

OCTOBER 2014

KĀLA

The Official Publication of the Hawaii Society of Certified Public Accountants

Securing Data In The Cloud





Paradise Cove Luau puts on quite a show. And their banker helps set the stage.

Operated by PC Services, Inc., Paradise Cove Luau is one of Hawaii's largest and best-known luaus, for good reason. They offer fun activities, entertainment and a feast on 12 beautiful oceanfront acres. And to set the stage for continued success, they worked with their business banker to implement the right refinancing solutions and banking services.

Visit any American Savings Bank branch or call us today.
Oahu 627-6900 • Neighbor Islands (800) 272-2566

(front, left to right) 1. Pat Kaialau, Custom Event Manager 2. Keith Horita, President, CEO 3. Dan Oshima, their Banker 4. Norman Kaneshige, VP, COO
5. Ashley Espiritu, Wedding Sales Coordinator (back, left to right) 6. Jolee Peneku, Performer 7. Niko-Jesus Camacho, Performer

Member FDIC

asbhawaii.com



AMERICAN
Savings Bank



The Official Publication of the Hawaii
Society of Certified Public Accountants

OCTOBER 2014

In This Issue

Officers

President Gordon M. Tom
President-Elect Norman N. Okimoto
Vice President Patrick Oki
Secretary/Treasurer Warren Y.F. Wee

Ex-Officio

Immediate Past President
Michael I. Tanaka

AICPA Council

Darryl K. Nitta (Designated)
Ross R. Murakami (Elected)

Executive Director

Kathy M. Castillo

Administrative Assistant

Debbie Cortes

Hawaii Society of CPAs

900 Fort Street Mall, Suite 850

P.O. Box 1754

Honolulu, Hawaii 96806

Tel: (808) 537-9475

Fax: (808) 537-3520

E-mail: info@hscpa.org

Website: www.hscpa.org

Directors • 2013 – 2015

Brenda F. Cutwright
Ronald I. Heller
Wendell K. Lee
Trisha N. Nomura
Valerie N. Shintaku
Melanie S. Shishido
Jessica Su

Directors • 2014 – 2016

Gordon D. Ciano
James P. Hasselman
Robert K. Hatanaka
Robert S. Kawahara (MAUI)
Edmund N. Nakano
Samantha L. Shetzline (KAUAI)



H S C P A

Hawaii Society of
Certified Public Accountants

This publication is designed to provide general information only, and should not be used as a substitute for professional advice. The authors and editors disclaim any liability for any loss or damage resulting from the use of any information or advice herein. Although a reasonable attempt has been made to be accurate, neither the HSCPA nor the authors and editors can guarantee that all information contained herein is correct as of the date of publication.

KALA (the Hawaiian word for money) is published monthly and is the official publication of the Hawai'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, Hawai'i 96813.

President's Message 4

By Gordon Tom

Securing Data In The Cloud..... 6

By Thomas G. Stephens

Peer Review Update..... 8

By Rodney Harano

Corporate Ethics Policy..... 10

By Tanya Barman and Samantha White

Norman's Book Review..... 14

CPA Firm Microcomputer Technology.. 16

By Ron Gouveia

Y-CPA Buzz..... 17

CPE Calender..... 18

The Effects of Stress Hormones..... 20

By Dr. Linda Talley

President's Message

By Gordon Tom



Aloha Members!

Can you believe it's October already? Only three months left in

2014 to accomplish the long list of resolutions we made to start the year. I hope you have accomplished at least 75 percent of your goals for the year and are not at the 10 percent category like me. Time flies by when you are having fun (or busy meeting deadlines!).

October 15th has historically marked the end of the busy seasons for the year for most professionals; at least that's what I've heard from the more experienced (senior) professionals who have shared their experiences with me. In the past, the non-busy season meant working normal hours during the last couple of months to catch up on CPE, begin planning for next year, and take much needed vacations with family and friends. However, our society and work environment has evolved to adapt to today's connected, technology-driven lifestyle and global competitive marketplace. The Internet and technology have changed all our lives, in good ways and bad; we have traded heavy binders, paper financial statements, and 16-column paper for a laptop, smartphone, tablet and 24/7 Internet connection. Although technology has made our work much more portable and easier to carry around with us, the price of being connected is the ability to work in places and at times that were impossible just a few years ago.

As digitally connected as we all are in our work and personal lives, it is also important to remember to disconnect once in a while and spend "analog" time with your family, friends and children to enjoy life. Go to the beach, take a hike/run/walk, or enjoy a nice breakfast, lunch or dinner together. It is too easy now, especially in our profession, to let work commitments, deadlines and client demands to expand and take time away from what is really important in our lives.

There are a lot of developments in the profession in the last few months, especially in taxation. As you may have heard at the Annual Conference, the AICPA filed a lawsuit against the IRS in July to stop the IRS from implementing its new Annual Filing Season Program credential. In August, the AICPA, HSCPA and other state CPA societies worked together on behalf of the profession to submit letters and testimonies to Congress opposing recent tax reform proposals. These proposals, if passed, would limit the ability of CPA firms, other professional service and pass-through entities to use the cash basis of accounting for tax purposes. The joint campaign resulted in a letter issued in August to senate leaders opposing the proposed limitations on the use of cash

basis accounting. The letter was signed by 46 senators, including Hawaii's own Senator Brian Schatz. A second, similar opposition letter was issued in September to congressional leadership signed by a bipartisan majority group of 233 house representatives, including Representative Tulsi Gabbard from Hawaii. This was a huge win for the profession and shows what we can do when we work together.

Here in Hawaii, our professional issues and activities have been on pause during the election season, but we will be getting started soon. Mandatory peer review is here and the HSCPA is working together with the Hawaii Board of Public Accountancy to establish an administrative plan to implement the program. Stay tuned for more information. Also, look for e-mail communications from the HSCPA on upcoming CPE and networking opportunities. We have a lot of great educational and fun events planned for the next several months, so please be sure your HSCPA member profile is up-to-date with your latest e-mail address and contact information. I hope you all have a great start to the fall and Happy Halloween. Share with us your pictures of your Halloween costume!





