

DECEMBER 2017

KĀLĀ

The Official Publication of the Hawaii Society of Certified Public Accountants

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The Official Publication of the Hawaii Society of Certified Public Accountants

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H S C P A

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

President's Message

By Norman N. Okimoto

Happy Holidays to everyone!!!



Reporting Year for CPA Licensees

As a reminder, this is the reporting year for our CPE, ethics training and peer review (if applicable) so if you haven't done so already, make sure you have enough CPE hours and have taken your four hours of ethics training to maintain your permit to practice. Please contact the Hawaii Board of Public Accountancy regarding licensing issues (808-586-2696).

Mad Dash

As always, December is not only hectic with the holiday season, shopping, and parties, but it is a very busy work month! Practitioners are busy helping clients with year end tax planning and making year end goals, as well making their own individual / firm financial projections. CPAs in business and government are doing their best to finalize 2018 budgets if they haven't done so already, make sure they make their 2017 budgets, and for the ambitious ones, start planning a head start to a great 2018. I know it will be a very busy month for me as always!

2017 Highlights

Looking back, 2017 was a very special year as HSCPA celebrated its 85th anniversary, and Kimberly Ellison-Taylor, the first African American chairman of the AICPA, came to Hawaii last month and inspired students and professionals for two days of special events: Meet the Pros

Accounting Mixer and a Meet & Greet with Kimberly. Our sincere thank you for Deloitte (Paul Higo and Valerie Shintaku) for their sponsorship in making our 85th Anniversary celebration at the Prince Waikiki a rousing success!

Way To Go Rodney!

At the October AICPA Council Meeting in San Antonio, our very own Rodney Harano was recognized along with 11 others with the Sustained Contribution Award. The award recognizes CPAs who have participated in an Institute volunteer committee, task force or resource panel for 20 years or longer and has served at least once as a chair of an AICPA group. Rodney has dedicated his professional life to the Peer Review Board (Task Force Chair), PCPS Executive Committee, AICPA Board of Directors, and the Professional Liability Insurance Program Committee.

thank
you!

HSCPA Peer Review Committee – Unsung Heroes

Not sure how many of you are aware but since 1995, members of the HSCPA Peer Review Executive Committee have been

providing peer review services to Hawaii CPA firms pro bono, as well as meeting

throughout the year to make sure they are current with all relevant regulations. Thank you to Rodney Harano, Clifford Isara, Michael Ito, Wayne Matoi and Dustin Verity for their dedicated service of countless hours devoted to the peer review program.

The reason I wanted to mention this group in particular is because they are the unsung heroes who have contributed so much time to the peer review program – with very little recognition. The administration of the peer review program in Hawaii will be changing within the near future due to enhanced criteria and benchmarks required to administer the peer review program.

Best Wishes

On behalf of my fellow Board members and HSCPA staff, I hope everyone has a wonderful and safe holiday season filled with happy clients, profitable businesses, and many financial goals exceeded!!!





IMPORTANT ANNOUNCEMENT

To CPA firms that anticipate NOT being able to complete their peer reviews by December 31, 2017

MANDATORY PEER REVIEW – EXTENSIONS

All CPA firms that are required to obtain a Hawaii permit and that perform Hawaii attest engagement must comply with the NEW PEER REVIEW LAW, as outlined in Hawaii Revised Statutes (HRS) section 466-31 to 466-43.

If your CPA firm has not yet completed your firm peer review and is not expected to complete the process by December 31, 2017, you may be eligible for an extension pursuant to HRS section 466-34(f).

There are 2 pathways to obtain an extension:

The Board of Public Accountancy (Board) will accept an extension granted by your peer review sponsoring organization or administering entity to complete your peer review, provided that your firm notifies the Board within 20 days of the date that an extension is granted; or

The Board may also grant your CPA firm an extension of time to comply with the peer review requirements, based on a showing of hardship, including reasons of health, military service, or other good cause as determined by the Board.

