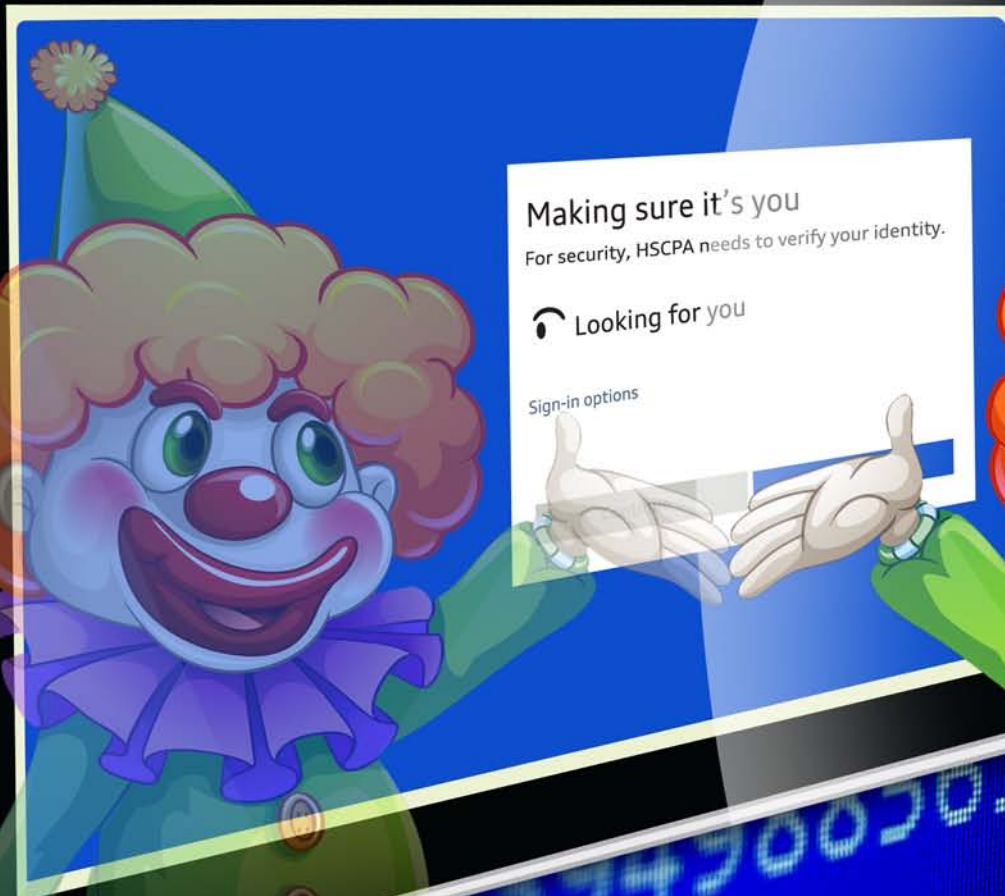


APRIL 2015

KĀLA

The Official Publication of the Hawaii Society of Certified Public Accountants



Password Security!



America Counts on CPAs



Great products and a great banker.

Palama Holdings has both.

Palama Holdings operates May's Hawaii – offering its famous kalua pork, kalbi ribs and more at grocery stores throughout Hawaii – and H&W Foodservice, a distributor primarily serving Oahu restaurants. And they consider their business banker part of the team, providing them a menu of competitive financing options that keep them on top of their game.

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

(From left to right) 1. Annalisa Vito, Accounting Supervisor 2. Michael Luning, Outside Sales - Food Service
3. Felicidad Asato, Order Desk Supervisor - Retail 4. Ernest McKeague, Warehouse Day - Receiving 5. Evangeline Dela Cruz, Production Supervisor
6. Judy McDonald, President 7. Kyle Shelly, their Banker

Member FDIC

asbhawaii.com



AMERICAN
Savings Bank



The Official Publication of the Hawaii
Society of Certified Public Accountants

APRIL 2015

In This Issue

President's Message	4
<i>By Gordon Tom</i>	
Hawaii Accountancy Law Mandates Peer Review for Firm Licensure.....	5
Managing Passwords	6
<i>By Will Fleenor</i>	
Process Improvement: Are you a team player?.....	8
<i>By Scott Morrill</i>	
Surviving an IRS Reasonable Compensation Challenge	10
<i>By Paul S. Hamann & Jack Salewski</i>	
MOVE ON PURPOSE: The Barnum Effect—Beware!	12
<i>By Dr. Linda Talley</i>	
AVOID A RICO* INVESTIGATION	14
Norman's Book Review.....	16
CPA Firm Microcomputer Technology..	18
<i>By Ron Gouveia</i>	
Y-CPA Buzz.....	19
Book Orders.....	20

Officers

President	Gordon M. Tom
President-Elect	Norman N. Okimoto
Vice President	Robert Hatanaka
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

Directors • 2013 – 2015

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

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 • 2014 – 2016

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



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

By Gordon Tom



Aloha members!

Can you believe it's April already? I hope you all had a successful and productive busy season and looking forward to the summer and fall. Spring is generally thought of as a time of renewal and refreshment, which is especially appropriate for CPAs after a long busy season.

One area to think about during your spring cleaning after busy season is data protection and cyber-security, both personally and professionally.

As you may have seen in the news recently, two large, mainland insurance companies were recently the victims of cybercrime, and a very popular tax preparation software company halted e-filing for a short period in February amid concerns over fraudulent return filing and identity theft. It seems like almost every day we hear about a new "hack" that occurred where millions of user or customer's personal or financial data was stolen.

Fortunately, technology also provides solutions to protect your personal data, such as password managers, encryption tools for data drives and multi-factor authentication devices. Using these tools can help mitigate or reduce the risk of

your personal data or devices falling into the wrong hands. I use all three of these to secure my personal information and all are low- or zero cost and very easy to use. Check out Ron Gouveia's CPA Firm Microcomputer Technology columns in current and past *KALA* issues (available on the HSCPA website) for suggestions or you can also contact me for more information.