808.532.3330

JTCHawaii.com



JACK TYRRELL
& COMPANY

A Real Estate Brokerage Corporation



John "Jack" Tyrrell,
Realtor®, CRS, &
CPA (not in public practice)
Jack.Tyrrell@JTCHawaii.com
C: 808.306.6933
O: 808.532.3330



KOOLANI Penthouse 11

Offered at \$1,998,000

MLS#201407172

2 bd . 2.5 ba . 1,801 sf

KoolaniPenthouse11.com



JTCHawaii.com



WAIKIKI LANDMARK 35TH FLOOR PENTHOUSES

Offered at \$12,500,000

MLS#201337956

9 bd . 9.5 ba . 10,485 sf

Waikikilandmark35thfloorpenthouses.com

Securing Data In The Cloud

By Thomas G. Stephens, Jr., CPA, CITP, CGMA



Introduction

Many have written and reported about Cloud security – or the lack thereof – causing

numerous business professionals to express concerns about whether they can store potentially sensitive data in Cloudbased facilities over which they have little, if any, control. However, as you will learn in this article, by taking just a few simple measures and by exercising a bit of common sense, most professionals can likely reduce the risk associated with storing data in the Cloud to a reasonably acceptable level. In fact, in many cases, you may find that the risk associated with storing data in the Cloud is actually less than storing data locally – particularly so for smaller businesses.

Know Your Cloud Service Providers

Prior to contracting with a Cloud service provider or storing your data in the Cloud, perform your “due diligence” on the companies with whom you are entrusting your data. You should ensure that these organizations recognize and practice appropriate data management and security principles. One of the approaches you can take to confirm that a company exercises best practices relative to data management and security is to determine if the company has undergone an SSAE 16 audit and, if so, what type – SOC 1, SOC 2, or SOC 3. Additionally, you should determine whether the audit was performed at a specific point in time – a Type 1 report – or whether tests were conducted over a period of time (at least

six months) – a Type 2 report. Other industry certifications you potentially should inquire about include ISAE 3402, ISO 27001, and FISMA.

If your company is subject to specific industry regulations – HIPAA, for example – you must ensure that your Cloud service provider is aware of the regulations specific to your industry and is already capable of satisfying them. You should take all measures necessary to thoroughly vet your potential Cloud service providers and determine if any of their offerings are not compliant with the relevant regulations in your industry. For instance, continuing with the HIPAA example, only portions of Google’s Apps for Business are HIPAA-compliant.

Use Strong Authentication Measures

A strong first line of defense can go a long way to protecting data stored in the Cloud. Thus, you should use strong authentication measures whenever you login to your Cloud service providers. If your Cloud service provider offers it, you should use multifactor authentication. Multifactor authentication involves logging in to a service using “something you know, plus something you have.” For example, you might login to your Cloud service provider with a username and password combination – something you know– in combination with a code generated by a key fob – something you have.

If your Cloud service providers do not offer multifactor authentication, then ensure that you are using a “long and

strong” password to login and that you use a separate password for each Cloud service provider. According to the experts at The SANS Institute, your passwords should be at least fifteen characters in length and contain at least three of the following five types of characters: 1) lower case characters, 2) upper case characters, 3) numbers, 4) punctuation, and 5) special characters such as asterisks, ampersands, and percent symbols.

Insist On Data Encryption

You should store sensitive data only with Cloud service providers that encrypt the data while it is in transit between your computer and the Cloud based storage facility and while it is stored in the Cloud-based storage facility. Further, you should choose Cloud service providers that allow you to maintain control of the encryption key. With your data encrypted using a strong encryption algorithm, it is all but impossible for someone who hacks into your account at your Cloud service provider to decipher, and therefore view or use, your data. Further, because you maintain control of the encryption key, no rogue employees of your Cloud service provider can see your data.

Retrieve Your Data Periodically

Virtually all reputable Cloud service providers utilize redundant storage facilities, making it highly improbable for data to be permanently lost in the event of a system or hardware failure. Nonetheless, you should become thoroughly familiar with the procedure for recover-

ing your data from your Cloud provider, just in case a situation arises where you no longer want your data stored there. Further, periodically you should go through the process of retrieving a copy of your data from the Cloud provider. This helps to ensure that, should you ever need to do so, you would be able to retrieve your data in the event of some type of emergency. It also means that in addition to your data being stored in the Cloud, you also have an archive copy available to you locally in case of a catastrophic event affecting your Cloud service provider.

Educate Your Team

Perhaps above all else, educate your team about the absolute business requirement for securing sensitive data. First, your team should understand the risks associated with local data storage; for example, team members should recognize the dangers of copying data to unencrypted flash drives or external hard disks and the dangers associated with sending confidential information in unsecured email messages. Additionally, relative to Cloud security, you should ensure that your team recognizes the threats associated with the current Bring Your Own Device (BYOD) and Bring Your Own Cloud (BYOC) phenomena. In fact, you likely should implement policies that clearly spell out what each team member's responsibilities are in a BYOD scenario. Similar policies should be in place to prohibit team members from storing organizational data in their own personal Cloud-based storage facility. In the absence of such policies, sensitive

data can leak from your organization and you may no longer be able to control, secure, manage, backup, or recover this critical information.

Summary

Our data is one of our most important assets and because of this, we must exercise due professional care to ensure its continual availability to all who need access to it. If we choose to store data in the Cloud, the fact that we generally will not have direct control over the physical storage facilities presents a different set of challenges than if we store data locally. However, by dealing with reputable vendors, using

strong authentication measures, insisting on data encryption, retrieving data from the Cloud periodically, and educating our team members on the importance of data security, we can greatly increase the probability that our data will remain safe and secure, even though it is stored in a location over which we do not have direct physical control.

Tommy Stephens is a shareholder at K2 Enterprises, where he develops and presents continuing education courses to business professionals across North America. You may contact Tommy at tommy@k2e.com. You may also follow Tommy on Twitter where his handle is @TommyStephens.

After 65 years,
you get very good at
matching
skilled candidates to
accounting positions.

There's only one recruitment firm with the expertise of Robert Half Finance & Accounting. We've been matching skilled professionals with companies of all sizes and industries for 65 years.

