

MARCH 2014

# KĀLĀ

The Official Publication of the Hawaii  
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KALA (the Hawaiian word for money) is published monthly and is the official publication of the Hawaii'i Society of Certified Public Accountants. Please direct all inquiries regarding editorial content, subscriptions and circulation to HSCPA, 900 Fort Street Mall, Suite 850, Honolulu, Hawaii'i 96813.

MARCH 2014

# In This Issue

President's Message .....	4
<i>By Michael Tanaka</i>	
How to Respond to a Comfort Letter.....	6
VITA Service Project.....	8
2014 Meet the Pros Accounting Mixer...	10
Embracing a Paperless World.....	12
<i>By Erin Cheever</i>	
Peer Review.....	13
<i>By Rodney Harano</i>	
On The Other Hand.....	14
<i>By Ronald Heller</i>	
Norman's Book Review.....	16
CPA Firm Microcomputer Technology..	18
<i>By Ron Gouveia</i>	
Y-CPA Buzz.....	19
Book Orders.....	20
2014 Annual Conference.....	21



# President's Message

By Michael Tanaka



Aloha, Members and a belated Happy New Year!

2014 ushers in the year of the Horse which I've read will be a time of fast victories, unexpected adventure, surprising romances, and financial success. Decisive action, not procrastination brings success. On a global scale, expect certain world economies to become stronger, while others experience economic chaos and collapse. Under the Horse's strong influence, there is no middle ground. Stocks have been up so be cautious of big money moves of buying when prices are high. Buying low and selling high has more meaning in a Horse year when Horse sense must prevail.



Since many of us are now in the midst of busy season, I thought I'd share a few items from the "Accountant's Busy Season Survival Guide" which can be found at the AccountantTown's website.

*In Memory Of  
Bert T.  
Nishihara  
1953 - 2014*

Our sincere regret at the loss of a colleague, friend and a member of the HSCPA since 1982. We wish to express our deepest sympathy to his family and friends.

The Guide reminds us to be careful of the following symptoms of busy season burnout:

- Inability to concentrate
- Lack of energy, exhaustion
- Slower performance of tasks
- Bleak outlook
- Decreased motivation

The main causes of busy season burnout include:

- Not enough sleep, or low quality sleep  
Overuse of stimulants such as caffeine and energy drinks
- Overeating, including junk food or consistent fast food

## Stress

Some of the suggested items in the Guide to battle busy season burnout include:

- Keeping a good attitude. Let go negative comments and don't sweat the small stuff.
- Plan your free time. If you have only five hours, plan on spending it wisely. Go out and catch a movie rather than staying home.
- Spend time with people important to you. Try to integrate those people you care about into your recreation time.
- Plan on something fun to do after busy season and to look forward to like a vacation at the Happiest Place on Earth or the City that Never Sleeps.
- Automate your life. For example, consider automating your bill payments through direct withdrawal, set up a maid service to clean your house on a regular basis, use a dry-cleaner instead of cleaning your own clothing, etc.
- Get ready faster in the morning.



- Keep things simple. For example, instead of doing a marathon gym session, consider setting up the most effective 30-minute routine you can do from your home. However, don't neglect working out.
- Slow down. Working fast and jumping into everything head first may not always be the best way to approach things. Consider analyzing before starting in – maybe there is a more efficient way, or perhaps you don't even need to do it in the first place.
- Gaman and Ganbatte. Consider keeping in mind these two Japanese qualities which I was reminded of by Glenn Furuya, President and CEO of Leadership Works, at one of his training sessions. Gaman is to bear the unbearable with dignity and strength (or "suck it up" as he puts it). Ganbatte is to do one's best and never give up. Glenn explained that this courage and "go for broke" spirit were instilled in the famous 100th Infantry Battalion, 442nd Regimental Combat Team, the most highly decorated military unit in U.S. history and awarded the Congressional Gold Medal, for their heroic efforts in World War II. Perhaps reminding ourselves of these two terms during difficult times will help carry us through this busy season.

On another note, although the Hawaii Legislature will not pass individual mobility legislation for CPAs during this year's session, we are planning to continue our efforts and hopefully join the other 49 states in adopting a mobility provision sometime soon. Please stay tuned as we continue to work on this matter.

Best wishes to you all on a smooth and stress-free busy season!

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# How to Respond to a Comfort Letter/ Third-Party Verification Request

CPAs are receiving an increasing number of requests from lenders, mortgage brokers, health and life insurance providers, adoption agencies, regulators and various other government and nongovernment agencies to confirm client information. What these businesses and entities are requesting are third-party verification letters, sometimes referred to as comfort letters, which are meant to offer these individuals a level of “comfort” before they commit to providing a loan, a government subsidy or health insurance, to name a few examples.

“Our members are often faced with requests for information from lenders and are not sure how to respond, but offering the right response can present a real service opportunity for your practice,” said Michael Tanaka, president of the HSCPA. “While you cannot provide assurance on matters relating to solvency, you can provide a number of services to your clients with other types of responses or activities that address their particular situation.”

## Understanding Types of Requests

You may be asked to provide any number of verifications. Some frequent requests include verification of:

- Self-employment status
- Income
- Number of employees
- Business ownership
- Business profitability
- Business sustainability
- Real estate purchase impact on business
- Business loan impact

There are several ways a CPA can respond and not every response need be in the form of an attestation engagement.