I recently read a report, *COSO in the Cyber Age*, published by COSO and written by Mary Galligan and Kelly Rau

of Deloitte that applies the concepts and principles in the 2013 COSO Framework to address risks of cybercrime. The authors provide some great ideas and techniques for organizations to identify cyber risks, implement appropriate control activities and communicate those risks and controls with users and governance groups. You can access the full, 20-page report on the COSO website at <http://goo.gl/IqEQxO>. Also check out the October 2014 *KALA* which featured an article on cloud security for more tips and techniques to secure your organization's valuable data. As CPAs and professionals, we are all targets because of the valuable personal and financial data we possess. Please take action as part of your spring cleaning to secure yourself and your organization's data.

Your officers and directors have been busy with our legislative initiatives in 2015. We made some progress this year in getting legislation on mobility for Hawaii passed through the Senate, however, halted in the House. Thank you to all the members who submitted testimony and for sharing your opinions with us. We still have a lot of work to do and hope to collaboratively work on this. There are other legislative matters besides mobility that we are monitoring or supporting on behalf of our members. We are supporting legislation, along with several other Hawaii organizations, which would create a task force whose objective is to add financial literacy education to the Hawaii public school curriculum. We have also submitted opposition testimony and monitoring the progress of legislation that would create a conclusive presumption that a taxpayer is liable for any amounts passed on and separately stated as tax on a receipt, contract, invoice or bill to the customer. Stay tuned for more information. If you are interested in participating in our legislative initiatives or committees, please contact the HSCPA office and volunteer for one of our committees on your renewal application.

Don't forget to register for our Annual Conference on June 19, 2015 at the Hawaii Prince Hotel Waikiki. Early registration closes June 5th, but don't wait! The Annual Conference has been sold out early in renewal years. We have a great program planned for you, so I hope to see you all there.

Do you have a Hawaii FIRM Permit to Practice?

If so, this applies to you!

Hawaii Accountancy Law Mandates Peer Review for Firm Licensure

If you have a Hawaii FIRM permit to practice, you **MUST** be enrolled in a peer review program. Even if you're a sole practitioner or individual with a firm permit to practice, this applies to you.

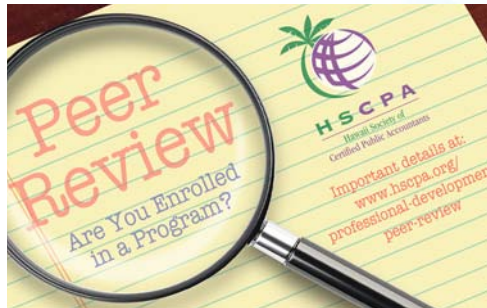
By December 31, 2015, all Hawaii firms must be enrolled in a Hawaii board-approved peer review program – and notify the Hawaii Board of Public Accountancy of that enrollment. To enroll in a program, visit: <https://www.hscpa.org/professional-development/peer-review>

In 2012 the Hawaii Legislature passed mandatory peer review law stating that the Hawaii Board of Public Accountancy shall “*adopt the Standards for Performing and Reporting on Peer Reviews and any applicable ethical requirements adopted by the American Institute of Certified Public Accountants and the public company accounting oversight board firm inspection standards for public company audit firms required under the Sarbanes-Oxley Act of 2002, as amended, as its minimum standards for peer reviews.*”

Hawaii mandatory peer review law requires that:

1. Every firm, including the Hawaii offices and Hawaii engagements of foreign or multistate firms, that is required to obtain a firm permit to practice pursuant to section 466-7 shall undergo a peer review every three years. The firm's Hawaii offices, if any, and Hawaii attest engagements shall be included in the scope of the peer review performed in accordance with the American Institute of Certified

Public Accountants *Standards for Performing and Reporting on Peer Reviews*.



2. All firms subject to this part and performing Hawaii attest work as of **December 31, 2014**, shall enroll in the applicable 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**.
3. Any firm that begins performing Hawaii attest work after December 31, 2014, shall:
 - Notify the board within thirty days of the beginning of the performance of attest work;
 - Enroll in the applicable programs of an approved sponsoring organization within one year from its initial licensing date or the performance of Hawaii attest work that requires a peer review;
 - Provide the board with enrollment information within one year of the date the Hawaii attest work was first performed;
4. A firm that does not perform Hawaii attest work shall be exempt from the peer review process.

- Have a peer review performed within eighteen months of the date the Hawaii attest work was first performed;

- Adopt the peer review due date assigned by the sponsoring organization and notify the board of the peer review due date within thirty days of its assignment; and

- Schedule and begin an additional review within three years of the previous review's due date, or earlier if required by the sponsoring organization or the board; provided that the firm shall be responsible for anticipating its needs for peer review services in sufficient time to enable the reviewer to complete the review by the assigned review due date.

So, if your firm is engaged in an accounting and auditing practice, you must enroll in an approved peer review program by December 31, 2015 – and notify the Hawaii Board of Public Accountancy of that enrollment. Then by December 31, 2017, your firm must have completed a peer review.

For additional information, please go to the HSCPA website: <https://www.hscpa.org/professional-development/peer-review>

Managing Passwords

By Will Fleenor, CPA, Ph.D.



Understanding the Problem

76% of reported breaches are from weak credentials according to a Verizon 2013 Data Breach Investigations Report that analyzed more than 47,000 security incidents. Weak passwords account for 48% of the breaches. It is clear from this report and other similar reports that mismanagement of authentication credentials is the primary culprit when it comes to data breaches.

Substantial evidence exists proving that weak passwords and poor password management practices are the rule rather than the exception. A well-known hacker group called Anonymous made public passwords and usernames for 44,000 subscribers of a company known as Strafor (Strategic Forecasting, Inc.). Subscribers are mostly international business travelers and government officials (ex. Henry Kissinger, Dan Quayle, the Defense Department, Lockheed Martin, and Bank of America). One might think that these business and government officials would use better passwords than most users – not true. 74% percent of the revealed passwords were weak and 10% were less than 5 characters long.

The use of weak passwords and poor password management practices is not from lack of good guidance. Microsoft, SANS (largest source for information security training and security certification in the world), the Privacy Rights Clearinghouse, and many others provide guidance on what good passwords should look like. According to these authoritative

sources, passwords used to access sensitive information should:

- Contain both upper and lower case characters
- Have digits, letters, and punctuation characters
- Be at least fifteen alphanumeric characters long
- Not be a word in any language, slang, jargon, etc.
- Not be based on personal information, names, etc.
- Never be written down
- Changed regularly
- Never be recycled or used for multiple assets

Figure 1 – Password Guidelines

For most users, the first question that comes to mind is “**Who could possibly follow these rules?**” The answer is, probably nobody without the help of password management software. People just cannot remember strong passwords.