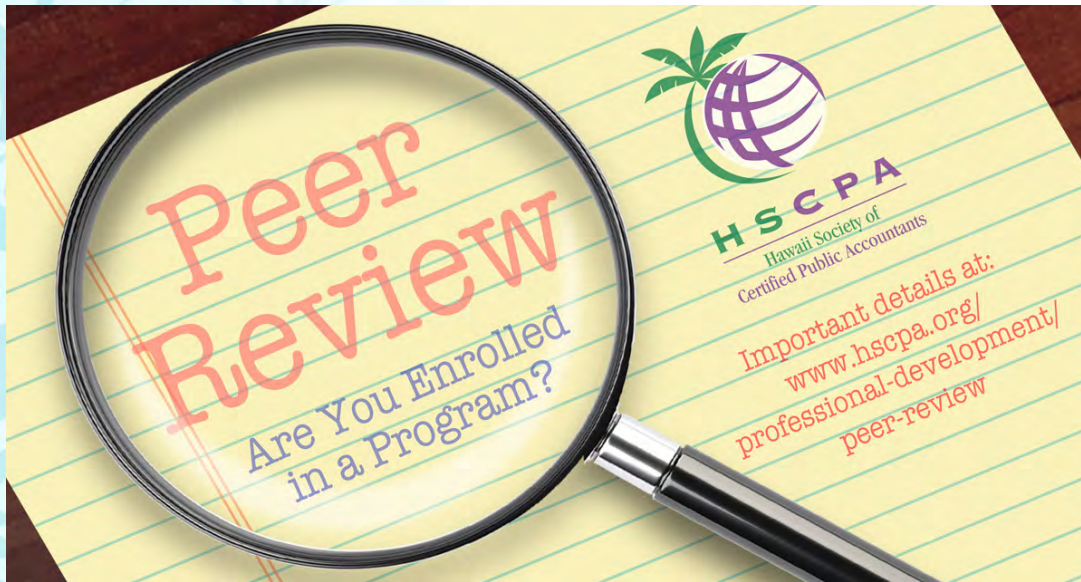
Honolulu • 808.531.8056
roberthalffinance.com

rh Robert Half®
Finance & Accounting

© 2014 Robert Half Finance & Accounting. An Equal Opportunity Employer M/F/D/V. 0407-2603

Peer Review Update

By Rodney Harano



Denver, Colorado, home of the Broncos, Rockies and Nuggets, hosted the 2014 AICPA Peer Review Program Confer-

ence. The Program celebrated its 25th anniversary. I remember “surviving” my first peer review in the early 90s and attending my first Peer Review Program conference in 1995. Back then, the AICPA administered the peer review program for Hawaii firms. Thus, Hawaii peer reviews were sent to the AICPA to be reviewed and accepted. Since 1995, Hawaii peer reviews have been reviewed and accepted by the Hawaii Peer Review Executive Committee. My, how we’ve come a long way.

In recent years, the Conference has had a theme. This year’s theme was “enhanced audit quality”. Incidentally, this is one of the AICPA’s major initiatives that was rolled out at the Conference.

Here are my take-aways from the Conference:

PREPARATION OF FINANCIAL STATEMENTS – PART I

According to the AICPA’s revised Code of Professional Conduct (Code), preparing clients’ financial statements will no longer be considered part of audit, review, or compilation engagements. Effective December 15, 2014, the revised Code will now treat this as a nonattest service. Current examples of nonattest services include preparing a tax return, processing a client’s payroll, and reconciling a client’s monthly bank statement. In fact, financial statement preparation is classified as a bookkeeping function in the revised Code. My understanding is that if firms provide this service, it should be clearly spelled out in the firms’ engagement letters. Please refer to ET§101-3 for details and further explanations.

INDEPENDENCE

Closely associated with financial statement preparation is the concept of independence. Under the revised Code, assisting your client in preparing its financial statements may not impair

one’s independence. HOWEVER, if you prepare the client’s financial statements, reconcile its bank statements, and prepare journal entries to adjust the client’s general ledger, your independence may be impaired due to the cumulative effect of all of the nonattest services provided. The key to maintaining one’s independence will be how you DOCUMENT that your independence is not impaired. Before performing any nonattest services, you should document in writing your understanding with the attest client.

Another factor to consider is the concept of “skill, knowledge and/or experience”. Before performing a nonattest service, the CPA should determine the client has agreed to oversee the nonattest service, by designating someone with the organization who possesses suitable to accept responsibility for the results of the nonattest service. Additional documentation may include the qualifications of client personnel overseeing your services and the involvement of firm personnel providing the nonattest services on the attest engagement. Failure to document your determination that independence is not

impaired would be considered a violation of the "Compliance with Standards Rule."

On June 16, 2014, AICPA's Professional Ethic Executive Committee (PEEC) issued a "Breach of an Independence Interpretation." This interpretation provides guidance to assist members in evaluating the impact of an independence breach and determining whether the firm should resign from the attest engagement or whether the breach could be satisfactorily cured. This exposed interpretation discusses both situations in which a breach may never be overcome and those when it may be overcome. The determination being dependent upon the significance of the breach and whether a reasonable and informed third party would likely conclude that integrity, objectivity, and professional skepticism would or would not be compromised. For the ones that are overcome; documentation is key.

PREPARATION OF FINANCIAL STATEMENTS – PART II

Earlier this year, the Accounting and Review Services Committee (ARSC) issued an exposure draft on preparing and compiling financial statements. ARSC voted to approve clarified and revised standards for review, compilations, and engagements to prepare financial statements. The standards are scheduled to be issued as SSARS No. 21 in the fourth quarter of 2014 and are effective for engagements on financial statements for periods ending on or after December 15, 2015. Early implementation will be permitted. Stay tuned for more information about SSARS 21.

MORE ABOUT THE HAWAII PEER REVIEW LAW

As previously mentioned in KALA, all firms renewing its Hawaii **firm** permit to practice (PTP) must enroll in a practice-monitoring program by January 1, 2015, and undergo a peer review by December 31, 2017. [For AICPA members, if you are enrolled in the AICPA Peer Review Program, there will be no changes other than reporting to the Hawaii Board.] Here are some of the nuances of the Hawaii peer review law:

- The mandatory peer review law became effective July 1, 2012. All firms performing Hawaii attest work as of December 31, 2014, shall enroll in a program of an approved sponsoring organization by December 31, 2015, notify the board of enrollment in that program, and have a peer review performed by December 31, 2017.
- All peer reviewers must be licensed in the State of Hawaii. Thus, if you use

a mainland firm to perform your firm's peer review, be sure they have a valid Hawaii permit to practice. If not, your peer review will be invalid.

