MAY 2014

KĀLĀ

The Official Publication of the Hawaii Society of Certified Public Accountants

Face-to-Face Networking Has a Magic Online Forums Can't Match

KALA

The Official Publication of the Hawaii Society of Certified Public Accountants

Hawaii Society of CPAs

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MAY 2014

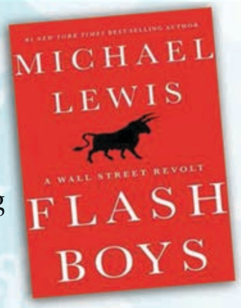
In This Issue

President's Message

By Michael Tanaka

Aloha, Members!

Integrity... Trustworthy... Right-mindedness! These are just a few key qualities that we as CPAs continually maintain as we perform our professional services and make our decisions. Similarly, the first two of eight purposes stated in our Society's Bylaws are:



- To promote high standards of integrity and competence within the accounting profession; and
- To safeguard the interests of the general public and certified public accountants in the practice of accountancy.

Although not in a book about the CPA profession, these qualities and purposes come to mind in the recently released #1 New York Times bestseller, *Flash Boys*, authored by Michael Lewis. The book is non-fiction about a small group of Wall Street guys (flash boys) who come to realize that the U.S. stock market has been rigged for the benefit of insiders and that it is controlled by the big Wall Street banks. One of the guys and main focus of the book, Brad Katsuyama, realizes this and quits his secure $2 million-plus a year job to try to reform the financial markets by working with others in setting up their own stock exchange. Many questioned why he did this since he could easily have just ignored the problem and gone about his business.

He recognized that the stock market had become hugely unjust, and sorely needed to be changed, and that if he didn't do it, no one else would. In his words, "It felt like a sense of obligation; we've found a problem affecting millions of people, blindly losing money they don't even know they're entitled to."

I happened to stumble across this story after a late evening of reviewing tax returns and flipping to the CNBC station before heading for bed. The normally bland and boring financial news which usually makes me sleepy was instead a very heated debate between Katsuyama and William O'Brian, President of BATS Global Markets (one of the firms accused of front-running in the book). The debate lasted over 20 minutes and was so intense that traders were glued to their TV monitors and trading essentially halted at the NYSE according to NBC. You can view this great debate on CNBC's website but you'll probably get a better understanding of the issues debated if you read the book (unless you already have an understanding of financial markets) – I needed to read the book.

The impact of technology on the accounting profession discussed in my last month's message is already evident for those on Wall Street. The book mentions how during the October 1987 stock market crash, some Wall Street brokers chose not to answer their phones as customers tried to place their sell orders in order to get out of the market. This made authorities set in motion a process that has ended with computers entirely replacing those imperfect people according to Lewis. However, this has also spawned the phenomenon of high-frequency trading (HFT) which is essentially what happens when humans trading on the floor of stock exchanges are replaced by computers in data centers. The book details how the flash boys are battling the unfair advantages that these HFT firms and big Wall Street banks have over others including the establishment of their own fairer and more transparent exchange.

I'm not a heavy book reader skilled at providing you with interesting and entertaining insights like our favorite book reviewer, Norman Okimoto, but consider reading this book if you're interested in financial markets or wish to read about the impressive character of the flash boys, especially Katsuyama.

On a recent Bob Brinker MoneyTalk radio show, one caller repeatedly mentioned Brad Katsuyama's name when commenting on his courageous actions including the suggestion of naming a Wall Street area street after him. I suppose he wanted everyone to remember the Katsuyama name.

The attributes of integrity, trustworthiness, right-mindedness and the desire to recognize others brings to mind the HSCPA's privilege of honoring those in the profession who have paved the way for the next generation. Please join us in saluting **Gary T. Nishikawa, Garrett K. Serikawa**, and Keiji Tsuhako, to this year's HSCPA Legacy Hall of Fame at the **54th Annual Conference on Friday, June 20th.** These gentlemen are true trailblazers, mentors and legends of our local CPA profession. We will also be ecognizing **Warren Wee** for his Distinguished Achievement in Accounting Education. Registration information is available on the HSCPA website and in this month's KALA. Please also remember that we are very fortunate to have **Barry Melancon,** AICPA President and CEO, join us this year as well as **David Heenan**, Trustee of the Estate of James Campbell, and **Tom Simon**, FBI Special Agent.

Have a great May!

Rockin' It Old School—Face-to-Face Networking Has a Magic Online Forums Can't Match

By Kristy Short, Ed.D.

"I'm all a'Twitter"; "It's a Tweet life"; "Incurable Tweaker" (i.e., someone so addicted that they sneak tweets)…by now you've heard all the cool play on words surrounding this social media phenomena. In fact, it seems like everyone is writing about social media in general these days—offering advice on appropriate implementation or reporting on success stories. It's there at every turn of the page.

This is certainly not a criticism. Social media, applied purposefully, is a smart addition to any marketing communications program. Without question, the value of social media cannot be overstated; however, neither can the value of networking live and in person. What it comes down to is finding the right balance between the two.

Like any profession accounting continues to change, and among the many changes over the past few years is the growing popularity of social media within firms—including Twitter, Facebook, Flickr, and YouTube. Acceptance is good. No, wait…it's fabulous—as long as firms understand that accepting the new doesn't mean throwing out the old. In fact, the most successful firms are leveraging the power of social media while preserving traditional, effective elements of their communications model, like attending onsite social events. Balance people…balance.

Consider a firm's clients: While clients love the convenience of online services (e.g., portals), they still expect periodic sit-downs with their trusted advisor. The same philosophy can be applied to firms. Building a social media following is smart marketing, but there is just as much value and necessity in mixing it up face-to-face.