## Determining the Proper Response

A CPA may provide a response that states factual information and may provide a conclusion, assuming the CPA has performed sufficient procedures and has a basis for the response. A CPA may respond verbally or via email, form letter or other written channels. Additionally, an accountant may provide a client with these other options:

- Prepare an audit, review or compilation of financial statements;
- Offer an examination, review or compilation of pro forma financial information;
- Supply an examination or compilation of prospective financial information; or
- Write an agreed-upon procedures report, as long as the agreed-upon procedures do not provide any assurance on matters related to solvency.

For example, some CPAs are receiving requests from bank lenders on verification of financial information from a tax return. Without providing assurance on matters relating to solvency, CPAs can respond to such requests in a number of ways, such as:

1. By providing a letter explaining that the CPA prepared the tax return—based on information provided by the client—and that such financial information agrees with the tax return prepared by the CPA.
2. By performing an attest engagement for the client based on the level of assurance needed by the lender.

Another example may involve a request for self-employment verification, in which case, the CPA may respond by performing

an engagement to gather and provide the requested information for the client or, if more assurance is needed, an examination or review engagement.

## The Question of Solvency

According to AT Section 9101, paragraph .27 of Interpretation No., 2, CPAs cannot provide assurance on matters relating to solvency. Matters relating to solvency are subject to legal interpretation under the Federal Bankruptcy Code and various state fraudulent conveyance and transfer statutes. Because these matters are not clearly defined in an accounting sense and are subject to varying interpretations, practitioners don’t have suitable criteria to evaluate a subject matter or make an assertion. Lenders are often concerned with legal issues on matters relating to solvency; however, CPAs are generally unable to evaluate or provide assurance on these matters of legal interpretation. The attestation standards preclude practitioners from giving any form of assurance on matters relating to solvency.

Here are a few examples of the types of solvency requests a practitioner is precluded from providing any form of assurance on, whether through examination, review, agreed-upon procedures engagements or any other consultative engagements.

Assurance that the client (business):

- is not insolvent at the time the debt is incurred or would not be rendered insolvent in the near future
- does not have unreasonably small capital
- has the ability to pay its debts as they mature

Or that the client’s (business’s):

- fair salable value of assets exceeds liabilities
- contingent liabilities will not pose a problem
- commitments will not have an impact on its business operations

Remember, providing third-party verification letters is an individual, or firm, decision. Credit decisions should be based on the requestor’s exercise of due diligence in obtaining and considering multiple factors and information and not solely granted based on your response. Make sure you obtain the client’s consent before revealing confidential client information.

## Obtaining Client Consent

A CPA cannot provide any confidential client information without signed, written

consent from the client. Obtaining client consent to share tax return information creates an added complication: using a standard client consent form is not sufficient. In fact, it’s a crime. Internal Revenue Code Section 7216 dictates that CPAs use a specific format to obtain consent to disclose client tax return information to a third party, so be sure you follow the Code when being asked to provide copies of tax information, tax returns or other information used in the preparation of a client’s tax return.

## Resources for Your Use

Providing third-party verifications is a critical service CPAs provide to their clients, and understanding the ins-and-outs can help you make quick decisions and foster client relationships.

To find out more, visit the AICPA’s Financial Reporting Center webpage dedicated to third-party verification requests, [aicpa.org/verifications](http://aicpa.org/verifications), where you can find information that will help you make smart decisions about whether providing a comfort letter makes sense for you and your firm. You’ll find guidance from various AICPA resources, including sample response letters from the AICPA’s Private Company Practice Section (PCPS) and an article by AON, the AICPA’s professional liability insurance program. Additionally, on the third-party verifications page, you’ll find this video featuring Sue Coffey, CPA, CGMA, AICPA Senior Vice President – Public Practice and Global Alliances, discussing third party verification requests and the legal issues related to solvency requests.

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# Y-CPAs on the Road . . . VITA Service

Seven Y-CPAs joined approximately 35 other volunteers and students on the morning of Saturday, February 8th at Leeward Community College (LCC) computer labs to volunteer their time as tax preparers for the IRS Volunteer Income Tax Assistance / Tax Counseling for the Elderly (VITA/TCE) program. We assisted over 60 individuals and families e-file their federal and state tax returns from 9:00 a.m. to 12:00 noon when the site closed. The LCC location is one of the few locations that offer walk-in services to the public, and we were surprised by the line of taxpayers waiting when we arrived, some arriving to wait before 8:00 a.m.! We worked in teams, with each team member reviewing the other's work, and each return was reviewed a second time by a third volunteer before the taxpayer signed. Many of the taxpayers we served

were excited to hear they would be receiving a refund and would use the money to pay for their basic expenses such as food and rent or past due bills.

The VITA/TCE program in Hawaii is



Gordon Tom and Trudy Pajinag

coordinated by the Hawaii Alliance for Community Based Economic Development and is the only Statewide coordinated effort to provide free tax assistance services to qualified workers in order to help them claim valuable tax credits, such as the Earned Income Tax Credit (EITC) and the Child Tax Credit. During the last four tax seasons, the program has provided free tax assistance services to 6,345 taxpayers in Hawaii and obtained refunds exceeding \$7.15 million, including over \$3.1 million in EITC benefits and over \$1.3 million in Child Tax Credits. Most of these funds are used to purchase local goods and services, which helps to stimulate the local economy and generate money for the State of Hawai'i in the form of general excise taxes. The success of Hawaii's program has been nationally recognized and it received one

of the nation's first VITA grants in 2009, as well as an unsolicited grant from the WalMart Foundation.