Fortunately, we have many good choices when it comes to using software and services to generate and manage high quality passwords. Even better, adopting a password management tool will not only make your data more secure, it will also save you lots of time.

How Password Management Software Works

Most password managers are easy to use, inexpensive, and require very little user training. Typically, they accumulate your passwords as you type them in during your regular login processes. Then when

you go to log in again, they fill in the password and username automatically without you having to type anything.

Most password managers integrate with your Web browser. You log into a Web site or software application by selecting the site from a drop down menu located on your Web browser toolbar. To prevent others who might have access to your computer (with or without your permission) from accessing your passwords, the password database files are heavily encrypted. A “master password” is required to unlock this database. If your computer is left unattended (or it is lost or stolen), the database locks automatically after a set period of time or when the computer is powered off.

Password managers will also fill in forms that require name, address, billing information, and even credit card information. You can accomplish all this securely without using the keyboard (which is susceptible to key logging programs) and without putting anything on the clipboard (another prime target for malware programs trying to capture your credentials).

Password managers allow users to generate passwords that follow best practices such as using long randomly generated passwords for highly sensitive assets. Password generators are part of all the better products. Since password managers enter usernames and passwords automatically, it is just as easy to use a 16 character long random password for your bank login as it is to use a weak password.



Figure 2 – RoboForm Password Generator

With most password managers, you have the option of backing up your passwords in the Cloud as a heavily encrypted file. With some products, you have the option of choosing where to back up the password database. You and you alone have the key to unencrypt this file. If someone hacks the backup site, your passwords are still safe because only you have the key to unencrypt the file. If your local machine hard drive fails and this is where the password database file is stored, your passwords are not lost. Even better, the software automatically synchronizes your password database between multiple devices such as desktops, laptops, tablets, and even phones. Having all your passwords available at all times is a real asset to most business users.

Some password managers also have the ability to store confidential information that is totally unrelated to logging in to Web sites, software and documents. Examples include: the social security numbers of spouses and children, license codes of purchased software, and credit card information.

These features both improve security and save time. If you log in to five or more Web sites or software packages a day, you can save over 20 hours per year using a password manager.

Good Password Management Solutions

The password management software market has become competitive with lots of good choices. The products mentioned below have proven track records and are always highly rated in product reviews. There are other good choices and many of the top products have similar features.

RoboForm Everywhere, LastPass Premium, Dashlane, Keepass, Password Depot, and 1Password are well established products with proven track records. Further, they always rank at, or near, the top of product reviews.

RoboForm Everywhere is my personal favorite. Following are some of the features that make it a product to consider:

- Automatically remembers your passwords and enters them securely without using the keyboard (avoiding key loggers) or the clipboard
- Encrypts your data with military-grade AES 256 bit encryption
- Fills in forms as well as passwords
- Supports multiple browsers (IE, Firefox, Chrome on Windows and Macs, and Safari)
- Available for Windows, Mac, Linux, iPhone/iPod, Android, Blackberry, Windows Phone, Palm, and Symbian
- Synchronizes passwords securely across all your devices so you always have them with you and up-to-date
- Automatically backs up your password database securely in the Cloud and only you have the key to this encrypted backup file
- Comes in a desktop only version if you are not comfortable with the Cloud
- Generates strong passwords
- 24/7/365 live chat or phone support

- Has “Secure SafeNotes” for storing confidential information like social security numbers, credit card information, and software activation codes
- Has a series of short online training videos that make the product easy to learn and use
- Roboform2Go can be installed on a USB drive and used securely with any computer

1Password is a particularly good product for Mac users. It was designed for the Mac rather than being a Windows product that was ported to the Mac.

Conclusions

Those who are interested in securing their personal information or are responsible for keeping company, customer, client or firm information secure, should not consider password management software optional. The days of being able to keep secure credentials in your head are long past. If you are someone who tries to use the same passwords or slight variations of the same passwords over and over – you are desperately in need of password management software.

Will is currently a Shareholder of K2E, LLC. He has conducted seminars for 48 State CPA Societies, and has spoken at numerous accounting technology conferences, including speaking at the AICPA Information Technology Conference for 22 years, as well as doing training for other organizations such as the FBI. Will is a co-author of the Practitioners Publishing Company's "Guide to Installing Microcomputer Accounting Systems" and has had numerous articles published in professional journals including the Journal of Accountancy, the CPA Journal, and others.

Process Improvement: Are you a team player?

By Scott Morrill



At nearly every job interview I've participated in, a question or comment about being a good "team player" eventually enters the discussion. My observation is that the conversation is usually trying to determine whether the candidate is someone who will get along with people or who will cause more headaches than they fix.

If I'm part of the team that's making the hire, I always make sure the candidate is asked what they think it means to be a team player. Although I've heard a lot of great answers, I've never had anyone claim the characteristic for which I'm looking. That doesn't mean they don't have it, or utilize it, but I think it's somewhat remarkable that it's never once been a first response. What I eventually want to know is whether or not they can follow a process and the characteristic that I'm looking for is a willingness to sacrifice for the good of the team. In this article I'll explain three ways that I think being a team player is defined by being able to follow a process.

As part of our onboarding after our merger with Flowtivity, Lean Six Sigma Master Black Belt Dustin Hostetler put us through an exercise that created an "aha moment" about the importance of process. I don't want to steal his thunder so I'll just say that he took a simple process and demonstrated how self-serving actions can destroy the value of teamwork. As a lifelong sports fan, I immediately saw a parallel with the recreation league team of 10 and 11-year olds that I attempt to help coach. Perhaps you'll be able to relate.

When you try to teach a bunch of 10 and

11-year olds to run a play, you're doing essentially the same thing as putting a process into your workflow. The point of a play, or a process, is to create a competitive advantage. So for example in basketball, instead of just asking your best shooter to take all the shots, you try to design a play which allows any player to get open for a high percentage shot. That gives you a better chance of winning when you're playing a team with a great defender or when you're playing without your best shooter.

So how does a team player approach processes?