Putting the Cool Back in Old School

Compared to the uber cool feeling of tweeting and blogging, on-ground networking is sometimes considered doing it "old school." Nonetheless, onsite forums (or communities) have been a long-standing and faithful tool in the profession—offering a solid venue for exchanging information and knowledge between colleagues. Participants work collaboratively to identify resolutions to common issues and pain points within the profession, and all within a supportive and non-competitive environment. Many of these events also offer demonstrations on the latest and greatest technologies, roundtable discussions, and leadership and software training. Try getting all that into a 140 character post.

Onsite, non-cumulus forums (just a little cloud humor) provide participants with a level of energy and in-depth discussion that is difficult to replicate in a web-based environment. Brainstorming for solutions and defining best practices is a complex and dynamic process that is best supported by dedicated in-person interaction. For most, coming up with the next great idea is difficult to do in isolation. Generally, it's through a process of idea slinging and dedicated group discussions that viable solutions evolve and "Ah-ha" moments take place. Put several great accounting minds in the same room and inevitably the Ah-ha's abound.

What are Community Members Talking About?

Community participants are talking about everything—from technology and staffing issues to paperless processes and automated workflow. And unlike social media, discussions are synchronous. As ideas evolve, members actively work and rework them, applying practical experience and theory. Immediate multi-way feedback helps to sustain momentum and excitement—motivating participants to take ideas through to completion and devise action plans for implementation. In the end, everyone walks away with a host of inventive ideas. It takes a village.

Community members are hitting all the hottest topics, and these are definitely conversations to get in on. For example:

- Gettin' Integrated—Time is money, so firms are always searching for ways to boost efficiency. Integrated software solutions are key in supporting digital processes, moving firms toward zero data entry, and ultimately boosting ROI. Through hands-on demos, forum members are taken through each step of an integrated workflow and what it takes to implement.
- Give me Paperless or Give me Death—Who isn't' talking about paperless? Everyone knows the value props…elevated efficiency, reduced overhead, and the coveted Green effect. For most firms, however, the biggest obstacle is not knowing where to start. Community members are sharing paperless success stories and the technologies and practices that got them there.
- SaaS Kicks @ss—Software as a Service (SaaS) is on everyone's tongue. It's easy, it's affordable, and gosh darn it people like it. Many community members are using SaaS applications and sharing how cloud computing has helped them achieve true life-work balance, recruit and maintain

Continued on page 6

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qualified staff, and accelerate efficiency overall. SaaS is at the center of a new paradigm in the profession. It's the topic to talk about.

- Practice Management Software at the Hub—Participants not only get the opportunity to discuss the leading practice management applications, but also see them in action. Product demos illustrate how to centralize firm data in one convenient location and maintain real-time views of firm status via advanced digital dashboard technology. With so many firms moving to the "hub" model, there is a wealth of information flowing between community participants.

- The Skinny on Software—Doesn't it always seems like the minute you learn one technology, a new one pops up on the radar. Firms are always one technology away from being outdated. It's a cold hard fact. Onsite communities offer the skinny on the newest applications, enhancements, and other progressive technologies.

If you've ever wondered how some firms always seem to stay a step ahead with technology, chances are they attend onsite events regularly.

Tweet AND Meet… and then be Merry

Staying plugged in to all that is going on within the profession is a balancing act. The marriage of social media channels with traditional onsite communities provides the balance firms require.

Social media offers a forum for day-to-day communications, not to mention eliminates the boundaries of time and distance. Through these cyber portals, professionals can now reach beyond their local accounting neighborhood and access a world of knowledge.

On the other side of the scale, onsite events support face-to-face connections that drive effusive dialogue and leverage the experience of the many who make up a diverse profession. One medium does not out weigh the other in importance, but rather rely on each other to create a sound networking foundation for today's next generation CPA firm.

So what's the final 411? It's pretty simple. Keep writing on walls, blogging with a vengeance, and chirping it up—while also building relationships via active onsite community participation. Combined, these efforts will continue to move firms toward the light…or rather, the lightbulb. And aren't we all ready for that next big beautiful Ah-ha?

Kristy Short, Ed.D, is president of SAS Communications 360 (SAScommunications360.com) and Chief Marketing Officer and partner in RootWorks Communications (RootWorks.com)—firms dedicated to providing public relations, branding, and marketing services to the accounting profession. She is a columnist for CPA Practice Advisor and has been published repeatedly in Accounting Today. She is also a professor of English and marketing. Reach her at Kristy@sascommunications360.com.

What Bad Leaders Do Wrong

By Dr. Linda Talley

I talked about the good and effective leader and also the boss from hell, so now, let's talk about the bad leader. The bad leader is similar to the boss from hell so you might want to add these to that list.

When you have a bad leader, you can spot them a mile away because of specific things they do that make you tend to move away from them emotionally and physically. Here are 4 of the worst types of offenders.

1. This type of bad leader is way ahead of the curve when incorporating self-serving use of legitimate power. Yes, they are the boss and they have power but they also abuse it and use it for their own purposes, which don't benefit the organization or staff. This type of bad leader actually uses his or her power to corrupt him/herself because that's what happens when power is used for self-serving reasons. This type of leader's power goes to his/her head and suddenly they are no longer based in reality. Their thoughts/actions and even vision is not for the organization or for the people, but only for themselves. This was noted in the Enron case when senior level executives sold their stock as the ship was sinking while employees were unable to do so and their stock (and life savings) went down with the boat. Many of these types of leaders are now tucked away in federal prison.

2. The bad leader uses fear tactics to keep staff in line or motivated. You can hear this when s/he says, "it's my way or the highway." This usually backfires as statements like this can cause stress and in certain conditions, stress causes reduction in an employee's performance and their efficiency which will then reflect poorly on the bad leader. So the bad leader who uses this tactic can also shoot him/herself in the foot. Sometimes you may think the bad leader has gone off the deep end when s/he says that they want the organization to be innovative and employees to be creative. Yet, when someone brings a new idea to the table, that person is chastised for the idea. Creativity is stifled when an employee is fearful of bringing new ideas to the leader.