- You will be required to submit your peer review report and acceptance letter to the Hawaii Board of Public Accountancy (BOPA) as evidence that you were peer reviewed.
- One of the firm's Hawaii engagements must be selected for the peer review. For all local Hawaii firms, this is not an issue because the reviewer will be reviewing Hawaii-based engagements. This provision affects national and international firms.

That's it for now. Please stay tuned to the next peer review article.

P.S. Thank you to Dustin Verity for his contribution to this article. Dustin currently serves on the PCPS Technical Issues Committee (TIC) of the AICPA. TIC reviews and comments on many accounting and auditing pronouncements.

Hawaii Practices For Sale

Kailua Kona CPA Practice for Sale - gross 236k. Quality client base, strong fee structure, and good cash flow to owner over 50% of gross. 85% income tax and 15% accounting services. For more information, please call 1-800-397-0249 or visit www.AccountingPracticeSales.com to see listing details and register for free email updates.

Thinking of Selling Your Practice?

Accounting Practice Sales is the leading marketer of accounting and tax practices in North America.

We have a large pool of buyers looking for practices now. We also have the experience to help you find the right fit for your firm and negotiate the best price and terms. To learn more about our risk-free and confidential services, call Ryan Pannell with The Holmes Group at 1-800-397-0249 or email ryan@accountingpracticesales.com.



Implementing an effective corporate ethics policy

By Tanya Barman and Samantha White

When asked about their values, the vast majority of companies can provide a document they would describe as a code of ethics or conduct. However, research suggests a possible disconnect between companies' stated intentions and the degree to which they truly value ethical behaviour.

Here are five steps that companies can take to ensure that their corporate ethics policy is effective and becomes embedded in the company culture. Also included are practical examples of the various ways organisations have accomplished this task.

1. Code of ethics

The essential elements of a code include assurances of support for the policies from organizational leadership, practical guidance on what is expected regarding ethical issues, commitments concerning stakeholder relationships, example Q&As, scenarios or decision trees, details of how the code will be implemented and monitored, and the consequences of misconduct. Signposts to further support, advice and other relevant policies should also be included.

2. Communication and awareness campaigns

This is a continuous process. Communication of a company's ethics policy never ends.

To engage employees and raise awareness of ethical decision-making, Cisco

Systems created "Ethics Idol", a cartoon parody of the reality television singing contest American Idol. In each episode, animated contestants sang about a particular ethical dilemma or situation, which was then commented on by a panel of Idol-esque judges. After

debate of understanding and practical application.

Discussion of scenarios can help employees explore ethical issues in training sessions. For example, Stryker, a medical device producer, reviewed events

that had taken place within its industry and built a set of fictionalised scenarios based on them. To provide context, Stryker created a hypothetical organisation with a back story, mission and an organisation chart. Employees were presented with a scenario based on this background and were asked to go through the company's code of ethics to identify which of the standards were being broken in

that case. After the discussion, it was revealed to participants that all of the scenarios had actually taken place in the sector in the past, helping to bring the training home.

4. Supporting context and culture

This involves having the "ethical architecture" in place to support a living, breathing code. That architecture includes outlining policies and regulations in employee contracts and supplier agreements, identifying individuals and boards who are accountable for outcomes, creating ongoing awareness-raising programmes, opening discussions with feedback and having oversight and monitoring procedures in place. Taking action against wrongdoing and com-



watching the show on the company's intranet, viewers were asked to vote on which of the judges had given the appropriate response to the situation. At the end of each section, the organisation's ethics officer revealed the correct answer based on official compliance standards.

Research shows that most companies' efforts tend to fail after step two.

3. Training and reinforcement

Most organisations now offer online anti-bribery training. On its own, this is not enough; companies shouldn't be comforted by a tick-the-box mentality. There is no substitute for face-to-face, qualitative training with wider discussion and

municating the action taken to staff is an important element of this.

More companies are including ethics-related criteria in performance reviews. For example, management accountants might be asked whether they challenged or raised and resolved an issue or an area of concern that could lead to fraud. For managers, does your team escalate issues and ask for clarification?

Siemens's strategy is to focus on bridging the communication gap between senior management and employees at the lower levels of the company. In the 2013 financial year, the company introduced "integrity dialogues" in which compliance refresher training is cascaded down through the company. Compliance officers provide training to the senior man-

agement of each business unit, who then train their own direct reports and so on. Individual operating units within the company enhance their training activities with additional topics that address challenges specific to them. In this ongoing part of the practice, leaders talk about integrity and explain how they themselves "walk the talk" in terms of how they do business. The dialogue is carried through to every sales meeting to bring about an open discussion on ethical issues and how they should be handled.

5. Monitoring and accountability

Effective speak-up arrangements, such as anonymous helplines, through which employees, contractors and other third

parties can raise concerns in confidence about unsafe, unethical or unlawful practices are an important element of good corporate governance. A key component of these arrangements is that staff feel comfortable that they can raise issues without fear of retribution. Some companies report the number and nature of queries raised internally to the board and executive committee and include the information in company newsletters. Some provide a breakdown of the reports by country and as a percentage of the workforce. Enlightened companies now communicate internally about disciplinary actions taken when wrongdoing occurs.

Some companies make this information public. Beverage company Diageo's annual sustainability report details the

Continued on page 12

Are Your Clients Confused About Their Health Care Options?

Let HMAA help!

- *Our experts will assist you & your clients in understanding health care reform and their insurance options.*
- *HMAA's Health Plans include cutting-edge health & wellness programs and value-added products & services.*

Contact us now for details!



Toll-Free: (800) 621-6998 • hmaa.com

Cindy Suzuki
791-7513
csuzuki@hmaa.com

Mary Ann Lorenzo
791-7663
mlorenzo@hmaa.com

25th
*Celebrating 25 years
of healthcare coverage for
Hawaii's businesses*
anniversary

number of suspected breaches of the company's code of ethics (743 in 2013), how many of these were later substantiated (376) and whether they were reported through the speak-up hotline (242) or raised directly with a line manager or the compliance department, for example. The report also states that 116 people exited the business in 2013 as a result of breaches of the company's code or policies.

Reporting in this way provides evidence that the company has procedures in place that are actually used and are effective in managing ethical misconduct. According to the report, Diageo routinely shares examples of breaches that have recently occurred or testimonials from colleagues who were tempted to do the wrong thing yet made the right decision.