A Team Player isn't a ball hog

A ball hog in basketball is someone who doesn't share. A ball hog usually has good or superior offensive skills but mistakenly thinks that employing them in every situation is the best policy for the team. In a short term view, a ball hog can be responsible for a great deal of success and our society tends to reward this mentality. But in the long term, there are two very negative effects.

First of all, a team that employs a ball hog will never improve beyond the capabilities of that player. Ball hogs are self-centered and don't see the abilities or potential abilities in their teammates. Since teammates are never given an opportunity to show or develop their skills, you will never reap the benefits of using everyone to their maximum potential.

Second, teammates don't like to play with ball hogs. Ball hogs tend to take credit for things in which they are actually quite dependent upon others. You'll survive if you can continue to win but you'll experience high turnover anytime an equal opportunity is presented.

So what should you do if you are the player with the best skills? First, be a leader, not a dictator. In my way of thinking there's only one thing that distinguishes between the two; a leader has followers, people who want to be where they are. Second, and very closely related, look for ways to help others. You will only be able to sustain a team if you can keep it motivated, and individual success is a primal motivational factor. In addition, helping others is a great way to insure that you'll receive their help when needed.

So how does this relate to a workflow process? If you excel in a process at work, don't be a silo; share your knowledge. Taking the appropriate time to train someone else is always beneficial to the organization in the long term. Share some of the opportunities for success and keep your team motivated by rewarding the contributions of each player.

A Team Player Understands the value of process and commits to following it

As I mentioned earlier, the point of a play, or a process, is to develop a competitive advantage. The advantage comes when you utilize two or more people to do something that they can't do individually — so this is more than just utilizing people in their unique abilities. This is combining unique abilities to create something new and more powerful.

In a basketball play, this may mean that the best shooter actually spends a good part of the game just being a decoy. The other team concentrates so much on stopping the shooter that they allow one or two others to hurt them even more. The problem is, if your shooter doesn't

buy in to the process, the play will never work. This is a real problem with 10 and 11-year-old basketball players because they apparently have an inherent gene which causes them to be drawn to a basketball instead of the spot on the court where you need them to go. This makes it very difficult for them to adhere to a process and you'll soon see them completely destroy the intended outcome of any play.

This also describes an organization that allows its principals to interrupt process for short-term gains. If you ever get a chance, attend one of Dustin's workshops so you can experience his interpretation of this dilemma as it relates to the tax process. His demonstration will put measurable results to the importance of process improvement. I think the first step for committing to following a process is to understand its purpose and the consequences if you don't.

A Team Player has confidence but is willing to make improvement

Every team has one player who's the best at something - at any given time. It's important to have confidence. It's also important to not underestimate the abilities of your opponents and your teammates.

Left to their own devices, 10 and 11-year-old basketball players assign roles based on assertiveness and friendships rather than ability and efficiency. At some point, parent-coaches were invented to fix that problem so that we could shape those young athletes into future professional money making machines. The team players are very coach-able; they're eager to listen and improve.

Fortunately, our profession has qualified coaches to help with process improvement. Do you have confidence in your processes? Are you possibly a little over-confident? The Flowtivity Process will help your organization gain the competitive advantage of process improvement.

Scott Morrill serves as Multimedia Editor and Producer for Boomer Consulting, Inc. Scott's unique ability is working in video production but he also serves as an in-house resource for graphic design, website development, and publishing, touching both the intellectual capital and marketing sides of the company.



Looking to **ADD VALUE** to your Benefits **PACKAGE?**

You can offer your employees membership with **Hawaiian Tel Federal Credit Union** as an employee benefit for **FREE**. This will provide them access to a full service financial institution which offers a wide range of products and services. Once you establish a relationship with Hawaiian Tel FCU, your employees can qualify for:

- * **FREE** Checking
- * **FREE** Online Banking & Bill Pay Services
- * **FREE** 24-Hour Automated Teller Access
- * Competitive rates on Auto, VISA & Personal Loans/Lines
- * Great rates on Mortgage Loans & Home Equity Lines of Credit
- * Excellent Rates on Savings, Money Market & Share Certificates
- ...and **much more!**

Your employees are your most valuable asset. Enhance your benefits package by offering them the best in financial service with **Hawaiian Tel FCU**. Call us today at 832-8761 to find out all we have to offer you and your valued employees.



Hawaiian Tel
Federal Credit Union

1138 North King Street
Honolulu, HI 96817
832-8700 • www.hitelfcu.com

Your Best Strategy for Surviving an IRS Reasonable Compensation Challenge

By Paul S. Hamann & Jack Salewski, CPA, CGMA

There are two ways to survive an IRS Reasonable Compensation challenge. The first is a proactive strategy, getting all your clients ducks in a row ahead of time so you are prepared if the Reasonable Compensation figure is challenged. The second is a desperate last-minute struggle to defend a Reasonable Compensation figure that may not have any basis in reality.

The Proactive Strategy: Is the most successful, but does require you and your clients to address the question "What is my Reasonable Compensation Figure" now. Follow the steps below and you will be well prepared should an IRS challenge land on your door step.

1. Create a list of all the services the S Corp Owner provides for his or her company. The courts have taken into consideration ALL the services provided by the S Corp Owner, not just their primary function or industry.
2. Research what the going rates are for your list of services in your community. Document your findings and sources of information and file them with your final Reasonable Compensation figure.
3. Adopt your finding into your corporate minutes. This simple but often overlooked step gives your Reasonable Compensation figure an added layer of defensibility.

between the figure originally submitted to the IRS and the figure the IRS examiner is proposing. Now the challenge. At this point the best negotiator normally prevails and a compromise is struck.

My advice to you and your clients: Don't procrastinate and pray. If you don't want to take the time and effort to determine Reasonable Compensation, use RCReports. We live and breathe all things Reasonable Compensation. In about 20 minutes we walk your S Corp clients through an on-line interview and produce a professional, defensible Reasonable Compensation Report.

The Last Minute Struggle:

If the S Corp owner did not research and document his or her Reasonable Compensation figure in the year being challenged you have two options.

1. Accept what the IRS examiner is proposing, pay your tax, penalties and interest (usually in the neighborhood of twice the original tax that would have been owed), lick your wounds and move on.
2. Create a list of all the services the S Corp Owner provides for their company in the year being challenged. Research what the going rates are for your list of services for the year in question. This requires the same effort as the proactive strategy; except you no longer have the high ground.
3. Compromise. Usually the Reasonable Compensation figure you came up with in the last step falls somewhere



Paul Hamann is the Founder and President of RCReports, Inc., a company that provides Reasonable Compensation

software tools and consulting services to the accounting industry. He has been the visionary behind the creation of RCReports.com, the first online application for establishing Reasonable Compensation for S Corps, Small and Closely Held Business Owners.