Please submit all requests and notices in writing to the Board via:

Email: accountancy@dcca.hawaii.gov

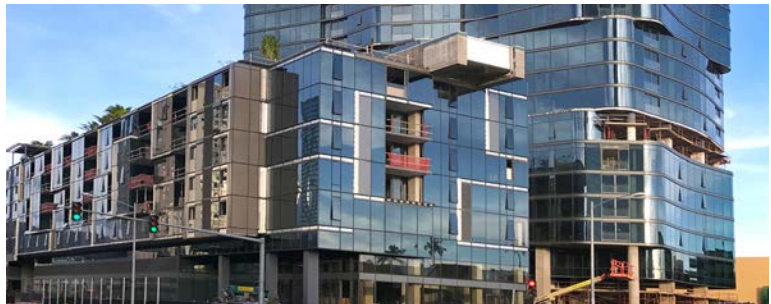
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Blockchain – Today and Tomorrow

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



For several years now, you have likely been hearing about “blockchain” and its potential impact on organizations of all sizes and in all lines of business. Yet, blockchain remains a mystery to many professionals, not only in terms of what it is, but also how it will potentially be used to drive the results many are expecting. Read on, and in this article, you will learn what blockchain is, how it is being used today, and how it likely will be used in the future to produce desirable outcomes.

What is Blockchain?

At its core, blockchain is an electronic, shared, distributed ledger that can be used to record transactions and track virtually any type of asset across a network. The assets that blockchain can track can be “hard” assets such as personal property or real estate, or they can be “soft” assets such as intellectual property.

Blockchain is a core technology that facilitates other applications and solutions. For example, Bitcoin is the most widely known application in use today that takes advantage of blockchain technology. Just as the applications on your computer run

on top of an operating system – likely Microsoft’s Windows or Apple’s MacOS – so, too, do applications run on top of blockchain. In this regard, blockchain can be thought of as an “operating system” for commerce.

In a traditional, non-blockchain environment, each party to a transaction keeps its own set of records. For example, a bank would maintain its own ledger of a customer’s activities and so too would the customer. Periodically, a third-party auditor might be brought in to compare the two sets of records to ensure their agreement. However, in a blockchain environment, all parties to a transaction have access to the same ledger because the ledger is replicated to each party every time a transaction occurs or is updated; therefore, the data remains synchronized amongst the participants in the transaction. Further, blockchain protects the transaction – and by extension, all parties to the transaction – through the following four key characteristics.

1. Consensus. Before a transaction is accepted into the blockchain, all parties to the transaction must agree to it. This ensures that only authorized

transactions are recorded.

2. Provenance. Because the transaction ledger maintains a complete history of all events associated with the asset, the history of the asset is easily viewed and the ownership of the asset is easily proven.

3. Immutability. Once a transaction is recorded in the distributed ledger, no party can change it because the transaction is encrypted. If a transaction is recorded in error, a new transaction must be entered to reverse the error.

4. Finality. The distributed ledger becomes the single point-of-reference for determining the ownership of the asset or the history of the transactions related to the asset.

How is Blockchain Used Today?

While still a relatively new technology, practical applications of blockchain are appearing in today’s business world with increasing regularity; following are four examples.

The first recorded use of blockchain technology is that of Bitcoin, a form of digital currency. By taking advantage of the distributed ledger concept found in blockchain technology, Bitcoin eliminates the risk of a digital currency being “spent” on multiple occasions, an issue that must be resolved for digital currencies to become mainstream. But blockchain usefulness is not limited to Bitcoin or any other form of digital currency. In fact, numerous organizations and various industries are taking advantage of blockchain technology today.

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For instance, Capital One and Gem Health are using blockchain technology to reduce the amount of time it takes to process payments made to healthcare providers. The two companies take advantage of an application that uses blockchain to verify transactions more quickly than by using traditional methods, and in the course of doing so, reduces friction in payment processes. This in turn creates a more efficient payment processing system and yields faster payments to health care providers.

Likewise, IBM Global Financing has created an application that uses blockchain to assist over 4,000 trading partners to purchase goods and services from suppliers using credit supplied by IBM. As a result of implementing this blockchain-based application, each organization is able to have better visibility into the order-to-delivery pipeline and the number of disputes filed and the time necessary to resolve each dispute has been reduced substantially.

Bitproof is one of many companies that has developed a blockchain-based application to secure contracts and prevent tampering once a contract is signed. Using Bitproof's SealX application, a fully-executed contract is uploaded to a distributed ledger that is accessible by all parties to the contract. Thereafter, based on the four key blockchain characteristics listed previously, no party can alter the terms of the contract without the agreement of all other parties.

What Does the Future of Blockchain Hold?

Looking ahead, what types of problems

will blockchain be used to solve? The options are nearly endless. For example, a car rental company could implement a blockchain-based application to speed the process of renting a car. The distributed ledger shared between the company and the customer could contain information such as driver's license number and expiration date, credit card number, and insurance information and all that data could be continually verified using blockchain. Therefore, when the customer arrives to pick up the car, the paperwork currently involved would be virtually eliminated.