3. The bad leader uses threats or some form of emotional punishment which may stop undesirable behavior but does nothing to promote positive and productive and performance oriented behavior. When you are threatened or punished, anger and resentment are usually the first emotions to arise. You want to get back at the person who threatened you and punish them. This doesn't make for an effective leader. Threats are not effective unless the leader plans to carry through with the threat. If the leader threatens ("say that again and I will fire you") and then doesn't follow through, staff see the leader as ineffective, impotent and the leader loses control.

4. The bad leader creates ingroups and outgroups and if you aren't in the ingroup, you don't feel good. You want top performers and you may always be plagued with a few "C" players. Your job is to move the "C" players up to "A" players which makes you an effective leader. However, when you reward employees based on loyalty or brown-nosing, you are not creating a healthy competition among your team. Bad leaders create and maintain their ingroup through the use of perks and favors. Because of this, outgroup members find it difficult to dislodge the bad leader because of his/her following. Bad leaders exist because their employees fight/work to allow the bad leader to remain.

Linda Talley, body language expert, leadership development coach, behavioral theorist, keynote speaker, and business coach works with leaders to improve their business relationships, communication, and performance.

Preparing for the New Standards in Personal Financial Planning

If you've noticed that personal financial planning (PFP) services are on the rise, you're not alone. This specialty practice is projected to grow at double the rate of growth of the accounting profession within the next three years. The Bureau of Labor Statistics projects that the number of personal financial advisers will increase 27 percent in the U.S. by 2022.

The rapid expansion of services in areas such as estate, retirement, risk management and investments, and the increased demand for these services, has led to the need for enhanced and definitive guidance in the delivery of PFP services for the benefit and protection of clients and the firms serving them.

The AICPA Statement on Standards in Personal Financial Planning Services (otherwise known as "the statement") provides CPAs with comprehensive, enforceable guidance on delivering PFP services consistently and competently. The statement, which will take effect on July 1, 2014, aligns with the AICPA Code of Professional Conduct, which is to uphold the highest levels of integrity, professionalism, objectivity and competence.

As Reg Baker, HSCPA PFP Committee Chair, pointed out, "In such a rapidly evolving practice area as personal financial planning, all parties involved need to understand the expectations that are being placed on them. The standards established by the statement provide a clear set of guidelines by which to operate effectively and with the utmost integrity."

The Purpose of the Statement

The statement elevates longstanding professional principles to authoritative, enforceable rules regarding the conduct of PFP professionals. It addresses the key areas of communication, disclosures and documentation as they relate to the basics of engagement planning, the development of recommendations and working with and recommending other professionals.

Topics within the nineteen-page statement include General Professional Responsibilities, Responsibilities of [AICPA] Members in PFP Engagements, Planning the PFP Engagement, Obtaining and Analyzing Information, Developing and Communicating Recommendations, Implementation Engagements, Monitoring and Updating Engagements, Working With Other Service Providers, and Using Advice Provided By Other Service Providers.

Following the statement ensures that your clients receive the information they need to make sound financial decisions and that you meet the standard of care expected of a trusted adviser in the provision of these services. Both seasoned, experienced practitioners and those who are new to the service area can benefit from having a roadmap for working with clients in the development of their personal financial plans.

Does the Statement Apply to You?

The statement applies to any AICPA member (and/or licensed CPA in states that adopt the statement) who meets the definition as providing PFP services to individuals and represents to the public or to clients that he or she is providing PFP services. PFP services are defined by the statement as, "the process of identifying personal financial goals and resources, designing financial strategies, and making personalized recommendations that, when implemented, assist the client in achieving these goals." They include one or more of the following planning activities: cash flow; risk management and insurance; retirement; investment; estate, gift and wealth transfer; elder; charitable; education; or income tax.

Members who do not hold out as providing PFP services may still be subject to the statement if they would be required to register as an investment adviser or if they sell financial products to individual clients. For guidance on understanding when you are deemed to be providing investment advice such that registration as an investment adviser is required, refer to The CPA's Guide to Investment Advisory Business Models published by the AICPA.

It is also important to recognize that the statement applies whether services are delivered verbally or in writing. Note that under the statement, implementation of the recommendations, monitoring of the client's progress or updating the engagement are separate engagements. You would not have an obligation for implementation, monitoring or updating services unless you have an agreement with the client specifically to do so. If you do provide these services, there is additional direction provided by the statement.

What You Can Do to Prepare

To help CPAs and PFP professionals understand the depth of the statement and effectively put it into practice by July 1, 2014, the AICPA has provided essential guidance in a new publication - Standards in PFP Services: Compliance Toolkit, which includes a compliance manual, a complete copy of the Statement on Standards in Personal Financial Planning Services, a PowerPoint presentation to educate staff members, checklists for following the requirements of the statement, a flowchart explaining when the statement applies, customizable client engagement letters and much more.

With less than 90 days before the statement goes into effect, the AICPA will provide help to accounting and PFP professionals as they prepare to operate under these newly promulgated standards. To read the statement in full or for information on gaining access to the compliance toolkit, visit this dedicated webpage.

Alpha Wealth Strategies, Clark M. Blackman II, CPA/PFS, CFA, CIMA, CFP®, AIF®, is founder of Alpha Wealth Strategies in Houston, Texas. He is the immediate past chair of the PFP Executive Committee and is the immediate past chair of the Responsibilities in Personal Financial Planning Services Task Force. Clark was the recipient of the 2012 AICPA PFP Distinguished Service Award.