The Hawaii VITA program runs through late March or early April, depending on the location, so you still have time to help! Although all volunteers must complete two online test modules covering standards of conduct and a basic knowledge exam, the IRS provides all the knowledge and materials you will need online. Volunteer tax preparers do not

sign the return and do not need to have a Preparer Tax Identification Number (PTIN). Volunteers are covered by the Volunteer Protection Act, which generally protects unpaid volunteers from liability for acts or omissions that occur while acting within the scope of their responsibilities at the time of the act or omission. If you are interested in volunteering, please visit [www.hacbed.org/asset-building/vita-program](http://www.hacbed.org/asset-building/vita-program) for more information.

Thank you to Susan Tamanaha of HACBED and LCC Professor and site coordinator Roy Kamida for their help to coordinate our participation this year. Thanks also to Y-CPA volunteers Claire Chow, Dori Kaneshiro, Darryl Nitta, Trudy Pajinag, Jessica Thomas, Gordon Tom and Yumi Ueda for their time on Saturday.

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Change is good! This year's popular event was held on February 20th at the Honolulu Country Club. Over 250 students and professionals navigated through pau hana traffic to participate in the Meet the Pros Accounting Mixer. The evening was filled with lots of food, fun, great conversations and lots of door prizes.

After dinner, HSCPA President-elect Patrick Oki addressed the students by sharing his experiences at UH-Manoa and how his entrepreneurship created the gateway to his accounting career. While studying during his early years at UH, Patrick started an automotive parts business and conducted a successful business (and this was pre-Internet days!). He encouraged the students to get involved with the HSCPA and give back to the profession.

HSCPA President Michael Tanaka was pleased to present (and surprise) Bernardo Equila the 2014 HSCPA Uniform CPA Exam scholarship which covers the entire cost of the exam. Bernardo is working on a Bachelor of Science in Accounting degree with an expected graduation this Spring. In addition, he is planning to pursue an MBA and ultimately obtain his CPA license.

This year we were pleased to welcome two new sponsors. Roger CPA Review donated a Platinum Scholarship (\$1700 value) good towards the full Roger CPA Review Course. The lucky winner was Maribel Julian from UH-Manoa. SurgentKolar CPA Review donated a 50% Scholarship (\$1000 value) which was awarded to Geraldine Padilla from UH-Hilo. Congratulations to all the lucky winners!

Thank you to the Y-CPA Squad for coordinating this event, accounting club coordinators, and our many sponsors for their generous donation of prizes.



President Michael Tanaka  
with Bernardo Equila



Geraldine Padilla of UH-Hilo  
with Gordon Tom



HSCPA President-elect Patrick Oki



Maribel Julian of UH Manoa  
with Gordon Tom

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# Embracing a Paperless World

By Erin Cheever, Project Manager, Boomer Consulting, Inc.



A wise man once said “Limitless paper in a paperless world.” Although it might not have been the world’s best tagline, the inspiring words of a “paperless world” does hold some truth to the reality and future for many in the business world today. The question begs are we still embracing this concept? As I stand here laminating hundreds of pieces of paper, I know I am.

Of course we have all made great strides in the direction of a paperless workplace, but we haven’t quite figured out all of the answers. We do, however, know many of the benefits, positive changes and purpose behind using less paper. It is important to remember these aspects as the concept of paperless becomes a part of your company’s conversation.

## Cost Savings

Tally up all of the business expenses you have had that are related to paper. Printers, fax machines, toner, ink supplies, maintenance, etc. By eliminating the need for these items, or at least lowering the need, the amount of money per person per year will decrease. Money saved with the decreased use of printing materials can now be used towards developing the technology and people that will help the paperless work environment and idea grow.

## Productivity

For companies that spend large amounts of time on printing to produce materials for conferences, engagements and the like, consider the time that is spent doing this for each engagement.

Consider the man hours that it takes to produce all of these resources. Consider

the time it takes for them to create the document, print 50 copies only to realize they spelled “your” instead of “you” throughout the entire document and have to re-print. The fact is that most participants of your meeting will take your paper and push it aside never to be seen again or simply throw it away. By going paperless, you remove many of the printed materials from your equation. They don’t go away – they just get seen by your clients in a different, more creative or mobile way.



You can see the productivity time in an employee soar by adding value and time into another responsibility or project showing you where time is better spent. Employees get back to producing the things in your company that really matter. Less paper allows for a more productive workplace.

## Sharing Within the Cloud

What if you could take 10,000 documents, created over the past 10 years, and shared any single one of them with your employees. What if you wanted to share them with your clients?

Well, we all know you can. Share materials and documents in the cloud and free up valuable office space, and allow individuals to easily retrieve important information at their fingertips. Let all of your paper live in the cloud.

## Environmental Impact

Simply said, save the paper, save the trees. We all know that by using less paper we are helping in making a positive impact on the environment. Not only does the pulp and paper industry affect our trees, but it also affects the oxygen we breathe and the energy we use every day. If printing in your office does have to occur consider recycled paper for those jobs. In this day in age, we aim to preserve our planet for the future. Let’s make sure we are helping in any way we can to aid that movement.

## A Changing World

Show that you are part of the ever changing business world and be open to the challenge. Although it might not be realistic for your company to go entirely paperless at this point or even ever, baby steps in that direction may help you consider the benefits more seriously. Start exploring small changes in that direction. Realizing the advantages may allow you to open the door to start exploring the solutions to get you there.

*As a Project Manager for Boomer Consulting Inc., Erin Cheever plans, organizes, secures and manages resources for the firm’s many service and program areas. Along with providing assistance and constant communication with clients and sponsors, and serving as an event liaison, her primary duties include overseeing and managing the specifics of CIO Advantage, CEO Advantage, Consulting, P3 Leadership Academy, and the Producers Circle.*

# PEER REVIEW UPDATE

By Rodney Harano



It’s the middle of busy season and I am writing an article about peer review. Why? Because I continue to receive e-mails about the subject and many firms have a June 30 due date. Hopefully, the few tips below will help you prepare for your upcoming peer review.

