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MARCH 2018



The Official Publication of the Hawaii Society of Certified Public Accountants

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Y-CPA Buzz.....

How Much Does a Crosswalk Cost?....

By Tom Yamachika

President's Message By Norman N. Okimoto

Kung Hee Fat Choy! We celebrated the Chinese New Year on February 16th, the Year of the Earth Dog. As Alan Lum, a local Chinese astrolo-

ger and feng shui expert, noted in the February 11th Star Advertiser, "There is potential for peace, as long as boundaries are respected. Look for more growth in earth-related industries such as real estate and construction, businesses dealing in precious metal and steel, and information / communication industries related to the Internet."

Not sure if you are aware, but there are five elements to every Chinese astrological sign: wood, fire, earth, metal and water. Those of you who were born an Earth Dog will be 60 years old this year, since the last Chinese Year of the Earth Dog was in 1958. Twelve years from now in 2030, it will be the year of the Metal Dog, 2042 the Water Dog, 2054 the Wood Dog, 2066 the Fire Dog, and 2078 back to the Earth Dog.



Spend Time With Your Kids And Loved Ones

February is the start of baseball spring training and it always reminds me of one of my favorite baseball movies, "Field of Dreams." The movie has many memorable quotes and scenes and two really stand out to me. The first is when James Earl Jones says, People Will Come Ray..." (put clip reference). It reminds us of all the sports, "One constant through all the years is baseball...baseball has marked the time." There is also a great clip of different major leaguers quoting that same speech, including our very own Kolten Wong.

As a side note, two years ago I took my son to baseball spring training in Arizona for the first time since it was his last year in college. It was an amazing experience and I wished we had done it sooner. I highly recommend doing this if your son, daughter or loved one likes baseball. My son and I are planning to go to Arizona again in 2019!



The second scene is when Ray throws a baseball with his dad when he was younger. It reminded me how important it is for all of us to spend time with those we love and care about, even when we are busy and stressed out. When you think about it, every child, teen, high school, college and professional baseball player got interested in baseball because one of their parents took the time to throw a baseball with them. That's the same for any other sport or activity ... a parent took the time to work and play with their child. For loved ones, the greatest gift we can give them is our time, going to dinner, movies, walks, vacation trips, or just doing nothing together.

Be A Mentor

"Field of Dreams" also made me think about what a positive impact we can make and role model we can be for high school kids, college students and new hires who are interested in accounting and business. What better way to leave a legacy than to mentor someone to be the best they can be in accounting and business. Most accounting students attribute their interest in accounting to their professor or meeting someone in the profession who sparked their interest. That person can be and is YOU!!! I encourage all of you to continue being an advocate for our profession and being a positive role model and mentor for someone!



By Jacqueline Lombardo - Boomer Consulting, Inc.



In the business world things are constantly evolving and transforming and Human Resources is no exception.

As businesses transform we are seeing a shift in Human Resources. Decades ago, HR was fairly straightforward: employers had jobs that needed to be filled, and individuals had the skills to fill those jobs. Employers focused on the essential tools an employee needed to do their job, such as a desk, computer, phone, pen and paper, etc. Eventually, HR transformed from a utility focus to a productivity focus. While HR continued to focus on essential tools, they also began to focus on improving how their employees worked. How could they improve productivity and production (think of an assembly line)?

During these times, HR didn't focus on creating an environment where employees wanted to be, rather they focused on employee productivity and looked to for ways to continue to increase overall output. Of course, that had to change.

Once again, HR transformed and a new concept came into play. Now employers not only focused on the essential tools and productivity. They also started to explore how employees worked and why they worked that way. Employers began to explore what their employees cared about and valued (think compensation, flexible work arrangements, or casual Fridays), rather than just trying to make them more productive. This became known as employee engagement, and it's

been a considerable focus in HR for the past two or three decades. Recently, HR transformed again to focus on the employee experience. Employee engagement and employee experience are not the same things, but employee experience is not here to replace employee engagement, but rather they work together. Employee engagement focuses on the short-term perks and initiatives, while employee experience focuses on the long-term culture changes and organizational redesign.

Employee experience is looking at your organization and doing a re-design of your organization that puts employees at the center. Instead of trying to make

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Important Ethics Changes for CPAs in Business

By Gil Blumenthal

The American Institute of CPAs promulgated two significant ethics changes for CPAs in business. Both changes were effective August 31, 2017. The resultant broadening of a CPA's responsibilities, along with completely new content, makes these interpretations required reading.