Edwards Consulting, LLC, Dirk Edwards, CPA/PFS, JD, MBA, heads up Edwards Consulting, LLC , in Lake Oswego, Oregon. In addition to serving as past chair of the PFP Executive Committee, he is also chair of the Responsibilities in Personal Financial Planning Services Task Force. Dirk was the recipient of the 1991 AICPA PFP Distinguished Service Award.

NOMINATING COMMITTEE REPORT
ANNUAL ELECTION MEETING • June 20, 2014

Pursuant to the provisions in Article VI, 6.1 of the HSCPA Bylaws, the Nominating Committee has submitted the following nominations for officers and directors of the Society for the fiscal year beginning July 1, 2014. If any nominee should for any reason become unavailable after notice of the election has been given, and if voting is not conducted by written ballot, then nominations for that office from the floor by any member in good standing who is present in person at the Annual Election Meeting shall be accepted. The Annual Election Meeting will be held on June 20, 2014 in conjunction with the 54th Annual Conference at the Hawaii Prince Hotel Waikiki. Following the Election Meeting, the new officers and directors will be installed at the 54th Annual Conference Luncheon on June 20, 2014.

VICE PRESIDENT
Norman N. Okimoto – Hawaiian Tel Federal Credit Union

SECRETARY/TREASURER
Warren Y.F. Wee – Hawaii Pacific University

DIRECTORS (2014-2016)
Gordon D. Ciano – Kobayashi Kanetoku Doi Lum & Yasuda, CPAs LLC
James P. Hasselman – James P. Hasselman, CPA LLC
Robert K. Hatanaka – CW Associates, CPAs
Robert S. Kawahara – Kawahara & Company, CPAs LLC (MAUI)
Edmund N. Nakano – C.S. Wo & Sons, Ltd.
Samantha L. Shetzline – Samantha L. Shetzline, CPA, Inc. (KAUAI)

In accordance with the Bylaws, officers automatically accede to the next level of office, President Michael I. Tanaka will serve ex-officio for a year as immediate past president, and the directors named below will continue to serve their terms as elected or as designated.

PRESIDENT
Patrick Oki – PKF Pacific Hawaii LLP

PRESIDENT-ELECT
Gordon M. Tom – KMH LLP

DIRECTORS (2013-2015)
Brenda F. Cutwright – BFC Hawaii Consulting
Ronald I. Heller – Torkildson Katz Moore Hetherington & Harris
Wendell K. Lee – Accuity LLP
Trisha N. Nomura – (Y-CPA Squad)
Valerie N. Shintaku – Deloitte
Melanie S. Shishido
Jessica Su – TRUSTA AAC

AICPA Members of Council
Darryl K. Nitta – Accuity LLP (Designated 2013-2015)
Ross M. Murakami – KMH LLP (Elected 2012-2015)

KHON2

ACTION LINE

Tax Week

The tradition continues as HSCPA members volunteered a couple of hours from their crazy busy tax season to man the phone lines for KHON Action Line Tax Week on March 28th. Thank you to Duane Akamine (Kobayashi Kanetoku Doi Lum & Yasuda, CPAs LLC), Melanie King (CW Associates, CPAs) and Trudy Pajinag (Accuity LLP).

The phone lines were busy at the 11:00 a.m. start time and kept the volunteers busy until the 1:00 p.m. end time. They answered more than 47 calls during the two-hour period. There's also some 'entertainment' . . . one caller requested a callback from our volunteers and during the callback, she conducted her tax inquiries while undergoing a mammogram – the technician could be heard on the phone asking the 'callee' to "move this way and that way". Ladies, you get the picture?

Special thanks to Trudy Pajinag for doing 'double duty' that day as she served as the HSCPA spokesperson for the Wake Up 2day morning interview. Trudy was interviewed by Jai Cunningham and answered questions like: what are common tax filing errors, where can taxpayers get help with their tax filings, and provided tips on how to choose a tax preparer when hiring a professional to do your tax returns. Being the consummate professional, she referenced the HSCPA and the AICPA!

wake up 2day

Thank you to Trudy, Melanie and Duane for providing valuable community service and for representing the profession.

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Offered at $3,288,888

MLS#201402500

3 bd . 2.5 ba . 2,325 sf

Upgrades include Brazilian Teak wood flooring, custom built-in display cabinet, window shades, and closet systems. Hokua At 1288 Ala Moana is a highly sought condominium in a PRIME LOCATION!

HOKUA 20D

Offered at $4,500,000

MLS#201405506

2 bd . 2 ba . 1,981 sf

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Admitting New Partners – Succession Best Practices

By Gary Adamson, CPA

As we work through the succession and retirement of senior partners in our firms, a lot of us are also reviewing and updating our internal documents and agreements. A key part of the update should be focused around how we bring new partners into the firm to replace the "old guys". There have been changes in valuations and process that we really need to be aware of. Following are some of the best practices.

How Many do you Really Need?

More often than not firms are supporting too many partners based on the firm's revenue. That also usually means that the partners are doing a lot of work that could be done by staff. Take a look at the Rosenberg or IPA surveys for average revenue per partner and you will see that the trend is to push more leverage of the work and to get more done with fewer partners.

On top of that, the demographics in our firms today tell us that fewer people than ever want to be an equity partner based on the traditional definition. Although our initial reaction to that reality is "we just don't have enough of the right people to replace us", maybe it's not such a bad thing. With the retirement of some of our senior people, we have an opportunity to look for ways to improve the leverage. Said a little differently, we should be challenging the pyramids in our firms by asking "is there a different way to serve our clients and get the work done" and "do we really need all of these partners"? Too often we're on auto pilot worrying only about how to fill the holes the way that we have always done it. Now is the time to step back and challenge it.

Do you have a PIT program?

Many firms have developed a partner-in-training (PIT) process that they use to evaluate and develop their new partner candidates. It generally runs for a year or two. The candidate is invited to attend partner meetings and other partner interactions, is given goals specific to the program, is exposed to firm financial and other partner level information, is provided leadership and other education and is mentored through the process by a partner. The purpose is to give both sides the opportunity to observe the other and to make sure that there is a good fit.