First, the good news! In November 2013, the HSCPA Peer Review Program underwent its biennial on-site oversight by Randy Watson, Oversight Task Force Chair of the AICPA Peer Review Board. During his visit, Randy reviewed HSCPA’s policies and procedures to ensure they were in compliance with the AICPA Peer Review Standards. The good news is HSCPA passed the oversight. The report can be viewed at: [https://www.hscpa.org/writable/files/2013\\_oversight\\_report.pdf](https://www.hscpa.org/writable/files/2013_oversight_report.pdf)

In addition to the oversight visit, Randy taught a one-day course on advanced peer review issues. During the course, attendees learned the latest and greatest in the peer review world and shared best practices. Here are my takeaways affecting Hawaii practicing units:

1. “Information Required for Scheduling Peer Review” form, aka “BG Form”— Please thoroughly complete and submit this Form to the HSCPA within 14-days of receipt. The HSCPA uses the information in the Form to update the AICPA Peer Review Program database and to notify the reviewer of the review (only if indicated). Furthermore, once the firm and reviewer are matched

and approved, the reviewer has access to the firm’s information via Peer Review Information System Manager (PRISM).

2. Establishing a firm’s peer review year-end – Oftentimes, a reviewed firm must request for an extension of time to complete its peer review. The most common “reason” is that the firm’s engagements are not complete by the assigned due date. A possible solution is to reset the firm’s peer review year-



end. Please discuss with your reviewer or call me about this. For many firms, this is advisable in order to avoid a peer review extension.

3. Request for extension of time to complete the firm’s peer review must be received by the administering entity (i.e., HSCPA) at least 60 days prior to the due date. In my previous article, I indicated the extension must be received by the due date. I stand corrected – there is a 60-day rule. Wow, this is stricter than the IRS.

4. Here’s my last “tip”. When compiling your list of engagements to be reviewed, please make sure

you use the balance sheet date, NOT REPORT DATE, to determine whether or not to include the engagement in the scope. The only exception to this rule applies to SSAE-type engagements (usually use REPORT DATE). If you have any questions about what to include, again, please consult your reviewer or me.

OK, I lied, here’s one more. The DOL is comparing information on Form 5500, specifically the audit firm listed in Part III of Schedule H to the AICPA data base to determine whether the audit of the employee benefit plan was included in the scope of the firm’s peer review. If it was not, the firm will be notified by the AICPA Peer Review Division and, in all likelihood, the firm’s peer review report must be recalled. This is not pretty

because the firm must undergo a peer review again, not just have the missing engagement be reviewed. There is good news – this “matching” process only applies to CPA firms who are NOT members of the Employee Benefit Plan Audit Quality Center. This may be a good reason to join the Center.

If you have any questions about this article or your firm’s peer review process, please contact me at [rharano@cwassociaatescpas.com](mailto:rharano@cwassociaatescpas.com).

OK, it’s back to work reviewing returns and financial statements. DARN!



# On the Other Hand

By Ronald Heller, Attorney & CPA



**Q:** I thought “reliance on professional advice” was

generally a good defense against penalties, but I heard about a recent federal case where the court said that the taxpayer was subject to late filing penalties even though he followed his accountant’s advice. Is the law changing?

**A:** It’s not necessarily changing, but there are some fine points in the way it’s interpreted. The court drew a distinction between substantive advice (e.g., whether or not a transaction is taxable) and procedural advice (e.g., the due date for a return). In essence, the court said that a taxpayer does not need expert advice to read the instructions and determine when a return is due.

The case was *Knappe v. U.S.*, 713 F.3d 1164 (9th Cir. 2013). It involved estate tax on the estate of Ingeborg Pattee. She died on November 30, 2005. Thus, the due date for filing the estate tax return, and for payment of the tax, was August

30, 2006 (nine months after the date of death).

Peter Knappe was named executor of the estate. He had no prior experience as an executor and was not a tax expert, so he retained Francis Burns, CPA. Burns correctly told Knappe that the return and payment were both due at the same time, on August 30, 2006.

It became clear, however, that more time would be needed. Eventually, Burns filed Form 4768 seeking an extension of time. Under Code Section 6801(a), an estate is entitled to an automatic six-month extension of the time for filing a return. An estate can also receive an extension of time to pay the tax. That extension is discretionary, not automatic, and may be granted only for a “reasonable period of time” not to exceed twelve months. The same form, Form 4768, can be used to request both an extension of the time to file and an extension of the time to pay.

In this case, Burns filed a Form 4768, checking the box for an automatic exten-

sion of the time to file (for six months) and requesting a 12-month extension of the time to pay. Burns erroneously believed that he was applying for a 12-month extension of both the time to file and the time to pay. Burns therefore told Knappe – incorrectly – that there was a 12-month extension for both filing and paying, and that both had to be done by August 30, 2007.

Knappe relied on the advice of his CPA, Burns. Believing that he had until August 30, 2007 for both filing and payment, Knappe actually filed and paid on May 29, 2007 – about 3 months early according to what he believed the deadline to be. However, since the filing deadline had actually been extended for six months, not twelve, the return was due on February 28, 2007 and was late. The IRS imposed a late-filing penalty of \$196,414.60.

Knappe opposed the penalty, saying that he had relied in good faith on the advice of his CPA. Knappe said that if he had known that the actual due date for the return was February 28 rather than August 30, he would gotten it filed on time, noting that he actually believed he was filing early, based on his understanding that a twelve-month extension had been obtained.