- Revised interpretation "Knowing Misrepresentations in the Preparation and Presentation of Information," formerly "Knowing Misrepresentations in the Preparation of Financial Statements or Records" (ET sec. 2.130.010) under the "Integrity and Objectivity Rule" (ET sec. 2.100.001)
- New interpretation "Pressure to Breach the Rules" (ET sec. 2.170.010)

under the "Integrity and Objectivity Rule" (ET sec. 2.100.001)

Let's review both of these interpretations:

The "Knowing Representations" interpretation is not new, but the latest revision clarifies the responsibilities for CPAs in business, i.e., those not in public practice. The use of the general term "Information" characterizes the expansion of the responsibilities of a CPA in Business:

- At all levels within your employing organization.
- Including the preparation and presentation of information for use

both within and outside your organization.

 Including stakeholders including management, investors, creditors, regulators and others.

The intent of the new guidance presented in this interpretation is to clarify certain responsibilities for CPAs in business. CPAs responsible for recording, maintaining, preparing, approving, or presenting information must do so in accordance with the Integrity and Objectivity Rule. The information you provide may assist stakeholders in understanding and evaluating aspects of your company's operations and finances. This includes financial and non-financial information that may be made public or used for internal purposes such as the following:

- Operating and performance reports
- Decision support analyses
- Budgets and forecasts
- Information provided to the internal and external auditors
- Risk analyses
- General and special purpose financial statements
- Tax returns
- Reports filed with regulators for legal and compliance purposes

Obviously, CPAs who are responsible for recording, maintaining, preparing, approving, or presenting information should present the information in accordance with a relevant reporting framework. Information should be prepared or presented in a manner that is intended not to mislead, including not to inappropriately influence contractual





or regulatory outcomes. Information you prepare or present must be complete and without omissions that would render the information misleading

Ultimately a CPA is responsible for using professional judgment to assure that facts accurately reflect the true nature of business transactions or activities and are described clearly and classified appropriately. The interpretation provides guidance in the event that information you are associated with, or are aware of, is misleading. The key word is "associated." No CPA wants to commit an Act Discreditable by failing to deal with information that is false or misleading, regardless of the source of that information. If you become aware of such an issue, consider the safeguards that are described in the interpretation as they are designed to protect all concerned.

Circumstances may be such that you may wish to resign from your organization. However, resignation may not relieve you of your responsibilities, including any responsibility to disclose concerns to third parties, such as regulatory authorities or the employing organization's (or former employing organization's) external accountant.

Matters involving situations in which there are concerns regarding the accuracy, reliability, intent or completeness of information should be documented just as you would with any other Ethical Conflict. See [ET Sec. 2.000.020] when addressing ethical conflicts that may arise when a CPA encounters obstacles to following an appropriate course of action.

Such obstacles may be due to internal or external pressures or to conflicts in applying relevant professional and legal standards, or both.

Pressure to Breach the Rules

According to the AICPA, the intent of this new interpretation is to provide guidance for CPAs in business when they are faced with pressure from others (for example, a colleague, superior, or customer) to take actions that could result in a breach of the rules, particularly the "Integrity and Objectivity Rule." This new interpretation prohibits a CPA from placing pressure on others that would result in others breaching the rules. However, the focus of the guidance is on the CPA being pressured by others in a way that could result in the CPA breaching the "Integrity and Objectivity Rule." The interpretation includes numerous examples of pressure that a CPA in business may face when undertaking professional activities.

An additional reason for this new guidance is that the Professional Ethics Executive Committee (PEEC) has considered the IESBA's new ethics standard, section 370, Pressure to Breach the Fundamental Principles. The PEEC believes this proposed interpretation is substantially consistent with that contained in the IESBA Code of Ethics for Professional Accountants.

At some point in every CPA's career, they may feel pressure to push the envelope of professional propriety. This is the first guidance specifically for CPAs in business and it is a valuable supplement to the Subordination of Judgment interpretation (Sec. ET sec. 2.130.020) which prohibits a CPA from knowingly misrepresenting facts or subordinating his or her judgment when performing professional services for an employer.

Below are excerpts from the interpretation to illustrate pressures that you may face that could result in a violation of the Integrity and Objectivity Rule.