Non-Equity or Low-Equity Partners

One of the ways that some firms are addressing the "how many" question is by using the Non-Equity or Low-Equity partner position. It is a spot on the organizational chart that carries with it significant client responsibility and recognition inside and outside the firm as a partner. It stops short of the commitment and compensation of a full equity partner. Some firms will use the position as a stepping stone to the full equity spot. Others will allow an individual to stay in the role indefinitely. There are probably people in your firm right now that fit that spot and would actually be more comfortable there. It opens up other choices and possibilities on the decisions you have to make on equity partners.

Buying In

Not too many years ago it wasn't unusual for new partners to buy in at valuations that included a large goodwill factor on top of a capital account amount. The large numbers really weren't affordable and firms figured out creative ways to internally finance them (borrow from Peter to pay Paul). Another common practice was purchases of partnership interests outside the firm between partners which produced a lot of wheeling and dealing and inconsistencies. The good news is that both of these practices are almost gone.

The normal today is that capital transactions for both new and exiting partners are with the firm and controlled by the firm's partner agreements. Values for buying in are usually based on the firm's accrual basis balance sheet and the new partner starts out buying only a piece of that. The goodwill value is earned over time by the incoming partner through a vesting process that is often based on years of service and the firm's normal retirement date.

How Much Capital?

"It depends" is not a good answer, but there is really not a rule of thumb for the percentage of equity that the firm sells to the new partner. It depends on the firm and how it approaches a number of things including partner compensation and retirement. We can, however, give you a few numbers and thoughts. First, the average buy-in for a new partner based on 331 firms in the 2012 Rosenberg survey was $137,000.

Second, the trend in the profession is that ownership percentages are having less and less to do with what a partner's compensation and retirement payouts will be. It is more about your performance and relative contribution among your partners.

Capital is becoming more about voting rights and supporting a potion of the firm's balance sheet. The author is seeing the profession move to capital accounts that are similar for all partners except for new partners where they may start out at some smaller level and move up to "full equity" status over time.

Financing the Buy-In

Recognizing that most of our younger associates are not able to write the check above for $137,000, firms must figure out a way to assist with financing it for the new partner. The normal route is that the firm will withhold the amount over some period of time from future profit distributions to the new partner.

There is another approach used by some firms that I happen to like a lot. It is using outside financing rather than inside. Basically, the firm guarantees a loan for the new partner at a bank. Normally the firm can help the new partner receive attractive terms. The new partner borrows the $137,000 and contributes it to the firm in exchange for the partnership interest. The firm will make sure that the new partner receives a compensation increase that is at least enough to cover the new debt service.

Here is why I like it. The firm gets the new capital dollars which most firms can certainly use. Yes, it comes with a guarantee but it is off-balance sheet debt. More important, there is something very personal about the new partner borrowing that $137,000 from a bank. It is pretty sobering and it brings a certain level of seriousness to the transaction that you won't get otherwise.

On a personal note, I will never forget when I borrowed the money to make my first capital contribution as a new partner. It was a huge deal to me. Some of you may remember when the prime rate was 22% back in the 1980's, which made it even more interesting!

Regardless of whether you change anything or not, the Baby Boomer succession wave presents an opportunity to review and challenge how we bring new partners into our firms.

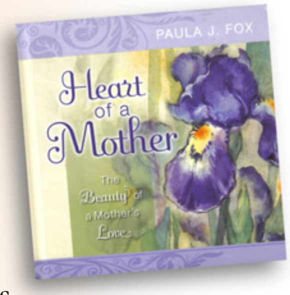
Gary Adamson is the President of Adamson Advisory, specializing in practice management consulting for CPA firms. His background includes growing and leading a top 200 CPA firm. He can be reached at (765)488.0691 or gadamson@adamsonadvisory.com. For more about Adamson Advisory, visit www.adamsonadvisory.com or follow the company at www.adamsonadvisory.com/blog.

Norman's Book Review

"Heart of a Mother"

by Paula J. Fox

May 11, 2014 is Mother's Day, and in honor of all the mothers in the world, I decided to review this book my wife received from our daughter for Christmas. It describes the different qualities and characteristics of 31 flowers, all of which remind us of the BEAUTY of a Mother's love. Page 15 lists the 31 flowers and their endearing characteristics. The following are the author's descriptions of my favorite flowers as well as some of the memorable quotes from the book. I hope they make you think about how much your mother means to you, and for you mothers, how important you are to your children.



Baby's Breath

It reminds us of the very beginning of a woman's life as a Mother…the moment when she takes her first child into her arms and smells the fragrance of that sweet Baby's Breath. Her heart will never be the same.

Rose

The Rose symbolizes a Mother's love for her child. When a woman becomes a Mother, she experiences a depth of emotion that she has never known before. There is no greater love on earth than the love in a Mother's heart for her child.

"Motherhood: All LOVE begins and ends there." (Robert Browning)

Lilac

The Lilac represents the fragrance of a Mother's sacrifice… the lovely scent of forgiveness that results when a flower is crushed and gives back to the very one that crushed it. A Mother is always willing to forgive her children's faults and offer them compassion, mercy and unconditional love.

"A child needs your love most when he/she deserves it the least." (Emma Bombeck)

Gladiola

It takes a lot of strength to be a Mother, as illustrated by the strong and powerful Gladiola. It is a favorite in large arrangements because of its size. A Mother is a powerful force for her children. She is their advocate, and is always willing to fight for them against all adversity.

"A Mother's love for her children is like nothing else in the world. It knows no law, no pity; it dares all things and crushes down remorselessly all that stands in its path." (Agatha Christie)

Magnolia

This flower represents the memories that Mothers imprint on the hearts of their children…a heritage of love that is passed down from one generation to the next.