The company also keeps track of employees' perceptions of integrity within the company through asking questions in a values survey.

The litmus test

The real litmus test of whether your ethics policy is working and embedded is if an employee feels comfortable enough to speak up if he or she has a concern and whether he or she believes the company will respond and, if need be, take appropriate action.

Once an ethics policy is securely embedded in your company, you also have to take into account the wider value chain. Today's complex and extended supply chain has significant implications for organisations' ethical, governance and risk-management policies and practices.

Therefore, it is advisable to conduct due diligence on new and existing suppliers alike, engaging them in ongoing discussions regarding your standards and contractual expectations.

For example, to engage a supplier base spanning 70 countries, UK-based retailer Marks & Spencer holds regular face-to-face meetings with partners as well as an annual conference. The company has a website where suppliers can access tools, guidance and incentives.

Helping to raise standards and awareness through the chain is beneficial for all. After all, good companies keep good company.

Copyright © 2011-2014 American Institute of CPAs.
Copyright © 2011-2014 Chartered Institute of Management Accountants. All rights reserved.



Do you have broad professional liability insurance coverage?

You do if you are insured with the **AICPA Professional Liability Insurance Program**.

When it comes to something as important as your CPA firm, do you want to insure it with a professional liability insurance policy created for all types of professionals?

Doesn't it make sense to cover your firm with a professional liability insurance program created with the support of the AICPA specifically for CPAs?

Get the benefits of a national provider with the personal service you deserve:

- Policy form designed to cover the unique exposures of CPA firms
- All size firms and areas of practice are eligible
- Premium credits designed to reflect the way CPAs do business
- Quality coverage at a price that fits your budget

Please contact **Alan Taguchi** at **Finance Insurance, LTD** at **808.522.5580** or visit **www.cpai.com/premierad** today!

More than 25,000 CPA firms depend on the AICPA Professional Liability Insurance Program.

Endorsed by:



Underwritten by:



Administered by:



Aon Insurance Services is the brand name for the brokerage and program administration operations of Affinity Insurance Services, Inc. (AR 244489); in CA and MN, AIS Affinity Insurance Agency, Inc. (CA 0795465); in OK, AIS Affinity Insurance Services Inc.; in CA, Aon Affinity Insurance Services, Inc. (0694493), Aon Direct Insurance Administrator and Berkely Insurance Agency; and in NY, AIS Affinity Insurance Agency.

One or more of the CNA companies provide the products and/or services described. The information is intended to present a general overview for illustrative purposes only. It is not intended to constitute a binding contract. Please remember that only the relevant insurance policy can provide the actual terms, coverages, amounts, conditions and exclusions for an insured. All products and services may not be available in all states and may be subject to change without notice. The statements, analyses and opinions expressed in this publication are those of the respective authors and may not necessarily reflect those of any third parties including the CNA companies. CNA is a registered trademark of CNA Financial Corporation. Copyright © 2014 CNA. All rights reserved.

E-10373-1014 HI



Here's a checklist of reflective questions for finance professionals relating to the management of ethics. It can be found in the Essential Tools for Management Accountants.

The questions serve as a foundation for reflection. CGMA designation holders must consider and comply with their employer's policies as well as ensure they uphold the code of conduct of the membership organisation to which they belong. A CGMA designation holder who is a member of the American Institute of CPAs (AICPA) must comply with requirements set out in the AICPA Code of Professional Conduct as well as any rules his or her state board of accountancy may have on the matter, and Chartered Institute of Management Accountants (CIMA) members are required to uphold the CIMA Code of Ethics. Also see tinyurl.com/79u5qxp.

1. Does your organisation have an ethical statement/code of conduct/code of ethics? If yes, does it reflect your professional obligations?
2. Does your organisation currently communicate its ethical business practices and commitment to responsible business? If yes, how?
3. Are your statements for responsible business monitored and verified? If yes, how and by whom?
4. Does your organisation include a session on ethics and responsible business in its induction programme for all staff?
5. Is this featured in ongoing training?
6. Are you aware of what categories of ethical information are gathered in your organisation? If yes, are there any omissions?
7. Do you know who in your management team uses ethical data? Who else might benefit from using ethical data, and how do you work together?
8. Does your board/chief executive/CFO take responsibility for ethical performance? If no, what role should they take?
9. Are staff rewarded/disciplined in relation to ethical performance?
10. Is someone in the organisation responsible for gathering or analysing ethical performance information?
11. Does ethical data gathered within your organization help inform business decisions and business success?
12. Does your organisation have an anti-bribery policy? If yes, is your anti-bribery policy promoted/enforced? How?
13. Does your organisation have a whistle-blower/speak-up line? If yes, how is it communicated, and how are reports acted upon?
14. Does your organisation have an open-door policy between management and other employees to promote openness and transparency?
15. Do you feel confident that you and your team can maintain objectivity and integrity as well as avoid conflicts of interest? What steps can you take to ensure you do?
16. Would you know what steps to take if you were asked to do something that challenges your ethical standards?
17. Have you undertaken professional development to improve your skills in gathering, understanding and using non-financial information to benefit your organisation? If yes, what other professional development in regard to ethical performance would you benefit from?



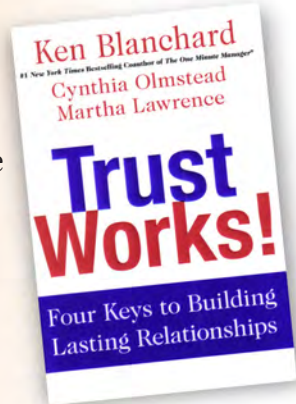
Norman's Book Review

"Trust Works!"

by Ken Blanchard, Cynthia Olmstead, and Martha Lawrence

Trust. What is trust?

Why do you trust some people more than others? Why being trustworthy can be the difference between success and failure. How do you earn someone's trust? Why trust means different things to different people based on their experiences.



The authors realized through their consulting work and research that trust was the key factor as to why some companies could implement changes quickly while others faltered and even failed. They noticed certain behaviors were present when people trusted each other. In their book, they brilliantly covered all you need to know about trust through a parable, their ABCD Trust Model, their trust self-assessment survey, and finally a summary of Trust Busters and Trust Boosters. The following are items from the book I thought would interest you. If you and/or your company are having trust issues or difficulties implementing changes, I would highly recommend reading this book. Alternatively, you can be like many companies and hire the authors to help you work through trust issues.