Pressure to influence presentation of information:

- Pressure to report misleading financial results to meet investor, analyst, or lender expectations.
- Pressure from elected officials on government accountants to misrepresent programs or projects to voters.
- Pressure from colleagues to misstate income, expenditure, or rates of return to bias decision-making on capital projects and acquisitions.
- Pressure from superiors to approve or process expenditures that are not legitimate business expenses.
- Pressure to suppress internal audit reports containing adverse findings.

Pressure to act without sufficient competence or due care:

- Pressure from superiors to inappropriately reduce the extent of work performed.
- Pressure from superiors to perform a task without sufficient skills or training or within unrealistic deadlines.

Continued on page 18

Is Cyber Insurance Necessary?

By Randolph P. (Randy) Johnston



Cyber-attacks are becoming more frequent, more invasive, and more lucrative to bad actors. It is not a matter of if

your firm will have a breach of security, it is simply a matter of when this occurs. While experts try to argue the merits and risks of using cloud providers versus premise-based solutions from a security perspective, all types of technology are vulnerable from your mobile phone to your hosted or SaaS service. When an attack occurs, the costs of reporting required by compliance regulations, down time, and loss of data will be among the losses. Since we can't be sure that all the efforts of your technology teams on cybersecurity will keep the bad actors out, one way to mitigate that risk is to shift

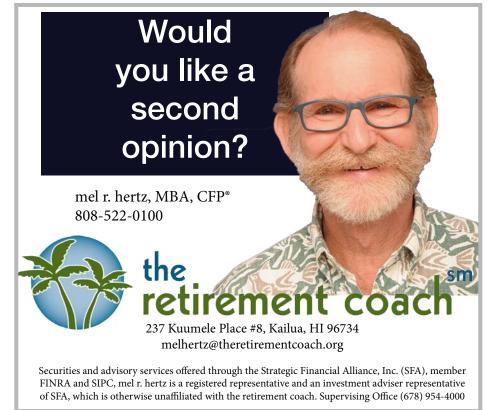
the risk of cybercrime to cyber insurance carriers. There are almost one hundred providers of these policies today.

Public practice firms as well as industry businesses have a variety of regulations that must be followed for computer systems and computer-based records. For example, breach reporting laws exist in 47 states. These laws have driven recommendations to encrypt all data whether in motion over the internet or at rest on a local drive, server or storage device. However, both Tennessee and Louisiana currently require reporting a breach even if the data is encrypted. Other regulations that control Personally Identifiable Information (PII), Personal Health Information (PHI), or Payment Card Industry

(PCI) that frequently exists in our client records or on our mobile devices. One defense that you can implement is multifactor authentication (MFA). With the March 1, 2018 changes in PCI regulations requiring MFA, the fact that many banks and other financial institutions implement MFA for larger or business accounts, as well as the requirement early in 2017 by the IRS to use MFA with tax software applications, it has become clear that the minimal best practice for security is adding MFA for most businesses. If you don't have MFA or encryption, your risks increase; just like in the 1990's not having a firewall or anti-virus software increased your risks.

Consider having security training at least once per year, but perhaps as often as four times per year. Instruction for team members on what to do, or not, and how to recognize attacks will drive up awareness, and in turn, drive down your risk. This could include simple training like recognizing bad email, not clicking through links, making sure that anti-virus is running properly as well as how to report and respond to a suspected issue. You can use services that test your organization with social engineering as well as using tools that run network vulnerability scans or external penetration tests. Studies have shown that organizations that have security as a priority from the top levels of management have more security awareness throughout the organization and have fewer security errors made.

Bad actors, whether they are individual, organized crime, or state actors, have discovered that obtaining PII data can



be profitable when it allows them to access bank accounts, credit cards, retirement accounts, stock holdings, and other monetary instruments. While the perception of many businesses is that the bad actors only target larger players, anyone who is connected to the internet is a potential target. This is made even easier with automated cracking tools that can be obtained for less than \$100. Automated tools identify specific targets with vulnerabilities, desirable characteristics for monetary gain, and easy targets for infection. Malware, that is malicious software such as ransomware, can be planted that demands payment, destroys live files and backups, or simply transfers valuable data from your business to the bad actor. The most effective attacks are the ones that occur that you never detect. If a breach occurs on your data, and you have a reporting incident, industry standards suggest that \$250-500 per person is needed. Consider if you do work for a business, and obtain individual's records as part of that work. One project could result in hundreds or thousands of breach reports required. This table from Ponemon illustrates the cost by industry:

Just because your provider claims to have appropriate backups, security and other protections in place, what have you done to confirm this? Have you tested your restore capabilities, business continuity/ disaster recovery plan, or reviewed your incident response plan (IRP) lately? What about your internal controls? Have you reviewed the strength of your various controls and procedures?