Another example of potentially using blockchain to solve a business problem is in the area of supply chain. A supplier and a customer could use a blockchain-based application to facilitate commerce. Purchase orders, receiving reports, invoices, and even payments could be created, communicated, and settled with virtually zero friction and almost instantaneously, leading to reduced costs and a more efficient trading environment.

In the governmental arena, blockchain technologies could be used to facilitate digital voting. Voters could cast their votes from the privacy and comfort of their own homes. Then, they could easily and anonymously access the blockchain to confirm that their votes were recorded as cast. In turn, perhaps voter turnout rates would increase because voting would no longer require a trip to a polling location. Also in the governmental arena, blockchain could be used to create and validate identity documents such as passports, birth certificates, wedding

certificates, and drivers' licenses.

In sum, virtually any type of transaction or event that involves an asset – “hard” or “soft” – and multiple parties is a candidate for a blockchain-based app.

Summary and Conclusions

Though still not widely understood by many, blockchain is one of the more exciting technologies to have appeared in decades. By ensuring consensus, provenance, immutability, and finality through the use of a distributed ledger, blockchain greatly reduces the friction associated with a given transaction and improves security for all parties associated with that transaction. In turn, businesses will be able to process transactions faster and less expensively than ever. Remember, blockchain is an underlying, core technology and applications are built to take advantage of blockchain's capabilities to improve business processes. To that end, be alert to the ever-growing list of blockchain-based applications and consider implementing those that can help your organization to become more efficient and more secure.

Tommy is a partner with K2 Enterprises. To date, he has lectured nationally on subjects such as internal controls for small businesses, technology strategies, computer hardware and software applications, tax strategies and compliance, and financial accounting standards and applications. Tommy resides in Woodstock, Georgia where, in addition to his association with K2 Enterprises, he provides consulting services to small businesses and CPA firms.

Senate Tax Reform Proposal Differs From House Proposal in Key Ways

Tax reform is developing, and the pace is breakneck. On November 2, the House Ways & Means Committee released HR1, the “Tax Cuts and Jobs Act.”—its version of tax reform. The bill has already seen amendments, and the contents have been a topic of great discussion in the profession and the news. On Thursday, November 9, the Senate Finance Committee released a conceptual description of its version, also termed the “Tax Cuts and Jobs Act.”

The House proposal outlines new personal and corporate income tax brackets and rates, repeal of AMT, an increased standard deduction and the elimination of the deduction for personal exemptions among the many, many changes. The plan would result in a \$1.41 trillion loss in revenue over 10 years, according to the Joint Committee on Taxation (JCT). The Senate bill started its markup process in the Finance Committee on November 13 with a vote expected by the end of the week.

“Now that both the House and Senate have started work on tax reform bills, we are encouraged there will be progress,” said Darryl Nitta, HSCPA president-elect. “Tax practitioners and taxpayers alike are ready for the reforms these bills will bring.”

AICPA President and CEO Barry C. Melancon, CPA, CGMA, also commented on the process.

“The Senate took an important step toward fundamental tax reform when the Senate Finance Committee released the summary of its tax reform bill,” he said.

“Congress is engaged in an ongoing process to achieve tax reform that we welcome.”

While some of the provisions of the Senate bill mirror the House bill, some key differences exist.

In the Senate approach, the current code’s seven individual income tax brackets would remain, but the rates would change to 10%, 12%, 22%, 24%, 32%, 35% and a top rate of 38.5%. Single taxpayers with income greater than \$500,000 and married taxpayers filing jointly with income greater than \$1 million would apply the 38.5% rate, which is lower than the top rate in the House bill. The standard deductions would increase to \$12,000 for single taxpayers, and \$24,000 for married couples filing jointly, both slightly less than the House bill provides for.

Again, in the Senate approach, individuals with pass-through investments would see a 17.4% deduction for “domestic qualified business income,” which would not apply to specified service businesses unless the individual’s taxable income does not exceed \$250,000, or \$500,000 for married individuals filing jointly. The deduction is phased out above those limitations.

Under the Senate plan, the child tax credit increases to \$2,000, more than the House bill. The credit would be modified to allow a \$500 nonrefundable credit for qualified dependents other than qualifying children, and sets the threshold phase out to \$500,000 for married taxpayers filing jointly.