Why High-Trust Cultures Are Important

The ability to build trust is the defining competency for leaders in the 21st century. Smart organizations are taking proactive steps to build high-trust cultures because it helps improve the bottom line. Why? With trust, creativity flourishes, productivity rises, barriers are overcome, and relationships deepen. Without it, people bail on relationships and leave organizations, cynicism reigns, progress grinds to a halt, and self-interest trumps the common good.

Leaders Can't Afford To Lose Trust

Building trust is important in all relationships, but it's particularly important if you hold a position of authority. If you're a leader, you can afford many kinds of mistakes, but the one thing you can't afford is to lose trust. By being trustworthy, you not only set a healthy example, but you will also inspire enthusiasm and success in those who follow you.

ABCD Trust Model

Working on the premise that trust is based on behaviors, the authors realized through their extensive six years of research that behaviors related to trust fell into four main groups: **Able** (demonstrate competence), **Believable** (act with integrity), **Connected** (care about others), and **Dependable** (maintain credibility)...thus the ABCD Trust Model!

- When you demonstrate competence and skills, you are **ABLE**, which builds trust.
- When you act with integrity, you are **BELIEVABLE**, which builds trust.
- When you care about others, you are **CONNECTED**, which builds trust.
- When you maintain reliability, you are **DEPENDABLE**, which builds trust.

Trust Busters and Trust Boosters

When you understand how your behaviors affect others, it's much easier to gain respect, earn trust, and accomplish mutual goals. Remember people usually won't come right out and tell you they don't trust you. Often the only indication you might have will be revealed by how a person acts around you. The authors noted for each trust behavior group, there are seven Trust Busters, behaviors that undermine, damage, or destroy trust, and seven Trust Boosters, behaviors that encourage, build, and sustain trust. Listed below are the seven Trust Boosters for each trust group.

The ABCD Trust Model™

Able <i>Demonstrate Competence</i>	Believable <i>Act with Integrity</i>
<ul style="list-style-type: none"> • Get quality results • Resolve problems • Develop skills • Be good at what you do • Get experience • Use skills to assist others • Be the best at what you do 	<ul style="list-style-type: none"> • Keep confidences • Admit when you're wrong • Be honest • Don't talk behind backs • Be sincere • Be nonjudgmental • Show respect
Connected <i>Care about Others</i>	Dependable <i>Maintain Reliability</i>
<ul style="list-style-type: none"> • Listen well • Praise others • Show interest in others • Share about yourself • Work well with others • Show empathy for others • Ask for input 	<ul style="list-style-type: none"> • Do what you say you'll do • Be timely • Be responsive • Be organized • Be accountable • Follow up • Be consistent

Trust Busters and Trust Boosters – Detailed Discussion

The book goes into detail on all the Trust Busters and Trust Boosters. The following is a summary of one of them for each trust behavior group.

ABLE

- **Trust Buster – Failing To Assist Others**
You might be the most talented, experienced, skilled woman in the world, or the smartest guy in the room, but unless you share your gifts with others, you're not going to win people's trust. Prima donnas might get a lot of attention, but they don't win hearts and minds – let alone trust.
- **Trust Buster Solution – Use Your Skills To Assist Others**
Be generous with your knowledge and skills. When you extend your gifts to others, you let them know that you care – and that builds trust.

BELIEVABLE

- **Trust Buster – Lying**
Less than forthright communication is one of the fastest ways to erode trust. Avoid it at all costs.
- **Trust Booster – Be Honest**
Across time and cultures, telling the truth has been a hallmark of trustworthy behavior. Expressions like “keep

your word” or “you're only as good as your word” reveal that telling the truth is an essential component of integrity and key to building trust.

CONNECTED

- **Trust Buster – Failing To Ask For Input**
Whether it's because you think you have all the answers or because you're afraid to solicit ideas, failing to ask for input leaves you isolated from others. Not a great way to connect and build trust.
- **Trust Booster – Ask For Input**
No one of us is as smart as all of us. When you open up and solicit others' good ideas, you not only build trust, you also get smarter. The broader your base, the more connected you'll be.

DEPENDABLE

- **Trust Buster – Not Following Up**
Failing to follow through is often what comes to mind when people hear the word “untrustworthy.” People can't trust you if they can't count on you to follow up. If you avoid all the other Trust Busters and yet fail to honor your obligations, people are still not going to trust you.
- **Trust Booster – Follow up**
When you set a goal or make an agreement, follow up. As Woody Allen famously said, “Eighty percent of success is simply showing up.” When you follow up, you complete the other 20% - and people trust you as dependable.

Summary

As the authors noted in their book, they wrote the book to raise our awareness about the trust issues in our life, as well as give us the language and tools to resolve them. They also hoped we would use what we learned to build productive, joyful relationships – and share what we learn with others, so they can do the same. Reading the book will definitely help you be a better person and leader, and for many of you it will reaffirm how you earn the trust of others.

“Building Trust Takes Time.”

CPA FIRM MICROCOMPUTER TECHNOLOGY

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



Mainstream support for Microsoft Windows 7 ends on January 13, 2015. Extended support will continue through January

14, 2020. Extended support includes security updates but does not include non-security hotfix support. While it is reasonable to continue to use Windows 7 after January 2015, organizations should start planning for the upgrade of its microcomputers' operating systems over the next several years. It is a reasonable strategy to skip upgrades to Windows 8/8.1 and to upgrade to Windows 9 when it becomes available.

The second alternative is more expensive but it means being able to restore operations in a shorter amount of time. The right alternative depends on the particular circumstances of the company. An issue to be aware of regarding backups is databases that are open all of the time. These databases require attention

cuss your backup system strategies with your IT staff/consultants. An in depth discussion on how your system works and of potential issues and to determine what kind of tests of the backup system have been done is very important.