Jack Salewski is the owner of Jack Salewski, CPA, a firm that is focused on tax planning, strategic operational planning and

tax preparation for small and medium sized businesses. He is an expert on the topic of Reasonable Compensation as it applies to S Corp, Small & Closely Held Businesses. Knowing a Reasonable Compensation figure is only half the equation. Putting the Reasonable Compensation figure into context of the Business is where the Trusted Advisor adds his knowledge and wisdom to benefit the client and their business.

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.



ESTATE PLANNING



Under the New Tax Laws: One Size Does Not Fit All

*A program offering by the
HSCPA PFP Committee*

May 27, 2015 (Wednesday)

11:30 a.m. to 1:00 p.m.

(Buffet lunch at 11:30; Program at 12 noon)

Plaza Club - 20th Floor

No host parking - public parking at Harbor Court

HSCPA Member

\$45

Non-member

\$55

Lunch Included

One CPE credit

This luncheon presentation will review the changes in the law and the assumption that many people now think that a joint trust is all a couple may ever need.

Join us as attorney Stephen Reese reviews asset protection issues for business owners, split family structure and other topics that dictate a more tailored approach to the trust planning.

Register online at:

<https://www.hscpa.org/professional-development/events/PFP-EP15/estate-planning-under-the-new-tax-laws-one-size-does-not-fit-all>



Stephen Reese has been in private practice in Hawaii since 1988 and maintains offices on Oahu and Kauai, and also serves clients on Maui and the Big Island.

He provides legal services concentrating in estate planning, estate settlement, planned giving, real estate transactions, formation of corporations, partnerships and limited liability companies.

*** **REGISTRATION FORM** ***

Estate Planning • May 27, 2015 • Plaza Club - 20th Floor

Total \$ _____ ☐ Check No. _____ ☐ VISA ☐ MC Exp. date ____/____ Card No. _____

Signature _____ Print name on card _____

Name _____ Firm _____

Tel _____ E-mail _____

Please return with payment to:

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

MOVE ON PURPOSE: The Barnum Effect—Beware!

By Dr. Linda Talley



There is a scam going on via email. Someone sends you an email saying that a distant friend or relative is just lost his/her wallet in a foreign country and has asked the person sending this email to your to please send \$5000 to him to help out your friend or relative. You might say that you would never respond to a request like this, but I have seen with my own eyes a situation where a person received an email such as this regarding his pastor and to please send money.

I was presenting a program to leaders in the financial industry and during a break, one of the attendees received an email. He said it was from his pastor who was traveling with his family in a foreign country, was robbed and needed this attendee to send him \$1000 immediately in order for them to get home. He asked the group how he could do this and the unanimous response was, "This is a con. Forget it!" He was on his way out the door to send the money when his friends stopped him and told him it was the latest email scam. We convinced him to call his church and sure enough the pastor and family were in town and

not out of the country. Why do we believe something like this?

It is the Barnum effect in action!

There is a psychological trap called the Barnum effect. If you have watched The Mentalist on TV, you know what I am talking about. The Mentalist uses general descriptions of a person's personality, which is so general that it could fit anyone's character and a person falls "hook, line and sinker" into believing in psychics, mentalists, and fortune tellers. Unfortunately, it's the con men and women who use this technique to scam people. This can be done in person, via the telephone or email.

This effect was named after P.T. Barnum who said that there is a sucker born every second. The comments by psychics, mentalists, and fortune tellers are so general that they could be associated with almost anyone. When we fall for these sayers and seers, our perception has failed us. We tend to use mental shortcuts (heuristics) when dealing with our world in an attempt to create some kind of order and sense. When we use heuristics, we make errors in our mental processing which lead to incorrect

perceptions and mental representations. When that happens, we misjudge people, places and things.

So, for example, we believe it when someone says that your perfect soul mate is on the way to you right now! You want to believe and so you do, but someone shows up and s/he is not your perfect soul mate. What went wrong? You had created a bias towards the person who told you this and you told yourself that this person is a psychic or fortune teller. The best way to overcome this is to be aware of what's happening; stop and analyze what's going on/what's being said; and think before acting. Back to my first example, a psychic, mentalist, and fortune teller does not even need to have a face to face with someone. They are now using emails and who know what part of the world they are emailing from and probably conning people all over the world out of money through this technique.

Think, analyze before acting so you won't get caught in the Barnum effect.



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.



808.532.3330

JTCHawaii.com



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



JACK TYRRELL
& COMPANY

A Real Estate Brokerage Corporation



WAIHONUA PH 4201

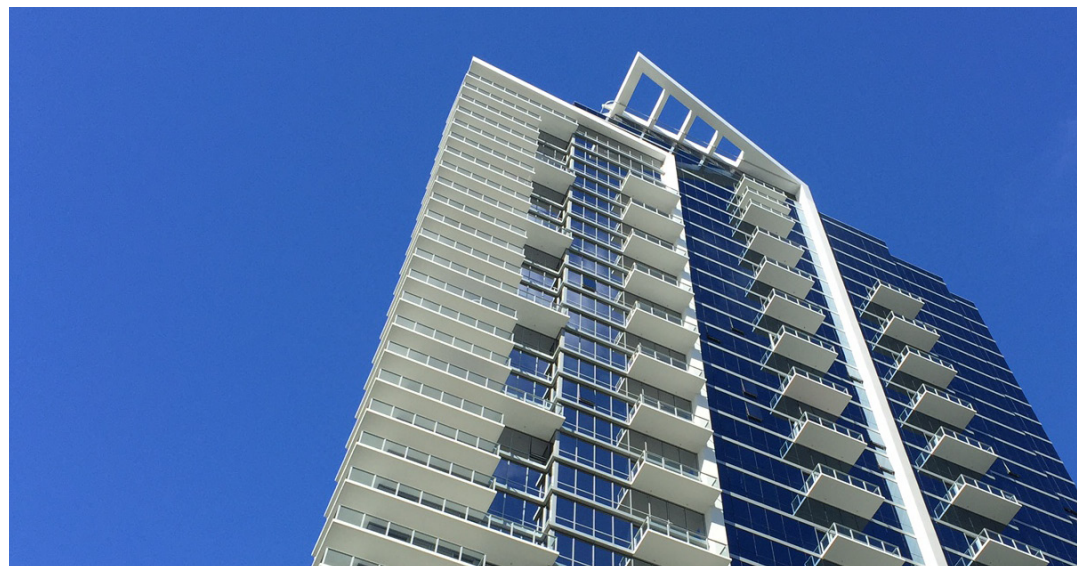
Offered at \$2,800,000

MLS#201407036 3 bd . 2.5 ba . 2,015 sf. . lanai 190 sf.