Deductions for mortgage interest would

be retained at the current level of \$1 million of acquisition indebtedness; however, the deduction for interest on home equity indebtedness would be repealed. Estate taxes would remain, with the exemption being doubled from its current amount. The House doubles the exemption but eliminates the estate tax after 6 years.

Alimony rules and the deductibility of medical expenses exceeding 10% of a taxpayer’s AGI would be retained, unlike the House bill. The Senate markup calls for a reduction of the individual shared responsibility payment under the ACA to zero.

The Corporate rate under the Senate’s Tax Cuts and Jobs Act falls to 20%, but that rate change would be delayed until 2019.

The Senate Finance Committee [language under consideration](#) is 253 pages (about half the length of the House bill) with suggested changes released November 14 available [here at 103 pages](#). A two-page highlight [summary is also available](#). Both the House and Senate bills are in active consideration, with reconciliation of the two, should the bills be approved by their respective bodies, expected in the very near future.

To stay on top of developments and the profession’s advocacy efforts, including a side-by-side comparison of the Senate and House approaches, visit the AICPA’s Tax Reform Resource Center at www.aicpa.org/taxreform.



Give Back and Help Us with VITA!

Please join the Y-CPAs as we kick-off 2018 with our first community service project at Leeward's Volunteer Income Tax Assistance (VITA) program. Spend a few hours on Saturday, February 10, 2018 from 9 am – 1 pm at Leeward Community College. We will be assisting individuals or families by providing free, live tax preparation services.

Volunteers must complete three short online test modules: (1) – Volunteer Standards of Conduct (ethics); (2) - Intake/Interview & Quality Review (the VITA process); (3) – Federal Tax Law Update Test for Circular 230 Professionals (test for CPAs and EAs). There is no longer a requirement for CPAs and EAs to complete the lengthy basic exam covering 9 scenarios.

We will provide PDF copies of all the materials you will need to review to pass the exams and volunteer as a tax return preparer. Volunteer tax preparers do not sign the return as a preparer and do not need to have a PTIN. The returns are prepared electronically using IRS software and immediately e-filed for the taxpayer. All volunteers are covered by the Volunteer Protection Act, which generally protects unpaid volunteers from liability for acts or omissions that occur while acting within the scope of their responsibilities at the time of the act or omission. It provides no protection for harm caused by willful or criminal misconduct, gross negligence, reckless misconduct, or a conscious, flagrant indifference to the rights or safety of the individual harmed by the volunteer.

If you are interested in volunteering please e-mail info@hscpa.org to receive detailed instructions on completing the online tests. The study materials and test for the 2017 returns are available online so now is a good time to take the test and get it out of the way before the holiday season! We hope you will join us on February 10, 2018.



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Everyone Doesn't Have to Buy-In

By Arianna Campbell, Consultant



In our work with firms, we talk a lot about buy-in. Whether we're implementing new software or improving processes, every firm wants their people to get on board and excited about the future. While buy-in is important, we also find that sometimes those expectations are unreasonable. You'll never achieve 100% buy-in, and if that's what you're waiting for to make a change, you're setting yourself up for failure. Success can be found in anticipating resistance and understanding how this opposition can benefit the change initiative.

Expect resistance

Even when the change is a solution to a problem that has been plaguing employees, there will be resistance. [Research on brain function](#) shows that resistance is not simply a psychological reaction to change, but a physiological reaction. It actually provokes sensations of physical discomfort.

As soon as you think about change, do you automatically think of the individuals who will resist the project? Often, project leaders know exactly who is going to oppose a new plan, but they do nothing to address the resistance up front. There are five main reasons people resist change:

- 1. Fear of the unknown.** The occurs mainly when change is pushed onto people without giving them adequate warning and helping them understand why the changes are needed and how their jobs/work will be affected. Informed employees tend to be more supportive.
- 2. Mistrust.** When there is a lack of trust in the motive behind the change

or the intent of those leading the initiative, people tend to be less open to getting on board.

- 3. Loss of security/control.** Changes that can be seen as downsizing or restructuring can cause employees to fear losing their jobs or being moved into other positions without their input. They may worry their skills will become obsolete or that they won't be able to develop the new skills necessary and won't survive the transition.

- 4. Bad timing.** Too much change in a short period of time can cause resistance. Some people who are overwhelmed by continuous change may resign themselves and go with the flow, but don't mistake compliance for acceptance.