In the current security risk environment you want to make sure you have multi-layered protection for email, Internet access, and your network system which may include an outside screening service for email, a firewall with internet access screening, antivirus and malware protection at both server and workstation levels, strong restrictions to remote access to your network, strong pass-



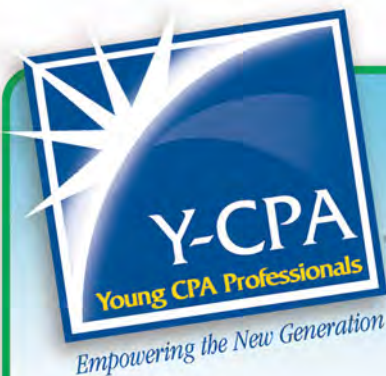
In the current security risk environment it is very important that your backup systems and procedures be tested to make sure they work and that they include all critical data. There are two common types of backup strategies: One backs up critical data and entails reloading the operating system after a failure and then restoring the critical data including reinstalling software running on the server; the other is to take snap shots of the server and to restore the entire server with operating system and software.

to make sure that the backup system is able to back them up in a way that makes them usable upon restoration. This requires coordination between the backup system and the particular software that uses this type of database.

Another issue to be aware of is that backups that are on hard drives that are connected to your network are vulnerable to ransomware which encrypts files so that they are no longer accessible. I recommend you take some time to dis-

words everywhere, and finally and most importantly training for employees on email and internet access best practices. At home, I recommend strong passwords on all internet accounts and home firewall/routers, and regular monitoring of bank accounts and credit card activity for timely discovery of anything unusual.

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



Y-CPA BUZZ!



Y-CPA Squad 2014-2015

By Trisha Nomura



Mission: Provide opportunities for young CPA professionals to become involved in the profession; give back to the community and connect with the sustaining value of being a CPA.

Each year, the Squad meets to outline our goals for the upcoming year. We made tremendous progress in the 2013-2014 period, and had a lot of help from the Y-CPA committee. This year, with new Squad member Jill Hatakenaka on board and again with this year's Y-CPA committee members, we are excited to begin our efforts towards accomplishing our goals for the year. We have established three main goals for 2014-2015, each aligned to a component of the Squad's mission statement above.

- **Heighten awareness about CPA mobility amongst Y-CPAs** (become involved in the profession)
As we make mobility a top priority for the HSCPA this year, the Squad is committed to increasing awareness about the issue amongst the Y-CPAs. We will be educating fellow members through our events and also speaking to students about the topic as we interact with them throughout the year. Each of our voices (and vote!) is important, and collectively we can make a huge difference.
- **Increase our presence in the community** (give back to the community)
One of the biggest highlights of each year is thinking back on ways that we were able to serve the community. It is a component of our mission statement that is very important to each of our Squad members and every year we have tried to increase our efforts in this area. Our annual beach clean-up is scheduled for Saturday, November 1st and we will also be participating in the VITA project once again. It is our hope that we will be able to plan two additional community service projects to be completed by the end of the year.

- **Present the accounting profession to high schools across Oahu**

(connect with the sustaining value of being a CPA)
Utilizing the AICPA's presentation designed specifically for high school students, we will be visiting high schools across the island to present the accounting profession to students. We look forward to speaking with students about what it means to be a CPA, discussing what a career in the accounting profession is like, answering their questions and hopefully planting a seed in their minds that accounting provides many promising career opportunities. We are looking to specifically visit schools where an accounting, business or finance course is being offered, so if you have any contacts at the high schools, please send an e-mail to us through info@hscpa.org.

The Squad will continue to plan social events, where we will often have a guest speaker, to give our Y-CPA members the chance to come together to network and discuss current issues. We will also continue our involvement with students at our local universities to provide presentations, participate in events and speak with them about the value of becoming a CPA.

If you are interested in joining the Y-CPA committee, we welcome new members! Just use your member login at www.hscpa.org and sign up. In the event that you are not receiving e-mails as a Y-CPA member, it may be that we do not have your birthdate on file. Please update your profile online so that we can include you in future communications. The Squad is looking forward to a great year and appreciates all of the support we receive from the HSCPA!



CPE in October 2014

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
			1 Small Business Internal Controls, Security, and Fraud Prevention and Detection	2	3	4
5	6	7	8	9	10	11
12	13 	14	15	16 Federal Tax Camp	17 Estate and Life Planning Issues for the Middle- Income Client	18
19	20	21 Disclosure – The Key to Financial Statements	22 Not-for-Profit Industry Update and Major Accounting & Disclosure Issues	23 OCBOA: Preparing and Reporting on Cash, Modified Cash, and Tax Basis Financial Statements	24 Occupational Fraud: How to Prevent Executives, Managers and Employees from Stealing and Not Getting Caught	25
26	27	28	29 Lunch seminar: Are You Engaged in A&A for NPOs? Pitfalls to Avoid on Your Next Peer Review	30 Recognizing and Responding to Fraud Risk in Governmental and Non-Profit Organizations	31 Studies on Single Audit and Yellow Book Deficiencies	

For a complete listing of CPE and other events: www.hscpa.org/professional-development



Featured OCTOBER CPE



Estate and Life Planning Issues for the Middle-Income Client • Friday October 17

Looking for ways to grow your practice and provide additional services to your middle-income clients? Although your clients may think that estate planning only applies to the very rich, in truth, there are many issues of critical concern for which your middle-income client needs to plan. You'll learn how to help your clients plan for critical issues, such as: what provisions should be in a will, management of umbrella, disability and life insurance policies, elder care planning, when a trust is needed for children, titling of assets, minimizing state inheritance and death taxes, and much more. You'll walk away from this seminar with knowledge of more than 20 documents that should be reviewed with your clients that are neither a will nor trust. Plus learn how the Supreme Court DOMA decision affects income tax rates, estate planning, Social Security, withholding, and other issues. **More >**

OCBOA: Preparing and Reporting on Cash, Modified Cash, and Tax Basis Financial Statements • Friday October 23

With recent focus on reducing the burden for small- and medium-sized entities in complying with the complexities of U.S. GAAP, this is an opportune time to strengthen your understanding of special purpose frameworks (formerly known as OCBOA). Join us for a comprehensive review and hands-on experience in preparing and reporting on special purpose framework (SPF) financial statements. You will learn the unique measurement and disclosure requirements of various SPF options using highly illustrative examples. We'll guide you through SPF engagements from acceptance and planning to reporting, highlighting common practice issues. You will also be introduced to the AICPA's new SPF, "Financial Reporting Framework for Small- and Medium Entities." Register now for this hands-on training! **More >**