"To be in your children's MEMORIES tomorrow, you have to be in their lives today." (Barbara Johnson)

Bird Of Paradise

It looks like a beautiful bird in flight, and it reminds us that a wise Mother not only gives her children roots, but she also gives them wings to fly on their own. She helps them develop the confidence and belief in themselves to succeed in life.

"It is not what you do for your children but what you have taught them to do for themselves that will make them successful human beings." (Ann Landers)

Orchid

The Orchid is considered one of the loveliest and most valuable of flowers. It symbolizes the Mother who is highly valued, not for her external features or material possessions, but for her beautiful character qualities…and the generous love and care she gives to her children over the years.

"The people who are most VALUED are those who add value to others." (author unknown)

Sunflower

Sunflowers remind us of joy…such bright happy flowers…and the secret of their joy is that they always face the sun. This flower represents the Mother who looks for the bright side in every situation. She has a positive attitude in life, preferring to focus on her blessings rather than her problems.

Sweet Pea

Sweet Peas have little curling tendrils that love to hug things and never let go, reminding us that a Mother's love is very nurturing with lots of hugs and tender loving care…ant it never lets go…A Mother's love is forever.

"A Mother holds her children's hands for a while, but their hearts forever." (author unknown)

Chrysanthemum

The name Chrysanthemum comes from two Greek words…chrysos (gold) and anthos (flower) – "gold flower" – reminding us of the purity and strength of a Mother's love. It is like fine gold…extraordinary in beauty…priceless and able to stand the test of time.

Summary

"Heart of a Mother" is a heart warming book that uses characteristics of flowers to describe the beauty of a Mother's love. It is colorfully illustrated and easy to read. The author ends her book with the following testimonial for all Mothers. Happy Mother's Day to all you wonderful Mothers!

Heart of a Mother

A Mother is born that very moment
a child becomes her own.
And her heart begins to overflow
With a love she has never known.

Her focus changes instantly
as her heart beats for another.
It will never be the same again.
It's the powerful heart of a mother!

It's a heart of incredible courage
with strength and endurance too.
She fiercely protects and defends her young
in ways only love can do.

She sacrifices "self" to give
her children what they need,
developing their character
to make sure that they succeed.

Just like a lovely gardener
she plants her seeds of love.
Her heart gives lots of sunshine
like blessings from above.

She provides a firm foundation…
a peaceful, loving home
So her children's roots run deep and strong
no matter where they roam.

With a heart that nurtures them along
to grow in the right direction
She allows them freedom to blossom and
thrive under her wise protection.

They're prepared to face the storms of life,
as they learn to stand alone.
She gives them a sense of value and strength
with a confidence of their own.

There's a special beauty in a Mother's love
She's a picture of wisdom and grace
We honor her with gratitude…

No one can take her place!

Flower	*Characteristic*
Baby's Breath	Beginning
Rose	Love
Dogwood	Sacrifice
Lilac	Forgiveness
Gladiola	Strength
Hydrangea	Foundation
Magnolia	Memories
Water Lily	Peace
Bird Of Paradise	Wings To Fly
Peony	Gratitude
Daylily	Each Day
Orchid	Valued
Sunflower	Joy
Anemone	Heart
Azalea	Enthusiasm
Queen Anne's Lace	Home
Forsythia	Courage
Daisy	Light
Delphinium	Grace
Calla Lily	Protection
Lupine	Contentment
Zinnia	Inner Beauty
Iris	Honor
Sweet Pea	Forever
Daffodil	Hope
Cornflower	Influence
Gerbera Daisy	Confidence
Chrysanthemum	Priceless
Aster	Star
Easter Lily	Fresh Start
Carnation	Significance

6 Tips for Managing the Under-Performer

By Sandra Wiley

You may have heard it before, or you may have actually uttered these words, "why did we wait so long to let an under-performing employee go?" In some firms today it may actually be called the under-performing epidemic or the under-performer drag, but no matter what words you are using to describe the problem, the results are the same - our firm suffers when the leaders do not take action. The other word that I hear when talking about an employee that is just doing "okay" is that they may not be overachieving, but they are probably average. I have been attending Strategic Coach (an entrepreneurial coaching think-tank) for many years and one of the concepts that we hear is "that average is where the worst of the best meets the best of the worst". That does not sound like the kind of firm you really want to build does it?

In this article we are going to focus on managing the under-performer. Results from a recent Career Builder survey involving more than 2,000 US employees revealed that 27 percent of bosses "have a current direct report they would like to see leave their company". Many of you are either in this category or you know another leader in your firm that feels this way. Please think about those situations where there is a person in the firm that you really would be okay about if they left for another opportunity. Now ask yourself, how are we managing them today?

1. We point out their shortcomings in blunt little comments that we hope they catch so that we don't really have to have a conversation with them. Really, has this ever worked to turn around a person's performance? Very unlikely.

2. We reduce their job responsibilities, which much of the time means that they get to do less for the same pay and transfers a higher workload to our super stars. Think about where the reward is happening in this scenario. Your under achiever is winning and your top talent is being punished.

3. Fire them. That can work, but sometimes is shortsighted because we may have overlooked a way to manage them and make them better, so we lost a person that if we had simply worked with them in a different way they could have been amazing. You will never know.

4. Do nothing. Sadly this is the most likely thing that is being done right now. Ignore it and the issues might "right themselves" or maybe the person will just go away. Again, not likely.

Rather than trying one of the strategies above, let's discover the strategies that will work for you, the under-performer and ultimately the firm.

1. **Daily Communication**. That does not mean that you must have a face to face, hour long meeting daily. An email, an instant message or a quick stop in their office are imperative to help connect the under-performer to the job requirements. These communications should be all about their performance not just personal issues.