5. Individual predispositions.

Individuals have different tolerances for change. Some people enjoy it because it provides an opportunity to learn and grow. Others prefer a set routine.

Expect the resistance and be proactive and specific about where it will come from and what objectives will drive it. Then you can act before the resistance has a chance to derail your project.

Overcome opposition

Change is a constant, and most people dislike change, at least to some degree and for a variety of reasons. People prefer comfort and stability over change in both their personal and professional lives. So we shouldn't be caught by surprise when a handful of people aren't on board.

Some of that resistance can be overcome by engaging those who oppose the change and listening to their concerns. When you allow employees to give their input, they can be assured that they're part of a team that cares about its employees.

Work to help people understand your why questions: why do we need to change and why will this be better than before? After answering these questions, don't be discouraged by having a few detractors. As Tom Luken, Partner and Chief Operating Officer of Sikich LLP noted in his [client spotlight](#), detractors are a good thing because they force you to truly answer your why. "If you manage to win them over," Luken says, "you've managed to answer your why. They'll become your biggest proponents."

Move forward anyway

Problems arise when the firm stops their forward progress to cater to the handful of people that didn't buy in. While we should continue to try to get those detractors on board, the reality is that some just won't. They'll either find that they are isolated, or they'll see that the process actually did benefit the firm and get on board. Of course, the third option is that they find another sandbox to play in. Yes, you may lose people, but you will attract others who share your vision and are passionate about helping you achieve it.

As a consultant for Boomer Consulting, Inc., [Arianna Campbell](#) helps accounting firms challenge the status quo by leading process improvement initiatives that result in increased profitability and client satisfaction.

GIVE BACK DAY! at Ala Moana Beach Park

Our young professionals and students from the University of Hawaii at Manoa and Hawaii Pacific University made a difference in the community on October 28th at Ala Moana Beach Park. It was a beautiful day with tropical breezes and 45 volunteers showed up ready to clear the park of trash and debris.

After spending a couple of hours scouring the park for trash, we all enjoyed chilled water and a scrumptious bento lunch! Our special thanks to Robert H.Y. Leong & Company, CPAs for sponsoring this annual community service event. Mr. Leong and his firm have been staunch supporters of this event for many years and we all appreciate it – thank you very much!

The Y-CPAs are proud of its commitment to community service and invite others to join in the support of their activities which also includes presentations at high schools and universities, Hawaii Foodbank, Meet the Pros Accounting Mixer, and educational and networking events.



The annual event drew over 150 with professionals from various segments of the profession and students from Chaminade University, Kapiolani Community College, University of Hawaii at Manoa and University of Hawaii at West Oahu as they gathered for the Meet the Pros Accounting Mixer on November 13th at the Honolulu Country Club.

We were fortunate to have as our guest speaker Kimberly Ellison-Taylor, chairman of the American Institute of CPAs. She shared her passion for the profession and her path to becoming a CPA. Kimberly did not hold back and let students know what she didn't pass the CPA exam on her first attempt – and that failure was not an option! She eventually fulfilled her dream and became a CPA at the age of 29.

Congratulations to Erin Wong of UH-Manoa for winning the 50% scholarship of a Becker CPA Review course. We look forward to welcoming you to the profession!

A sincere Mahalo to our generous sponsors and prize donors for making this event a success in support of the Hawaii's best and brightest!



the Pros



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Norman's Book Review

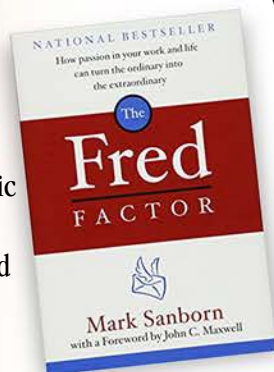
"The Fred Factor"

by Mark Sanborn

I had the pleasure of listening to Mark Sanborn at a Federal Home Loan Bank of Des Moines Leadership Summit last month. Mark is a member of the prestigious Speakers Roundtable, 20 of the top speakers in the world today. He was a very entertaining and dynamic speaker. He spoke at length about his book [The Fred Factor](#), which honored his mailman in Denver, Fred Shea, who provided exceptional customer service every day to Mark and others on his route. I was inspired to buy his book and review it, but was pleasantly surprised when every conference attendee was given a book. As an added bonus, Mark was very gracious with his time to sign his book and take a picture with me, even though he had a flight to catch.