WARD VILLAGE

Top Producing Agent by Units



WAIHONUA PH 4202

Offered at \$2,388,000

MLS#201407176 3 bd . 3 ba . 1,649 sf. . lanai 67 sf.

JTCHawaii.com

kakaakoluxurycondos.com/waihonua-new-project

AVOID A RICO* INVESTIGATION...KNOW THE LAW!

CPAs are known for “doing the right thing” and the following information is provided to HSCPA members whose core values are to uphold the legacy and integrity of the accounting profession.

ETHICS CPE

Do Hawaii CPAs need Ethics CPE for license and Permit to Practice (PTP) renewals?

Yes. Even if you are renewing your license only, you will need four (4) hours of Ethics CPE. For those renewing both license and PTP, the four (4) hours of Ethics CPE can be part of the 80 hours required for CPE. Be prepared and register for an Ethics course at www.hscpa.org. This is a reporting year – license and PTP renewals by December 31, 2015.

USING THE “CPA” DESIGNATION

Can one use “CPA” after his/her name with a license but without a PTP?

Yes – but you must make it clear that you are NOT actively engaged in the practice of public accounting (e.g., by indicating “not in public practice”).

People in different positions use the title “Certified Public Accountant.” Some of them prepare tax returns, some of them do audits of financial statements, some of them do financial planning, some of them do business consulting, and some of them hold management positions in industry. There are CPAs in government, CPAs who teach, and CPAs who do other things that may not even be related to accounting.

Nothing in the law says that you must be engaged in the public practice of accounting to call yourself a CPA.

The law in Hawaii – and in most states – says that it is a prohibited act to use the title Certified Public Accountant or the abbreviation “CPA” unless you hold **both** a CPA license **and** a Permit to Practice, subject to certain exceptions.

The way to indicate that you are not holding yourself out to be in the practice of public accountancy, according to Administrative Rule 16-71-9, is to add the words “not in public practice” following the title CPA. Thus, assuming that you do have a current, valid CPA license, you may use the title Certified Public Accountant or the designation CPA if you follow it with the words “not in public practice”.

If your CPA license has lapsed, then it is clearly a prohibited act to use the CPA title, even with the words “not in public practice” added. To fit within the exception, you must have a current CPA license which must be renewed every two years.

It is not a violation to make a statement that is clearly historical rather than current, such as “I was a CPA for 30 years before I retired.” That type of statement should not be a violation because it does not imply that you are a CPA now. However, any statement that suggests or implies that you are currently a CPA should clearly indicate that you are not in public practice – and only if you have a current, valid license.

Of course, the other alternative is to maintain a current Permit to Practice. If you have both a CPA license and a permit to practice, then no disclaimer is required.

To initially obtain your CPA license, you had to satisfy the applicable standards regarding Education and Experience, and pass an Examination. You have good reasons to be proud of that achievement, and if you follow the rules, it’s appropriate to let people know about it. You are a CPA – the fact that you left public practice doesn’t change that.

Having CPAs in important positions in government, industry, and academia is good for the profession and good for society. If your CPA background helps you do your job, that proves the value of the CPA profession. Identifying yourself as a CPA and showing pride in the profession is a plus for all of us.

Don’t become a victim of a RICO investigation! Know the law and comply. If you have any questions, feel free to contact the Hawaii Board of Public Accountancy at (808) 586-2696, e-mail: accountancy@dcca.hawaii.gov.

This advisory is intended as general information, and not legal advice for any specific individual situation. If you need or want legal advice, you should consult an attorney.

*The Regulated Industries Complaints Office (RICO) is a statewide agency of the Department of Commerce and Consumer Affairs. RICO enforces the regulatory standards of over forty professions, occupations, and programs by receiving, investigating, and prosecuting complaints.



HSCPA

55th

Annual Conference

MAIN EVENT:

Professional Ethics for Hawaii CPAs

This presentation will fulfill the 4-hour CPE on Ethics/Professional Conduct requirement for CPAs licensed in Hawaii.

SPECIAL PRESENTATION ON:

Revenue Recognition Standards

JUNE 19, 2015 • HAWAII PRINCE HOTEL WAIKIKI

Today's Thought

We can do anything for one day. Let us forget yesterday with its mistakes and failures. Let us not waste our time thinking of tomorrow's burdens. For one day let us be happy.



For one day let us not hurry, worry, fume or fuss. Let us be kind, be cheerful, find no fault, and live our best—today.

Rev. Paul S. Osumi



Should I hire a consultant?
A temp? A permanent employee?

YOU ASK. WE ANSWER.

For insight into financial salaries, trends and hiring from the industry's leading staffing firm, visit the Robert Half Salary Center:

roberthalf.com/salarycenter.

Honolulu • 808.531.8056

roberthalf.com



rh Robert Half®

© 2014 Robert Half International Inc. An Equal Opportunity Employer M/F/D/V. 0914-9014



Norman's Book Review

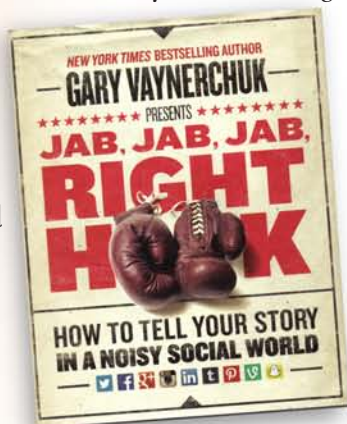
“Jab, Jab, Jab, Right Hook”

by Gary Vaynerchuk

Facebook, Twitter, Pinterest, Instagram, Tumblr, LinkedIn, Google+, Vine, Snapchat, etc...do you have a presence on these social media platforms? Should you go all in with social media or should you still focus on traditional marketing (print, TV, radio)? Surviving and thriving in business today is more complicated and noisier than ever. Consumers have more choices, and if you are not “on your game,” you are susceptible to losing business and/or going out of business.