Burns testified in court, and confirmed the advice he had given to Knappe. Burns explained that he, Burns, mistakenly thought that he was applying for twelve-month extension for both filing and payment, and then told Knappe that the extension had been granted. Burns did not realize – and therefore did not

*Continued from page 14*

advise Knappe – that the filing deadline and the payment deadline were two different dates. The court apparently believed this testimony.

The court noted that in general, when a taxpayer delegates the task of filing a return to an expert agent, and the agent either files late or fails to file at all, there is no “reasonable cause” to prevent a penalty from being imposed. This is because it does not require expert knowledge to know that tax returns should be filed and that a deadline applies.

On the other hand, in cases where a taxpayer relies on an agent’s erroneous advice that no return is due, courts have

generally held that such reliance does constitute “reasonable cause” that should preclude a penalty. Courts reason that the question of whether a return is due is a matter of substantive tax law, and that a taxpayer acting with ordinary business care and prudence may rely on an expert’s answer to that question.

The court found that Knappe’s situation was closer to the first situation. Knappe was not relying on Burns for a substantive interpretation of the tax law – Knappe was merely relying on Burns to tell him when the return was due, a fact that Knappe could have learned for himself by reading the instructions. The court also noted that if penalties

were waived in this type of situation, there would be an incentive for the tax professional to take the blame, even untruthfully. If Burns’ testimony that he had made an error and given wrong advice was enough to avoid a penalty, then Burns would have a strong incentive to give that testimony, whether it was true or not. By taking the blame, and eliminating the penalty, Burns would not be taking any risk, since any malpractice claim would be eliminated if the penalty was cancelled.

As of Oct. 15, 2013, the Supreme Court declined to hear a further appeal, and thus the decision is now final.

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# Norman's Book Review

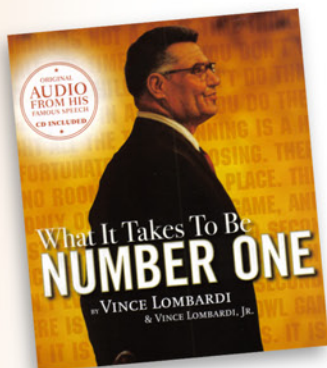
## "What It Takes To Be Number One"

by Vince Lombardi and Vince Lombardi, Jr.

What a blowout at this year's Super Bowl game at Met Life Stadium! Many people thought the game would be another epic struggle like when the NFL Championship game was last played in the New York area. Remember who the two teams were, who won, and the quarterbacks of each team? It was on December 30, 1962, between the Packers and the Giants, the Packers won 16-7, and the quarterbacks were Bart Starr and Y.A. Tittle. It was 13 degrees, 40 mph wind gusts, and the field was frozen solid. Reading about that 1962 game in the January 27, 2014 Sports Illustrated magazine reminded me about how great a coach Vince Lombardi was for the Packers, and how his success secrets are timeless, just as applicable today as they were back in 1962.

"What It Takes To Be Number One," by Vince Lombardi and his son, covers Coach Lombardi's nine key principles that shaped his philosophy on coaching and life in general. One chapter is devoted to each principle. As an added bonus, it includes an audio CD of his famous speech, "What It Takes To Be #1," and a 429 word excerpt from that speech.

The following are highlights from the book on each of the nine principles I thought applied to most CPAs. In fact, reading the book felt like I was reading a blueprint of what it takes to be a successful CPA and person.



### Commitment

"It takes commitment for winning to be an all the time thing. It takes commitment to do things right all the time. Total commitment means 100% effort, 100% of the time."

"The quality of a person's life is in direct proportion

to their commitment to excellence, regardless of their chosen field of endeavor."

"Leaders make commitment a clear priority, leaving no room for misunderstanding."

### Discipline

"A man can be as great as he wants to be. If you believe in yourself and have the courage, the determination, the dedication, the competitive drive, and if you are willing to sacrifice the little things in life and pay the price for the things that are worthwhile, it can be done."

"To Coach Lombardi, discipline meant hard work and sacrifice. His consistent theme was you had to "pay the price" if you wanted to be successful."

"Winning isn't everything – but making the effort is."

### Excellence

His son and many of his former players coincidentally end many of their speeches with this quote by Coach Lombardi:

"...I firmly believe that any man's finest hour – his greatest fulfillment of all that he holds dear – is that moment when he has worked his heart out in good cause and lies exhausted in the field of battle – victorious."

"The spirit, the will to win and the will to excel – these are the things that will endure and these are the qualities that are so much more important than any of the events themselves."

### Mental Toughness

"Coach Lombardi believed mental toughness – head and heart – was the single most important quality a leader needed to develop in themselves and in the people around them. It is the ability to hold on to your goals in the face of the pressure and stress of your current situation. It is being your best at all times, regardless of the circumstances."

"Leaders are made, they are not born. They are made by hard effort, which is the price all of us must pay to achieve any goal that is worthwhile."

"If you're lucky enough to find a guy with a lot of head and a lot of heart, he's never going to come off the field second."

### Habit

"Winning is a habit."

"The difference between a successful person and others is not a lack of

strength, not a lack of knowledge, but rather in a lack of will."

"Watch your thoughts, they become your beliefs."

Watch your beliefs, they become your words."

Watch your words, they become your actions."

Watch your actions, they become your habits."

Watch your habits, they become your character."

### Faith

Coach Lombardi's son noted, "the greatest gift my father gave me was the example of his faith. He attended mass daily. His faith in God was his center, the source of his strength."