"The Fred Factor" is an awesome book and I can see why it has sold over 2 million copies since it was released in 2004. It is extremely well written, simple and concise. The lessons and insights in the book are timeless. In fact, some companies, after using the author as a consultant, created "Fred Awards" for employees who go above and beyond to help others. It will inspire you to continue to "turn the ordinary into the extraordinary," like it did me. Since it is the holiday season, it could be a great stocking stuffer for your friends or co-workers. The following are some of the quotes and lessons from the book I thought you would find most interesting.

Meet Fred Shea



When Mark moved to Denver in 1987, his mailman Fred introduced himself, and wanted to learn more about Mark to better serve him.

Learning that he was a professional speaker who was traveling most of the time, Fred made sure Mark's mail was safe, neatly bundled and that his house didn't seem like no one was home with mail and other items laying around. When UPS delivered Mark's package to the wrong address, Fred noticed that and put the UPS package under Mark's doormat with a note. Fred provided exceptional service every day and sincerely cared about everyone. He took it upon himself to tidy up his neighborhood route. Mark could tell when Fred was off because his mail was not neatly bundled. Fred Shea inspired Mark to write this book, which has touched the lives of millions worldwide!

*"Make each day your masterpiece."
(Joshua Wooden, father of John Wooden)*

What Motivates Fred

When the author asked Fred what motivated him to do the extra things for others, he stated the following six items:

*"Do good and you'll feel good.
The best never rest.
Treat customers and others as friends.
The impact you have on others is
the reward.
Live the golden rule.
Fear nothing except to waste
the moment."*

Lastly, he stated, "Look to every day as a new day, and make each day better than the last. Even on my days off, I have goals, and I feel like I need to get a lot done. If I feel like I wasted the day, I don't sleep quite as well at night." In his free time, Fred channels his love of music to refurbishing drums and helping kids at a nearby school's music department, two hours a night, three days a week.

*"We are what we repeatedly do.
Excellence, then, is not an act, but a
habit." (Aristotle)*

The Fred Principles

Based on the author's dealings with Fred, the following are the four principles the author feels apply to all of us, like universal truths:

Principle #1: Everyone Makes A Difference

"There are no insignificant or ordinary jobs when they are performed by significant and extraordinary people."

Principle #2: Success Is Built On Relationships

"Relationship building is the most important objective because the quality of the relationship determines the quality of the product or service."

Principle #3: You Must Continually Create Value For Others

"The most important job skill of the 21st century is to create value for customers without spending more money to do it. The author strongly feels the faster you try to solve a problem with money, the less likely it will be the best solution."

Principle #4: You Can Reinvent Yourself Regularly

"We all have the ability to reinvent our work and rejuvenate our efforts."

*"Whatever you are, be a good one."
(Abraham Lincoln)*

Your Choice

The author strongly believes we have the power to make our lives the best it can be and the work we do the most significant by the choices we make. "It is harder to be miserable, negative, and insincere than it is to be happy, positive, and genuine. All Freds share those latter characteristics, no matter what type of work they do."

Summary

I thought this book would be perfect to

end the year with because in essence it is about hope and belief that we all can make a positive difference in not only our own lives, but in our family and in the lives of others. Let's all make 2018 better than 2017 and hopefully the best year of our lives! As Mark Sanborn states in his book:

"I believe that no matter what job you hold, where you live, every morning you wake up with a clean slate. You can make your business, as well as your life, anything you choose it to be! That's the Fred Factor!"



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CPA FIRM MICROCOMPUTER TECHNOLOGY

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



When assessing security risks and related protections for a small CPA firm here are some of the areas to keep in mind: State-of-the-art backup systems that include off-site encrypted storage; multiple sets that are only connected to the network when being used, and thus are not subject to attack when not being used; capability to synchronize with the cloud; and fall-over

capabilities to actually handle network processing for disaster recovery. Remember that a backup system is not considered viable until it has been tested to ensure that it works.

Multi-layer e-mail, malware, and anti-virus protection including a dedicated external email filtering service that looks at incoming and outgoing e-mail; and an enterprise level anti-virus system with malware protection. We use Proofpoint Essentials for external filtering of e-mail, followed by the filtering provided by Microsoft Exchange Online, followed by the filtering provided by the Microsoft Outlook client. The trend we've seen for years now is more and more firms moving to Microsoft Exchange Online for e-mail hosting because of all the inherent security and backup capabilities built in.