Gary Vaynerchuk's book, *“Jab, Jab, Jab, Right Hook,”* goes a long way to helping us understand the power of social media and how we can use it to be successful. For those of you who don't know Gary, he is a successful entrepreneur, investor, public speaker and Internet personality. I had the pleasure of listening to him speak twice at conferences and he “rocked the house” each time. I will always remember him too because he said to give one of his important customers a “big wow,” he sent that person a Kolten Wong rookie card as a surprise appreciation gift. He had researched the customer and found out he was a big St. Louis Cardinals baseball fan.

The following are some of the key excerpts from the book I thought were most interesting. I highly recommend you get the book as it's easy to read, full of useful information, and has tons of examples of good, bad, and ugly social media storytelling, all in full color!



It made such an impact on me that after I finished the book, I started strategizing with my VP - Marketing as to how we need to increase our presence on social media platforms and be more effective!

Why Gary Wrote This Book

Gary wrote the book because he wanted to “create a guide to steer people away from common social media marketing pitfalls, and provide a reference that people can come back to again and again.” You will learn how to create the storytelling formula that will most resonate with consumers. “*Jabs*” are the lightweight pieces of content that benefit your customers by making them laugh, snicker, ponder, play a game, feel appreciated, or escape; “*right hooks*” are calls to action that benefit your business. Remember, “there is no sale without the story; no knockout without the setup.”

The Power of Social Media Platforms

As accountants, we all know the power of numbers and so consider these:

- 71% of the USA population is on Facebook.
- More than half a billion people worldwide are on Twitter.

- It took 38 years before 50 million people gained access to radios... it took television 13 years... it took Instagram only a year and a half.
- Facebook was founded in February 2004. By December 2012, there were more than a billion monthly users.
- Twitter users post over 750 tweets per second.
- 68% of Pinterest users are women, and half of them are mothers.
- Over 40 million photos are uploaded per day on Instagram.
- There are over 60 million new posts every day on Tumblr.
- Every second, two new members join LinkedIn.
- Over 60 million “snaps” are sent per day on Snapchat.

Social Media Platform Descriptions

The following are some of the author's colorful descriptions of social media platforms.

- Twitter is the cocktail party of the Internet – a place where listening well has tremendous benefits.
- Facebook's main currency is friendship. Twitter's is news and information.
- Pinterest is one giant mutual admiration society. It was invented to help people create online collections of things they love and that inspire them.

- Reaching the Instagram generation will be your gateway to the next generation of social users. The kids will be on Instagram (they're already there) while their parents will still be on Facebook!
- Tumblr skews young, appealing largely to 18 –34 year olds with a slight tilt to women. If Twitter is hip-hop, Tumblr is indie rock.
- Like rooms in a virtual Downtown Abbey, Facebook will be our dining room, where we entertain and get to know each other; LinkedIn will be our library, where we get deals done.
- Google+ user numbers are over inflated like the “lips of a Beverly Hills housewife”, because Google requires consumers to sign up for a Google+ account if they want to register for any other of their product accounts, like YouTube.
- Snapchat is where people will go for a quick laugh before moving on.

Content, Context, and Effort

Content, context and effort are the holy trinity for winning on any social media platform. “Content is King” because only outstanding content gets noticed on social media. “Context is God” because if you ignore the context of the platform, it might bomb out. For example, what works on Facebook might not work on Twitter. Lastly, you need intense, consistent, committed, 24-7 effort to make it all work. You can't be everywhere at once, but when the quality of your communication and community-building efforts is better than anyone else's, it



doesn't really matter. Effort is the great equalizer and matters more than most people want to admit.

Be Cool, Don't Be A Poser

Do not pretend to be anyone other than

who you are. Stay true to yourself. Do not pretend to be cooler than you are. Don't be the guy who hollered out, “Raise the roof!” a year too late.

Secret Sauce

In closing, as the author notes in the introduction of his book, “The world changes, platforms change, and we learn to adapt. But the secret sauce remains the same: The incredible brand awareness and bottom-line profits achievable through social media marketing requires hustle, heart, sincerity, constant engagement, long-term commitment, and most of all, artful and strategic storytelling. Don't ever forget it, no matter what you learn in the book.”

This is an awesome and must read book if you want to learn more about social media platforms and what you need to do to be successful!

Hawaii Practices For Sale

Hilo Tax Practice - gross \$74k, Loyal client base, experienced staff in place, capacity for rapid growth, and strong cash flow to owner over 50% of gross.
Hilo CPA Practice - gross \$87k, 28% Mthly Bkpg, 34% Accounting, and 33% Tax, strong cash flow around 70%. For more information, please call 1-800-397-0249 or to see listing details and register for free email updates visit www.AccountingPracticeSales.com.

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.





CPA FIRM



MICROCOMPUTER TECHNOLOGY

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



In the article Intuit: Anti-fraud Improvements by IRS Fuel Up To 3700 Percent Rise in Phony State Filings, which you can read at <http://krebsonsecurity.com/2015/02/the-rise-in-state-tax-refund-fraud/>, the author talks about how fraudulent state tax refund filings have increased by 3700% this year in some states. The cause is both that the IRS has tightened its controls over fraudulent refund filings and that people tend to re-use passwords between multiple sites. Crooks harvest passwords from other weaker sites and use them in TurboTax to take over accounts and file fraudulent returns. The increase in fraud at the

state level is on unlinked state filings which have no corresponding federal return and thus don't have the enhanced protection implemented by the IRS. We should advise people to use unique passwords on all tax software and to use two-step authentication wherever possible. Intuit is implementing this feature on TurboTax.

According to Ed Bott, a well-known Microsoft blogger, Microsoft has announced that "With Windows 10, coming later this fall, Microsoft plans to go big with biometric technology. The

new OS will introduce system support for biometric authentication, the company says, "using your face, iris, or fingerprint

to unlock your devices ... with technology that is much safer than traditional passwords." The biometric solution is called 'Windows Hello.' "Once you've identified yourself with Hello (or a PIN of your device lacks biometric prowess), the operating system will authenticate apps and websites without



sending a password at all." Microsoft is getting serious about security and is providing us with compelling reasons to plan to upgrade to Windows 10 when it becomes available later this fall.