Occupational Fraud: How to Prevent Executives, Managers and Employees from Stealing and Not Getting Caught • Saturday October 24

Take a proactive approach in preventing fraud for your clients or company! Learn the classic and emerging controls that are effective in reducing the risk of fraud in a variety of transaction processing systems. They could be manual, a hybrid manual/IT, or even entirely electronic (such as those proposed for some cloud computing applications). Plus, learn about a new model to help managers, accountants, and auditors to prevent and detect fraud. Attend this course and you'll be ready to implement these cost-effective controls to combat fraud. Register online or download registration form at: www.hscpa.org/writable/files/cpe_registration_form.pdf **More >**

Recognizing and Responding to Fraud Risk in Governmental and Non-Profit Organizations • Friday October 30

Designed to give auditors and accounting and finance professionals an understanding of where in the government and not-for-profit environments, fraud typically occurs, and how to recognize and respond to these risks. With this knowledge, management of governmental or not-for-profit organizations is in a better position to develop fraud programs and controls that will be effective in responding to fraud risks. Likewise, such understanding improves the likelihood the auditor of governmental and not-for-profit organizations will identify and properly respond to the risk of material misstatement due to fraud. The purpose of this course is to address how management of governmental and not-for-profit organizations and their auditors can recognize and respond to fraud risks that are unique to these organizations. **More >**

Studies on Single Audit and Yellow Book Deficiencies • Saturday October 31

This highly interactive course will keep you engaged throughout the day as we explore the most common Yellow Book and Single Audit deficiencies noted by peer reviewers. We will present 15 different topics, explore a real-life scenario with each and discuss potential solutions to the deficiencies. Topics include engagement letters, Yellow Book CPE requirements, independence, program-specific audits, major program determination, allowable costs, fraud risk, audit sampling, management representation letters and much more! **More >**

Register online or download registration form at: www.hscpa.org/writable/files/cpe_registration_form.pdf

MOVE ON PURPOSE: The Effects of Stress Hormones

By Dr. Linda Talley



For some, work creates stress, while others appear to thrive on stress. The effectiveness of stress is a bell shaped curve.

Too little does nothing to get us up and moving towards goal achievement and too little leaves us unable to move in any direction, except perhaps to bed.

Certainly a thoughtful mood with a little anxiety is good for a leader attempting to consider a risky move that will impact the organization as well as staff. If the leader is too optimistic, has s/he really considered all the options/alternatives and even dangers of this tactic?

Consider this situation: If a leader's organization has been impacted by a sexual harassment lawsuit, this is certainly a basis for increased stress hormones. However, the level of stress may be just what is needed to create change or a solution in order to eliminate the harassment and move forward with a healthy work environment.

Mild stress is good; it allows us to focus our attention and energy. Prolonged stress can minimize our effectiveness in our work and in our personal lives—particularly when it comes to relationships.

If you have ever been hammered by your boss and your stress level increased, what happened? Did you sleep well that night? Could you forget the conversation with the boss and move on? Perhaps, or more likely, not. Your mind and your body are both preoccupied with the difficult encounter and the resulting stress. In fact, it is the dumping of cortisol into your system that keeps you stressed out.

What's a person to do if overloaded with stress hormones?

1. Laugh! Yes, laugh! Find something to laugh about. If you are at work, find someone with a good joke. I keep two emails from my sister and cousin. Whenever I need a laugh or just a smile, I open these and reread them. I know they will do the trick for me. If you don't have any emails like this, start collecting them or email me and I will forward these two onto you for you to smile a little!

2. Change your thoughts. You are focused on all the bad stuff that happened. Start seeing the silver lining. If you tell me there is no silver lining, I will say: look again! At work or at home, smile! When you smile, whether a genuine or disingenuous smile, you engage your facial muscles. It's called facial feedback hypothesis which states that firing your facial muscles during a smile links you to the actual experience. Smile and you will feel happier! Once you feel happier, you will think happier thoughts!

3. Hang out with positive people and ask them to help you stay positive. At work, be certain you make this request of people you trust and feel comfortable making this request. You need a safe environment to do this in.

When you change your thoughts, your words, and your actions, your stress hormones will disappear. You have the choice: to be a leader in a situation that causes you stress or to succumb to the stress. Leaders don't succumb. They see the change that is necessary and make it!

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.

What matters most?



When it comes to your information management program, what matters most to you? We think you will agree, it's access: secure and compliant, yet fast and convenient for you. Access serves premier accounting firms throughout Hawaii.

The right choice for you? It's Access. Call us today to arrange your FREE consultation and quote.

New hardcopy records storage accounts will receive three months of FREE storage. New destruction accounts will receive a 20% discount on purges.

Access
Information Protected.

InformationProtected.com
808.673.3200



Access to, storage, management and destruction of both paper and digitally based information. Nationwide.





2014 TAX BOOK ORDER FORM

ALL SALES FINAL



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

Provides helpful and practical guidance on today's federal tax law. This 97th Edition reflects all pertinent federal taxation changes that affect 2013 returns and provides fast and reliable answers to tax questions.



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.

2014 TAX BOOK ORDER FORM

**LIMITED
SUPPLY**

**ALL
SALES
FINAL**

Quantity	Member Price	Non-Member Price	Total
_____ 2014 CCH U.S. Master Tax Guide	\$ 60.00	\$ 70.00	_____
_____ 2014 RIA Federal Tax Handbook	\$ 40.00	\$ 50.00	_____
_____ 2014 Taxes of Hawaii	\$ 26.00	\$ 35.00	_____
Mailing: Postage & Handling*			
_____ \$6.00 for 1st book	1 - \$6.00	1 - \$8.00	_____
_____ \$3.00/book for 2nd book & thereafter	2nd + - \$3.00	2nd + - \$3.00	_____
*Mainland/International - call for pricing			
TOTAL AMOUNT DUE			_____

☐ No mailing necessary – will pick up at the HSCPA office on _____ (*call before pick-up*)

☐ Check # _____ \$ _____ ☐ VISA ☐ MasterCard Card No. _____ Exp. date _____

Signature _____ Print name on card _____

Name _____ Firm _____

Address _____ Tel _____ E-mail _____

Please remit completed form with payment to:

HSCPA • P.O. Box 1754 • Honolulu, Hawaii 96806 • T - (808) 537-9475 • F - (808) 537-3520 • E-mail: info@hscpa.org