"The essence of life, the growth of wisdom and love, is spiritual. Sooner or later, most of us come to this realization, usually in our forties or fifties, after we have sought happiness in everything else – possessions, power, prestige – and found them wanting. At this point, we are finally willing to admit that true happiness lies in faith, in the spiritual journey."

### Passion

Coach Lombardi was a very passionate and enthusiastic person. He got excited about dinner at a good restaurant, a sunset, a game of golf, etc.

"If you can't get emotional about what you believe in your heart, you're in the wrong business."

"To motivate people, there must

be a spark, some juice, desire, zeal, inspiration. It is tough to be a leader if you can't energize yourself, then your people."

"If you aren't fired with enthusiasm, you'll be fired with enthusiasm."

### Results

"Running a football team is no different than running a business. Results are the bottom line. If you produce the results, you are a leader. If you don't produce the results, if you don't execute, you're not a leader."

"Results, specific and measurable, come from having a clear vision, defining what improvement and adaptation looks like, and having a beginning and end in mind."

### Truth

"Truth is an absolute necessity for a leader. Without truth guiding you as a leader, there's no trust. And if your people don't trust you, you can't lead them."

"Right and wrong are constant and unchanging. What is right today, was right yesterday, and will be right tomorrow."

"A person grounded in the truth does the right thing every time. You are the same person in private as you are in public."

"Morally, the life of the organization must be of exemplary nature. This is one phase where the organization must not have criticism."

### Summary

You will get a real appreciation and flavor as to why Coach Lombardi was so successful and why he was so revered. His nine key principles on coaching and life are a great blueprint for success in any sport, business, or life. The Seattle Seahawks exemplify many of Coach Lombardi's principles. They appear to be committed, disciplined, mentally tough, and passionate. They also strive for excellence, have developed a winning habit and get the results!

Having Coach Lombardi's son co-author the books gives a unique insight into Lombardi as a coach, friend, husband and father. The audio CD brings him to life! What an awesome book!

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# CPA FIRM MICROCOMPUTER TECHNOLOGY

By Ron Gouveia CPA, CITP of Carr, Gouveia + Associates, CPAs, Inc.



The April 2014 deadline for getting off Windows XP is fast approaching. The big question is whether to upgrade to Windows 7 or Windows 8.1. Our firm has not moved to Windows 8.1 nor have any of our IT clients. So it's hard for me to recommend it. However, you might want to read Making the Case for Windows 8.1 by Mark Mizrahi of Global Knowledge Training LLC. Do a Google search and the article will come up. Mark makes a compelling case for moving to Windows 8.1 instead of Windows 7.

Every article I write will include security tips as keeping data out of the hands of

crooks is very high priority me. Here are this month's tips:

- Keep servers in a locked room and keep all of the firm's confidential ' data on the servers;
- Dispose of confidential data properly including using a shredding service;
- Use strong passwords for access to everything important. A password manager which generates random passwords is recommended;
- Have strong procedures for keeping hardware and software up-to-date and fully patched. Don't forget to patch firmware for things such as firewalls;

- If you use a wireless access point for internet access, use WPA2 encryption and use a separate network totally separate from the firm's network;
- Do not allow confidential information on email servers, and keep only a minimal amount of firm email on phones and tablets;
- All phones and tablets should have strong passwords and should be encrypted;
- Use appropriate remote access software such as GoToMyPC from Citrix or use a VPN;
- Encrypt backup media whether it's going to be stored off site or not and encrypt all USB devices used to transfer confidential information;
- Use a portal such as ShareFile from Citrix to transfer confidential information and to make confidential information available to anyone outside the firm;
- Use layered security protection including multiple layers of email screening, virus and malware scanning, and firewall protection.

I don't think this is anywhere near a complete checklist but if you have procedures, policies, and controls that cover the above topics, you've made a very good start. Read Security Concerns Every CPA Firm Should Consider by Trey James for more details about CPA firm security.

If you have any questions or comments, call me at (808) 837-2507, or send e-mail to [ron@cga-cpa.com](mailto:ron@cga-cpa.com).

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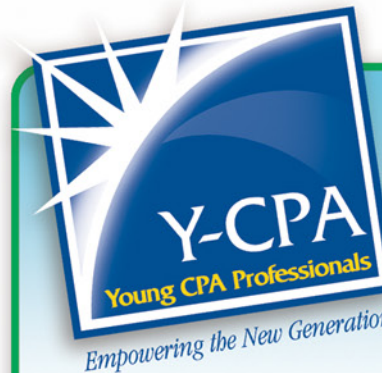
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## Y-CPa BUZZ!



### Tax Identity Theft by Yumi Ueda



As we are in the midst of another busy season, I wanted to take some time to hopefully catch everyone's attention, for a short time, to make everyone aware of Tax identity theft. As accountants, we are all aware of how important it is to safeguard our personal information - social security number, credit card numbers, bank account numbers, etc. But not many of us are aware of a new and growing crime called tax identity theft.

In most cases, tax identity theft victims find out about the crime when they get a letter from the IRS for any of the following reasons:

1. More than one tax return for you was filed,
2. You received wages but didn't report them on your tax return, or
3. You have a balance due or refund offset for a year you did not file a tax return.

If you discover that you are a victim of tax identity theft, the following steps should be taken immediately to recover as quickly as possible:

1. If you received a notice from the IRS, notify the IRS immediately by responding to the name and number printed on the notice or letter.

2. You can also contact the IRS identity protection unit at 1-800-908-4490 from Mon - Fri from 7A - 7P, Pacific Time.
3. Fill out the IRS Identity Theft Affidavit Form 14039.
4. File a police report. This will help establish that identity theft occurred and provide support for the claim when filing Form 14039.