Our firm has automated its accounts payable process using the cloud application Bill.com. It allows vendors to send invoices for payment directly to it and allows an accounts payable clerk or other employees to drag and drop invoices scanned to PDF directly to it. All invoices are stored in Bill.com so that the firm does not need to keep paper records. Once entered invoices are electronically routed for approval and after approval can be paid by Bill.com check or by direct deposit into a vendor's bank account. Bill.com synchronizes automatically with QuickBooks and QuickBooks Online. We are using Sage Visual Integrator routines to synchronize Bill.com transactions with Sage 100. Because it's a cloud application, Bill.com transactions can be managed from anywhere including smart phones and tablets.

GR^{OW}TH

It's what CGMA stands for.

Officially, of course, it's Chartered Global Management Accountant. A new designation representing accomplished professionals that drive and deliver business success, worldwide.

Find out more at cgma.org

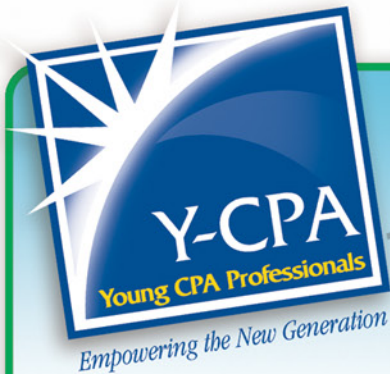
Copyright © 2012 American Institute of CPAs. All rights reserved.



Powered by



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!



WHICH DIRECTION WILL YOU GO?

by Ethan Lee



During my college days I thought I had my career all figured out. I was going to get an internship with a large public accounting firm preparing tax returns or auditing financial statements, turn my internship into a full-time position, get my CPA license and good work experience, start my own business or go into private industry as a controller or CFO, and retire by age 35. Alright, I just lowered the retirement age, but everything else accurately reflects my thinking at the time.

A major turning point in my career plan came when I attended an accounting club presentation at BYU-Hawaii. The guest speaker was a partner at a large public accounting firm who specialized in forensic accounting and business valuation. At the time, I didn't even know such practice areas existed! My attention was focused on the speaker as he shared "war stories" of high-stakes litigation engagements and testifying in court as an expert witness. I knew I had just found a new career option for me. As soon as the presentation was over I spoke with the partner and eventually secured a summer internship with his Litigation Support & Valuation Services team in Los Angeles.

Almost 9 years later, I am realizing that many of my original career goals have been realized. I ended up getting an internship with a large public accounting firm, which led to a full-time position. I obtained my CPA license and excellent

work experience. The only catch is that it all happened in a completely different practice area than I had envisioned.

Up until I learned about forensic accounting and business valuation services, I thought CPAs generally went one of two directions in their careers – tax or audit. In reality, there are a variety of directions you can take during your career as a CPA. There are also specialized credentials you can earn along the way to distinguish yourself.

I encourage each of the prospective/young CPAs reading this article to spend some time on the American Institute of CPAs website www.aicpa.org. It is filled with resources that can help you learn about many of the career options and credentials available to CPAs. Specialized credentials offered through the AICPA include:

- **ABV – Accredited in Business Valuation**
- **CFF – Certified in Financial Forensics**
- **PFS – Personal Financial Specialist**
- **CITP – Certified Information Technology Professional**
- **CGMA – Chartered Global Management Accountant**

Each of these credentials require that you pass an exam and possess a certain level of experience. You must also have a valid, unrevoked CPA license and be a member of the AICPA in good standing.

In addition to the AICPA, there are other professional organizations that offer specialized credentials, such as the following:

- **Certified Management Accountant (CMA)** issued by the Institute of Management Accountants
- **Certified Fraud Examiner (CFE)** issued by the Association of Certified Fraud Examiners
- **Certified Financial Planner (CFP)** issued by the Certified Financial Planner Board
- **Accredited Senior Appraiser (ASA)** issued by the American Society of Appraisers
- **Certified Internal Auditor (CIA)** issued by the Institute of Internal Auditors

In conclusion, thanks to the guest speaker at the accounting club presentation, I chose to go the business valuation and forensic accounting direction in my CPA career. Along the way, I obtained specialized credentials.

As a prospective/young CPA, your career will likely be full of opportunities and options. Which direction will you go?

Ethan holds the ABV and CFF credentials offered through the AICPA, and serves as the ABV Champion for the State of Hawaii. Feel free to contact him at ethan@pacificbusinessvaluation.com if you are interested in learning more about the ABV or CFF credentials.



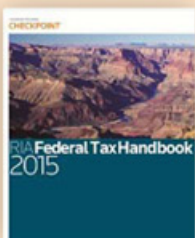
2015 TAX BOOK ORDER FORM

ALL SALES FINAL



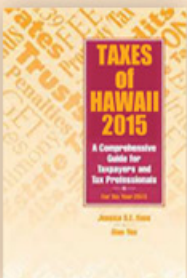
2015 CCH U.S. Master Tax Guide – \$65.00 / \$75.00

Provides helpful and practical guidance on today's federal tax law. This 98th Edition reflects all pertinent federal taxation changes that affect 2014 returns and provides fast and reliable answers to tax questions.



2015 RIA Federal Tax Handbook – \$50.00 / \$60.00

Designed to provide quick and easy access to critical tax questions, the RIA Federal Tax Handbook offers comprehensive, insightful guidance on federal tax law, including the latest regulations, rulings, and revenue procedures as well as precise explanations about changes that could impact your business or your clients.



2015 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.

2015 TAX BOOK ORDER FORM

**LIMITED
SUPPLY**

**ALL
SALES
FINAL**

Quantity	Member Price	Non-Member Price	Total
_____ 2015 CCH U.S. Master Tax Guide	\$ 65.00	\$ 75.00	_____
_____ 2015 RIA Federal Tax Handbook	\$ 50.00	\$ 60.00	_____
_____ 2015 Taxes of Hawaii	\$ 26.00	\$ 35.00	_____
Mailing: Postage & Handling*			
_____ \$7.00 for 1st book	1 - \$7.00	1 - \$8.50	_____
_____ \$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