State-of-the-art firewall that includes content filtering for internet browsing and VPN service for remote access to the office system by employees. Without content filtering, a firewall provides no protection from attacks initiated by users going to infected sites.

Repeated training for employees on security issues, especially for handling e-mails, Internet access, and phone calls. We discuss the latest attack examples at staff meetings each month.

Policy for the regular and automatic update of Windows operating system software and all applications to ensure that all software are current versions that are fully patched. Old versions of software such as Windows or Microsoft Office are common attack vectors. It's time to move to Windows 10 and a current version of Office.

Policies regarding remote access to the firm's system from the home by employees. This is a big deal as the firm's security is only as good as the security from every home where an employee logs onto the firm's system. Things to consider here are the use of a VPN, or two-factor authentication for remote access software.

Restriction from use of Wi-Fi connections at home for computers that connect to the office system until the current WPA2 encryption bug is resolved.

One thing which most of us don't do but which is fast becoming more relevant and needed, is an external IT audit to help us discover vulnerabilities we're not aware of. Don't give local administrative rights to computer users. As much as 70% of infections happen because users have local administrative rights.

If you have any questions or comments call us at (808) 837-2507 or (808) 837-2517, or send email to ron@cga-cpa.com or joy@cga-cpa.com.

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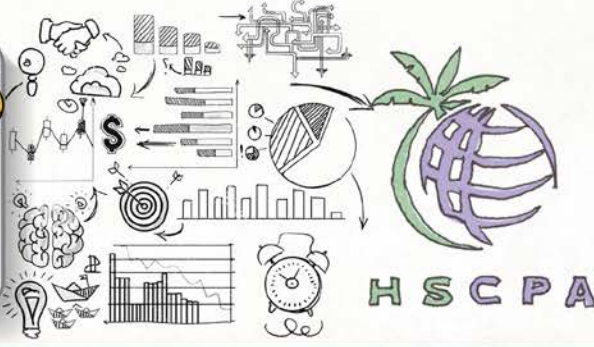
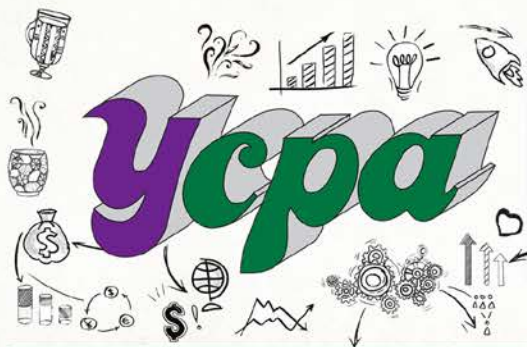



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Going From Public Accounting to Private Industry

By Colin Lee

When I worked in public, I always told myself that the private accounting world would be too bland for me because I loved being able to work with and meet many different clients and different industries as an auditor. Because of that preconceived mindset about private accounting, I never even thought twice about going into private accounting. So, when I eventually left KKD-LY CPAs after 8 years, I decided to become a real estate agent, where I get to continue to work with and help different clients every day.

On the other hand, my wife, Debbie Lee (former CPA/Auditor with KMH LLP), went into the private accounting world and is now the Controller at the real estate company I am with, Better Homes & Gardens Real Estate Advantage Realty. Seeing and hearing about all of the things she does on a daily basis got me to thinking that it's not what I thought it was and I interviewed her to gain more insight.

CL: What is the biggest misconception that public accountants have about private accounting?

DL: There is a misconception that private accounting is repetitive and mundane. While some duties are the same every month, I do get to be involved in bigger projects and initiatives that help the company as a whole, like helping open new offices and starting a scholarship fund. We've more than doubled in sales and size in the last 4 years and added 5 new offices. It's exciting and fulfilling to be a part of a growing company.

CL: How has being a CPA and starting in public accounting helped in your current position?

DL: Aside from learning technical and organizational skills, being an auditor for 3 years helped me understand business processes and how to run a business efficiently. I learned internal controls and best practices from audit clients that I implement and use every day in my current position. Auditing taught me how to analyze and interpret financial information, which is a crucial skill in my current position.

CL: How valuable is having a CPA license outside of public accounting and how has it helped you in your position?

DL: Having a CPA license is invaluable. It implies a high level of professionalism, discipline and expertise. The CPA designation is trusted, well-respected and sets you apart from others no matter what career path you choose. Having a CPA helps you get your foot in the door when it comes to new job opportunities but it's always up to the individual to prove that they belong and are capable. Since I am in the highest accounting position at Better Homes, having a CPA license definitely makes me more credible whenever I have any correspondence with people.