Additional steps should also be taken to further protect your identity, such as:

- Put a fraud alert on your credit reports by contacting one of the credit reporting companies (Equifax, Experian or TransUnion).
- Create an identity theft report by submitting an identity theft affidavit and your police report. This will give you certain rights that can help you recover from identity theft such as stopping a company from collecting debts that result from identity theft.

As we are living in a digital world

where it is now possible to deposit a check or file a tax return using your mobile device, it also creates opportunities for scammers, hackers and identity thieves. Be aware of your wireless network, laptop security, hacked e-mail or social networking account, stolen mobile devices and using mobile apps. Be aware of e-mails from unknown persons and never click on a link or open an attachment from a person you don't know. Be cautious of over sharing personal information on social networking sites, as identity thieves can use your information to answer "challenge" questions on your account and gain access to your money and personal information.

Identity theft has been called the fastest growing crime and can be very stressful and time consuming to resolve. Protecting your identity is not something that should be taken lightly or ignored.

For more information on tax identity theft, please visit the IRS website at <http://www.irs.gov/uac/Taxpayer-Guide-to-Identity-Theft>. For more information about protecting your personal identity and information, visit the federal trade commission at <http://www.consumer.ftc.gov/topics/privacy-identity>.





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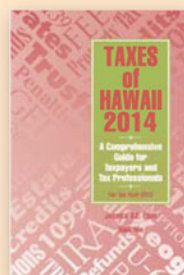
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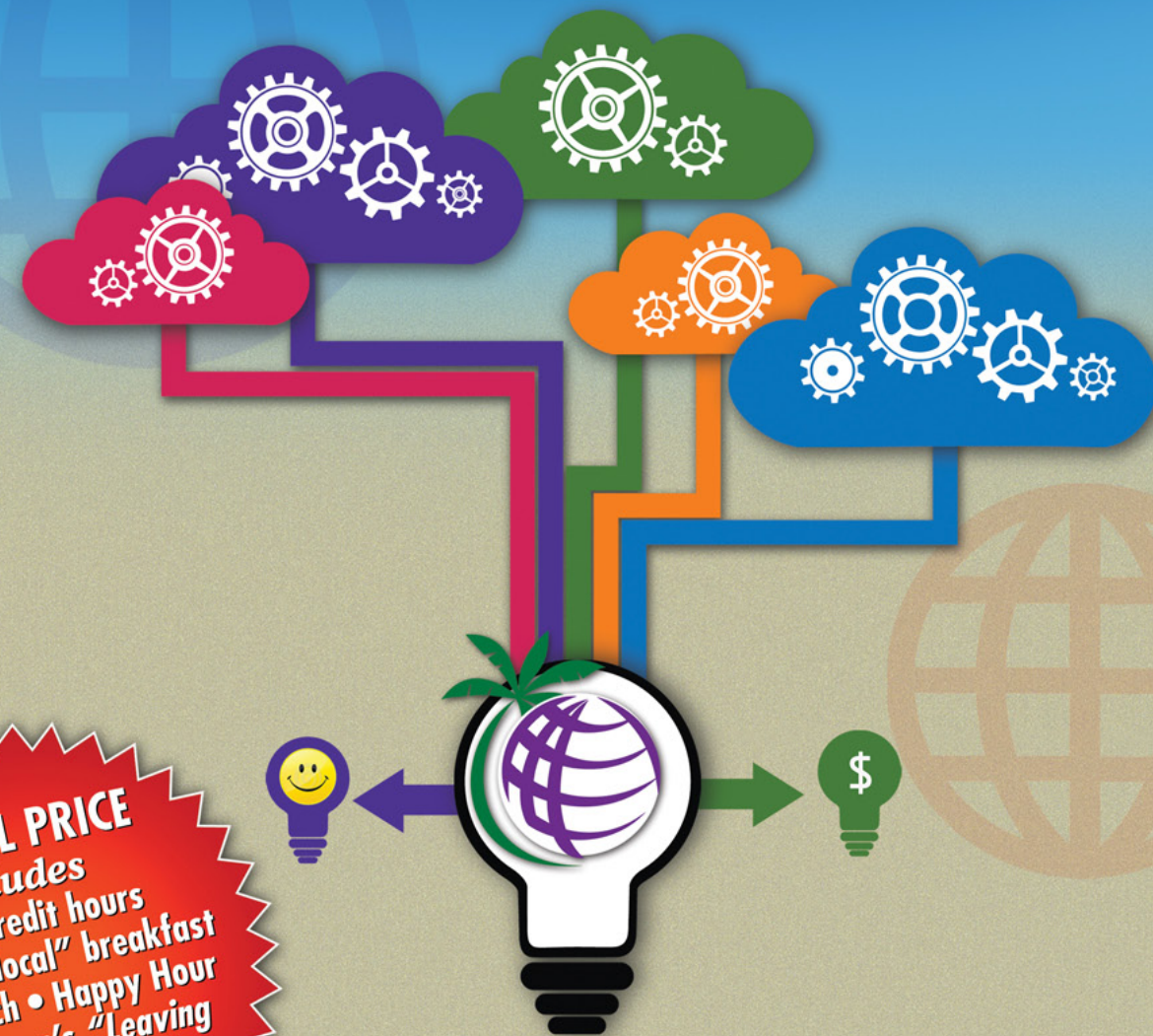
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Join us and other industry leaders at the 54th Annual Conference of the Hawaii Society of CPAs on Friday, June 20, 2014 at the Hawaii Prince Hotel. This Conference promises to be a rewarding and informative day featuring some of the most trusted and highly-respected leaders in the nation. The program is guaranteed to keep you informed on the challenges and opportunities facing the profession.

