the size of the firm, including the number of associated firms; the design and effectiveness of the firm's independence monitoring activities; and the size and/or complexity of the issuers it audits, including the number of affiliates of those issuers. Therefore, we caution against making any comparison of firm-identified instances of potential non-compliance across firms.

PART II: OBSERVATIONS RELATED TO QUALITY CONTROL

Part II of our report discusses criticisms of, and potential defects in, the firm's system of quality control.

We include deficiencies in Part II if an analysis of the inspection results, including the results of the reviews of individual audits, indicates that the firm's system of quality control does not provide reasonable assurance that firm personnel will comply with applicable professional standards and requirements. Generally, the report's description of quality control criticisms is based on observations from our inspection procedures.

This report does not reflect changes or improvements to the firm's system of quality control that the firm may have made subsequent to the period covered by our inspection. The Board does consider such changes or improvements in assessing whether the firm has satisfactorily addressed the quality control criticisms or defects no later than 12 months after the issuance of this report.

When we issue our reports, we do not make public criticisms of, and potential defects in, the firm's system of quality control, to the extent any are identified. If a firm does not address to the Board's satisfaction any criticism of, or potential defect in, the firm's system of quality control within 12 months after the issuance of our report, we will make public any such deficiency.

APPENDIX A: FIRM'S RESPONSE TO THE DRAFT INSPECTION REPORT

Pursuant to Section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(a), the firm provided a written response to a draft of this report. Pursuant to Section 104(f) of the Act and PCAOB Rule 4007(b), the firm's response, excluding any portion granted confidential treatment, is attached hereto and made part of this final inspection report.

The Board does not make public any of a firm's comments that address a nonpublic portion of the report unless a firm specifically requests otherwise. In some cases, the result may be that none of a firm's response is made publicly available.

In addition, pursuant to Section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(b), if a firm requests, and the Board grants, confidential treatment for any of the firm's comments on a draft report, the Board does not include those comments in the final report. The Board routinely grants confidential treatment, if requested, for any portion of a firm's response that addresses any point in the draft that the Board omits from, or any inaccurate statement in the draft that the Board corrects in, the final report.



July 9, 2024

Ms. Christine Gunia
Director
Division of Registration and Inspections
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, D.C. 20006

Re: Public Response to Draft Report on 2024 Inspection of Accuity LLP

Dear Ms. Gunia:

We are pleased to provide our response on the Public Company Accounting Oversight Board's (the "PCAOB") Draft Report on the 2024 Inspection of Accuity LLP (the "Report").

We fully support the PCAOB's mission to improve audit quality and wish to convey our appreciation for the efforts and responsiveness of the PCAOB staff during the inspection process. We are committed to performing quality audits and maintaining the highest level of quality control.

We respectfully accept the results of the inspection.

We appreciate this opportunity to formally respond to the Report. We remain committed to working with the PCAOB in support of continuous improvement. We would be pleased to discuss any aspect of our response or any further questions you may have.

Respectfully,

Accuity LLP



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**Thank you for
this opportunity.**
We look forward
to hearing from you.



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