2. **Train your Supervisors** – and getting training yourself. Growing your knowledge and your team's knowledge is critical to helping everyone in the firm. Teaching can come from books, web seminars, conferences, internal training and coaching. Your excuse cannot be "there are no resources or opportunities". The only excuse you could possibly give is "I don't want to" and that is not how a true leader thinks.

3. **Coach, Counsel and Mentor.** Insuring that you are coaching individuals to improve in the moment performance issues; counseling to correct personal or outside the professional guidelines issues; and mentoring to insure long-term professional goals within the firm, are all parts of helping the under-performer improve his or her career to achieve a higher level of success. Identifying and showing support by correcting is imperative to the under-performer to feeling like they are important to the firm and the firm leaders.

4. **Tie their job to the overall firm** goals. All employees like to feel like what they're doing is important. They want to know that they are making a

difference. The more you can tie what they are doing to the overall strategies of the firm the more likely you will be to turn their performance around. This will not be as easy as it sounds. Enlisting their help in this is important. The other thing that may have to happen is as you talk through their responsibilities you will need to watch them do the work, have them do the work and last, watch them again!

5. **Teach them** – don't just say "no". We have a habit of saying no automatically when our team members – especially the less experienced – come up with new ideas or ask questions. It is sometimes blatant and sometimes a little more subtle, but the message is sent with a megaphone to the team members, "don't ask questions, just do your work". That is a killer to star performers and under-performers alike. There is a pretty easy fix in theory – stop, listen, allow! Stop what you are doing. Listen to the idea. Allow yourself to ask questions and clarify before you decide to move forward, get more information or stop the idea.

6. **Write It All Down**. Make sure you capture all of the communications and work that you do with the under-performer. If the worst case scenario happens and you must terminate, you will want all of your hard work recorded.

Identify your under-performer and don't allow "drag" for one more day! Follow the steps above and work hard to change their results. However, if you don't see the improvements you want, don't be afraid to make the hard decision to let the person find other opportunities that will fit them better.

Sandra Wiley, COO and Shareholder, is ranked by Accounting Today as one of the 100 Most Influential People in Accounting as a result of her prominent role as an industry expert on HR and training as well as influence as a management and planning consultant. Sandra developed the P3 Leadership Academy and hosts regional trainings around the country. She is also a founding member of The CPA Consultant's Alliance. Sandra is a certified Kolbe™ trainer who advises firms on building balanced teams, managing employee conflict and hiring staff.

CPA FIRM MICROCOMPUTER TECHNOLOGY

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

The Heartbleed bug is a very serious security vulnerability in OpenSSL software which puts a website's sensitive personal data at risk. Data at risk includes usernames, passwords, and credit card data. This bug affects everyone and requires all of us to take action. Here's what you should consider doing in response to this bug:

1. Regarding your website and your servers, check with your IT resource to determine if they are affected by the bug;

2. Don't log on to Website accounts until you've confirmed that they are not vulnerable to Heartbleed;

3. You should use a unique password for each Website account. You should use a password manager to help implement unique random passwords. CNET recommends checking out LastPass, Dashlane, or 1Password. K2E recommended RoboForm which I use;

4. To check which Web sites are vulnerable you can use https://lastpass.com/heartbleed/ or https://www.ssllabs.com/ssltest/index.html. Check out CNET's list of top 100 sites at http://www.cnet.com/how-to/which-sites-have-patched-the-heartbleed-bug/;

5. You should not change your password for a site until you have confirmed that the site is not or is no longer affected by Heartbleed. If a site has still not fixed this vulnerability by the time you read this you should delete your account and stop using that site. For the rest, you should confirm they're OK and change your password. Most banks are not affected by Heartbleed but you should still check whether your bank is OK and then change your password. Keep a close eye on all bank and credit card transactions. You should assume that at the end of this process you will have changed the password for all of your logons;

6. You should use two-factor authentication which usually means use of a pin or some other second form of identification in addition to a password on every site that offers it; and,

7. I know I'm being redundant here but again I recommend that passwords should be unique for each account and should be randomly generated by your password manager.

The Heartbleed bug is a very serious vulnerability. Keep a close eye on financial transactions and take action as soon as possible.

Here's another reminder regarding Windows XP. The April 2014 deadline has already come. You should upgrade to Windows 7 or Windows 8.1 as soon as possible.

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

Y-CPA Young CPA Professionals

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Y-CPA Buzz!

So You Survived Busy Season?

By Gordon Tom

It's May and that means another busy season is behind us. Now that it's over, here are a few tips and reminders to think about as you head out the door. For the auditors out there, you might still be in busy season, but hang in there! The end is in sight, and these tips are relevant to you too!

At Work

- As you look around your desk and consider all the work you accomplished during the last three months, enjoy the sense of accomplishment! Your clients appreciate your hard work and dedication, even if they may not always express it. Your partners/managers/supervisors appreciate the hard work and dedication too.
- Write a list of the challenges and successes you had this year and areas for improvement for next year. Schedule a meeting with your supervisor, career counselor or mentor and discuss your list with them. Collect their feedback and compare it with your list and think about what went right and what went wrong this season. Save your list someplace safe and put a reminder on your calendar to review it again before next busy season.
- Start planning for all the client work you said you would get to "after busy season" and make a list of the clients and open items you need to follow up on for the fall deadlines.
- Catch up on all the e-mails in your inbox that you neglected during busy season. Use your e-mail software's filters and sort out the e-mails from your important contacts from the rest and don't be afraid to declare "e-mail bankruptcy" and hit delete all, if necessary. Catch up on your newsletters and magazines and read the February, March and April KALA! www.hscpa.org/about/kala-magazine

At Home

- Take a vacation day, turn off your e-mail, and relax and spend time with friends or family that you haven't seen in three months. Get outside and do your favorite activity.
- Thank those that supported you along the way, including your spouse/significant other, your family, your friends and your colleagues.
- Catch up on all the episodes of your favorite television show that you've missed. Do all those household chores or projects you've been neglecting for three months. Wash that huge pile of dirty laundry!
- Keep up your regular exercise routine. (Or get back on one if you stopped!)