Our keynote speaker is one of the top leaders in the profession and we are honored to have **Barry Melancon**, President and CEO of the American Institute of CPAs, give his always informative and thought-provoking presentation on the most up-to-date issues affecting the accounting profession. If you haven't experienced a "Barry update" before, you will be mesmerized by his depth of knowledge of the profession.

We are delighted to welcome back one of Hawaii's most influential business leader, **David Heenan**. He continues his legacy as educator and is a visiting professor at Georgetown University and as a prolific author of several books on business and leadership. His latest book, "Leaving on Top: Graceful Exits for Leaders", offers some thought-provoking messages on dealing with one of life's most formidable challenges: the graceful exit.

Keeping your undivided attention through the Conference will be Hawaii's favorite FBI Special Agent, **Tom Simon**. He will be discussing the epidemic of investment frauds that have been plaguing the Hawaii economy over the past four years. The presentation will present high-profile investment scam cases investigated by the FBI in Hawaii with a goal toward making attendees better able to recognize the tell-tale signs of a Ponzi Scheme before clients, friends, and family members are financially ruined. You don't want to miss this!

Don't miss this opportunity to hear top-flight speakers, a dynamic program and great networking at Happy Hour immediately following the conclusion of the Conference! Register now at <https://www.hscpa.org/professional-development/AC1413/hscpa-54th-annual-conference> for the best CPE deal this year . . . 7 CPE credit hours, complete breakfast and lunch, awesome speakers and Happy Hour – what more can you ask for!



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### Barry C. Melancon, CPA, CGMA

Barry C. Melancon is the President and Chief Executive Officer at the American Institute of Certified Public Accountants (AICPA), the national professional association of CPAs, with nearly 386,000 members worldwide. He directs the Institute's operations in New York; Durham, NC; Washington, DC and New Jersey.

As head of the largest body of CPAs in the world, Melancon is called upon to represent the Institute with



### David A. Heenan

David A. Heenan is a trustee of the Estate of James Campbell, one of the nation's largest landowners, and a visiting professor at Georgetown University. Formerly, he served as chairman and CEO of Theo. H. Davies & Co., Ltd., the North American holding company for the Hong Kong-based Jardine Matheson. Earlier, he was the vice president for academic affairs at the University of Hawaii and, before that, dean of its business school. In addition, he has worked internationally for Chevron, Citicorp and McKinsey—and is a former Marine Corps pilot.

Mr. Heenan holds the A.B. degree from the College of William and Mary, the M.B.A. from Columbia University



### Tom Simon

Special Agent Tom Simon joined the Federal Bureau of Investigation in 1995. He currently investigates high-yield investment frauds, major embezzlements, and traditional white collar crimes affecting Hawaii's residents and small business community. In addition to his investigations, Tom also serves as the press spokesperson for the Honolulu FBI office and is a regular fixture on local news programs and radio talk shows.

Prior to transferring to the FBI Honolulu office in 2009, Tom worked at the FBI Chicago office for 14 years where he investigated financial crimes, counter-terrorism, and political corruption. Following the 9-11 attacks, he was assigned to a team of Special Agents who dismantled

state, national and international organizations and is sought after by key opinion leaders for his expertise.

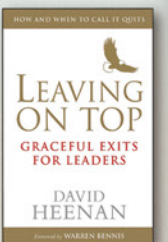
Under Melancon, the Institute has spearheaded a number of initiatives designed to benefit not only the profession, but also investors, business owners, lenders and the general public. These include audit quality centers; private company reporting standards; eXtensible Business Reporting Language (XBRL); the computerized CPA exam; and two consumer financial literacy education programs.

and the Ph.D. from the Wharton School of the University of Pennsylvania. He has served on the faculties of the Wharton School and Columbia Business School. He also serves or has served on the boards of eight publicly traded companies.

An active writer, Mr. Heenan's articles have appeared in such diverse publications as the Harvard Business Review (eight times), the Sloan Management Review, The Wall Street Journal, The New York Times and The Christian Science Monitor. He is the author or co-author of eight books, including Leaving On Top: Graceful Exits for Leaders, Bright Triumphs From Dark Hours, Flight Capital and Co-Leaders.

several Islamic charities funneling money to Al Qaeda and other extremist groups. As his final case in Chicago, Tom was on the team of agents who investigated Illinois Governor Rod Blagojevich which culminated in convicting the Governor of attempting to sell the U.S. Senate seat formerly held by U.S. President Barack Obama.

Tom earned a Bachelor's degree in Accounting from Clemson University and is a non-practicing certified public accountant. He worked at KPMG as a Forensic Accountant for three years before joining the FBI.



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## PROGRAM

**7:30 a.m.**

Registration / Check in / Breakfast Buffet

**8:30 a.m.**

Annual Election Meeting

**State of the Profession /**


Professional Issues Update

**Barry Melancon, CPA-CGMA – President  
& CEO, American Institute of CPAs**

**Leaving on Top: Graceful Exits for Leader**

**David Heenan, Trustee –  
Estate of James Campbell**

**12:00 noon**

Lunch – Sponsored by  **AMERICAN**  
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**12:00 noon**

Installation of Officers & Directors

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★ Gary T. Nishikawa

★ Garrett K. Serikawa

★ Keiji Tsuhako

**1:30 p.m.**

**Protecting the Nest Egg: Detecting  
Investment Fraud in Hawaii**

**Tom Simon, Special Agent –  
Federal Bureau of Investigation**

**3:00**

Happy Hour!



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