CL: What is the biggest difference between working in private vs. public?

DL: No more billing time is the biggest! Work-life balance is real. Overtime is gener-

ally predictable and manageable in private accounting. Also, in public accounting, I'd mostly only work with accountants/HR Staff. As a controller, I get to work with a variety of people from all departments (escrow, sales, marketing etc.) and outside vendors, as well as our internal accounting department.

CL: What do you miss most about public accounting?

DL: All the accounting-related jokes that only accountants would laugh at! But the best part about public accounting was that when you come out of college, you start with a bunch of people around your same age and experience level. So, you get to go through the experience together with them and you tend to hang out after work a lot. You build a lot of camaraderie really quickly since everyone is going through the same experiences together and you have a lot of inside jokes.

CL: What is one piece of advice you would give to anyone wanting to make a change to private?

DL: Don't burn bridges when you leave. The business world in Hawaii is too small and everyone knows everyone. Also, stay in contact with your fellow CPAs and keep involved with the HSCPA because they are a great resource for when you might need the help, especially if you are staying in an accounting position.



HSCPACPE

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DECEMBER 1 - Professional Ethics for Hawaii CPAs
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TAX FOUNDATION OF HAWAII

Hawaii's Watchdog on Taxes & Government

By Tom Yamachika, President –
Tax Foundation of Hawaii

Harbors Are for Soaking the Taxpayer – Again and Again



In [a prior article](#), we reported that last December, administrative rules were finalized that wrought significant increases in fees charged

by the Department of Transportation, Harbors Division. Those fees increased 17% beginning on February 1, 2017; they will increase another 15% on October 1, 2017; they will increase another 15% on July 1, 2018; and they will increase on July 1 of each year thereafter, by either 3% or the consumer price index rate, whichever is higher.

We now know that the Harbors Division isn't satisfied with those three years of triple-digit increases. In draft rules presented to and approved by the Hawaii Small Business Regulatory Review Board (SBRRB) just last month, the Harbors Division wants to hike dockage and port entry fees by 20% effective July 1, 2019, another 15% effective July 1, 2020, and another 15% effective July 1, 2021. And, if that isn't enough, cruise passenger fees will be doubled in Honolulu Harbor effective July 1, 2018, and slightly increased in all other harbors.

Probably the most shocking part of the presentation, however, is the Division's analysis on how these rate increases impact small business.

The Division says that of the 99 harbor users in the past two years, eight meet the definition of a small business. Seven of them turn around and pass the costs on to another party. The eighth was a one-time customer and can be disregarded as an outlier. Therefore, the Division concludes, there is no impact to Hawaii's small businesses.

Then the Division goes on: "Given our analysis," they say, "we conclude that these proposed amendments do not affect Hawaii's small businesses and there is no 'potential or actual requirement imposed upon a small business ... that will cause a direct and significant economic burden upon a small business....'" *(I swear I am not making this up.)*

Let's get real, people! Most of the goods that we need and buy come here by boat. Buyers include individuals, big businesses, and small businesses. Shippers who operate the boats will of course pass the costs on to retailers who sell the goods, who then will pass those costs on to people who buy the goods.

In addition, the price increases will require more General Excise Tax to be paid, by the shippers, the middlemen, and the retailers. Those taxes too will be passed on to the end users. Are we seeing a vicious cycle here?

The mentality that leads to these proposed rate hikes, as it was explained to the SBRRB, goes something like this. We (the Harbors Division of DOT) are doing a harbor modernization project. It will cost \$450 million. We are supposed to be self-sufficient (namely that we aren't supposed to get any general fund money to pay for this project). Therefore, we need to raise fees to pay for the project. The applicable statutes (Hawaii Revised Statutes sections 266-2 and 266-17) give us the authority to set these fees, so we are using that authority.

There apparently was some spirited discussion at the SBRRB's August meeting regarding the proposed rules. One member said that the fees will be passed onto the small businesses. DOT replied that it's difficult to determine how much would trickle down to small businesses, and it's difficult to determine the impact on small business. (So they didn't bother; nor did they examine less burdensome alternatives, consult with small businesses, and so on.) Another member wanted to know if the DBEDT economists could estimate the economic impact. Staff said they would get back to him. (Wonder if they ever did.) Ultimately, the SBRRB passed the rules out for public hearing, moving them closer to becoming reality.



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