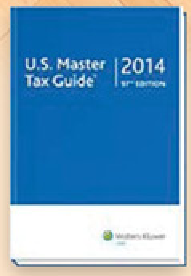
For CPAs, surviving busy season is one of the great challenges we face each year. Whether this was your first busy season or your 15th, I hope you had a good one!

UH West Oahu Workshop

On Monday, March 31, the Y-CPA Squad presented our popular CPA Exam workshop to the members of the Accounting Club at the University of Hawaii at West Oahu. It was our first time presenting on the West Oahu campus and I left very impressed by the design of the campus facilities and the enthusiasm of the students. The campus is very large, with open space and courtyards, and lots of room to expand in the future. The classrooms have the latest technology, with new computers and flexible seating and tables to allow for multiple configurations. Although the facilities are new, the curriculum is very similar to the Shidler College of Business and is taught by some of the same experienced professors from Shidler. Although it was a far drive out to the leeward side, it was a rewarding experience. The UH West Oahu Accounting Club is small, but growing, so don't forget to include them when planning your next professional interaction or office tour. Thank you to fellow Y-CPA, Adrian Hong, for assisting with the presentation and sharing his experience and insights with the students.

2014 TAX BOOK ORDER FORM

ALL SALES FINAL



2014 CCH U.S. Master Tax Guide – $60.00 / $70.00

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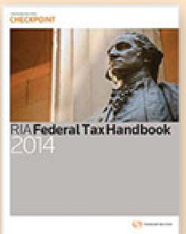
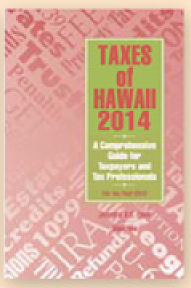


2014 RIA Federal Tax Handbook – $40.00 / $50.00

The ***Handbook*** reflects all federal tax legislation passed by Congress to date of publication. It also reflects other key developments (such as new regulations, rulings and revenue procedures) affecting the 2013 return and the 2014 tax year.



2014 Taxes of Hawaii – $26.00 / $35.00

Hawaii's only comprehensive tax-season tool! Updated annual publication with all the new state tax laws and court decisions. An invaluable reference used by Island and mainland CPAs, tax preparers and bookkeepers, as well as attorneys, small businesses, individual taxpayers and students. Includes income tax rate tables, specimen tax forms and vital information on income. General Excise, use, estate, property, unemployment, transient accommodations and other taxes.

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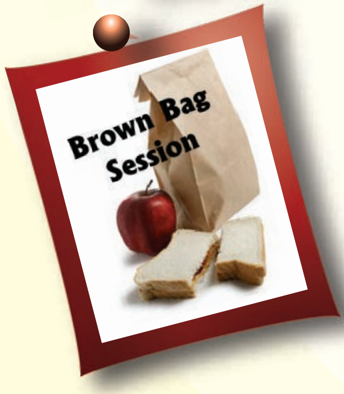
In depth look at SBA 504 Loan Program

HSCPA



May 28, 2014 (Wednesday)

12:00 to 1:00 p.m.

HSCPA - 900 Fort Street, Suite 850

(no parking validation - public parking available at Harbor Court or other municipal lots)

Learn how you or your clients can own commercial property or other fixed assets with up to 90% financing (with a bank partner) and competitive rates and terms:

- Advantageous financing for business expansion and commercial property acquisition
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Speakers:

Joseph Burns is the O'ahu Director of the Hawai'i Small Business Development Center. In this role, he leads management consulting projects in diverse areas such as renewable energy, manufacturing and agriculture, which significantly contribute to the building of Hawaii's economic capacity. His areas of expertise include organizational performance improvement (with a focus on Balanced Scorecard), finance and strategic planning/execution.

Lori Hiramatsu is a Senior Business Consultant in the Oahu office of the Hawaii Small Business Development Center. She has more than 30 years of experience in the banking industry serving in various capacities including district manager overseeing several branches, a business and consumer banking team, and operations. She has served numerous businesses in various stages of their business life-cycle and assisted them in obtaining capital for their business needs. Besides her commercial banking and lending background, she is knowledgeable of all SBA loan programs, and has deep experience in the financing of PV systems.

Limited Seats Available

https://www.hscpa.org/professional-development/events/PFP-052814/brown-bag-session-sba-504-loan-program-in-depth-look

Sponsored by the HSCPA PFP Committee

Collaborate & Innov

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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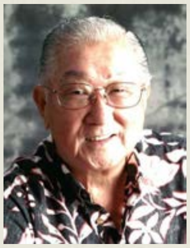
Please join us in saluting:

Gary T. Nishikawa



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Our distinguished speakers:

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.

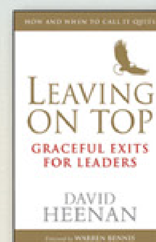
As head of the largest body of CPAs in the world, Melancon is called upon to represent the Institute with state, national and international organizations and is sought after by key opinion leaders for his expertise.

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.

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 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.

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 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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Dave Heenan's "Leaving on Top: Graceful Exits for Leaders"

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Collaborate & Innovate for Sustainability

June 20, 2014 • Hawaii Prince Hotel Waikiki

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 Savings Bank

12:00 noon
Installation of Officers & Directors

Legacy Hall of Fame Honorees
★ 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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Conference Package includes materials, complete breakfast and lunch buffets, Happy Hour	$250.00 – Member $300.00 – Non-member After June 6: $300.00 – Member $350.00 – Non-Member	$ ________ $ ________ $ ________ $ ________
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