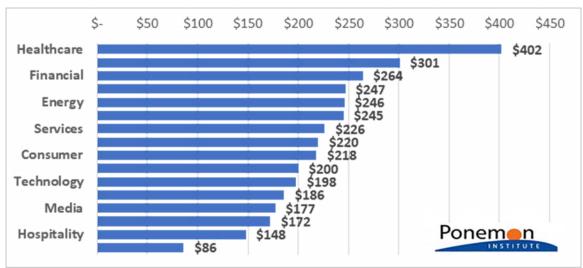
To counter this risk, insurance companies have begun to offer insurance to specifically protect against the threat of digital attacks. Most of you purchase casualty and liability insurance to protect the business from unforeseeable risk. Cyber insurers either offer separate policies or riders can be added to your existing policies to assist in reporting, forensics, and litigation. The policies available and related premiums and coverage are still developing. As you review policies, listen to your underwriter, but consider the cost of:

- Downtime
- Remediation
- Forensics

- Litigation
- Reputation damage
- Loss of data

It would be our hope that your business is never attacked or worse yet breached. However, with the simplicity of today's attack tools, the value of business data, and vulnerabilities in our various hardware and software systems, even if everything is perfectly implemented, there are no guarantees that your protection mechanisms will keep the bad actors out. So how can you shift the risk of cybercrime? Cyber insurance!

Randy Johnston is a shareholder in K2 Enterprises, LLC, a leading provider of CPE to state CPA societies. He also owns Network Management Group, Inc., a managed services provider that provides support 24x7 from Boston to Honolulu. Concepts for this article were extracted from the Technology Update session produced as part of the K2 Technology Conferences in 2017 and from his own experience working with technology at various firms in the U.S.



Average Breach Cost Per Record by Industry in 2016 (U.S. in US\$)

Continued from page 5

people fit into workplace practices, employee experience looks at transforming workplace practices to fit your people. When looking at a re-design, you are looking at the organization's structure and culture and how an employee perceives the organization overall and their role within the company. We can boil this down to three things within an organization that influence employee experience.

Culture

Culture can mean a different thing to different people. Regardless of the definition, culture is the vibe you get from coming to work. It is the mood and tone that is set in the organization's workplace. Culture is not created in a



physical space, but rather it is the sense of purpose your employees feel, the organizational structure and the people who make up your organization. It is not something that an organization has in writing or in a handbook, but it is important when creating an employee experience. An organization's culture can be positive or negative; it can motivate us or it can discourage us. We experience the culture of our organization every day, but it is only a third of the equation of employee experience.

Technology

Part of a positive employee experience is technology: it must be powerful and user friendly. Every day our profession uses some sort of technology. It allows us to connect with our clients and access and share information instantaneously. Technology refers to the tools your employees use to get their work done. This includes everything from internal social networks, mobile devices, apps, software, elearning tools and much more. For many organizations, work and future work are not possible without technology. Creating an employee experience requires tools that focus on employee's needs and not just the business requirements. When we invest in our employees and are dedicated to making their lives easier, your employees invest in you and the overall organization.

Physical Space

Physical workspace is what employees see, touch, taste and smell. It can be the art that on the walls, the physical perks employees may get such as a lounge area. It also includes workplaces flexibility,

autonomy and access to multiple workspaces in different environments. This is something to consider when employees are working remotely: do they have to have their own office in their house? Are they able to work from a Starbucks or a coffee shop if they need a change of scenery? This is part of the employee experience that needs to be focused on from an office setting and a remote work setting.

When it comes to the employee experience it is important to remember the "employee" part. You do not make assumptions of what our clients want in your product and services, do you? So why make assumptions in what your employees want or need? It is important to get their input and ask them what types of resources, technology or spaces they believe are important. It is important to listen to your employees and let them know they are being heard, even if you are not able to give them everything they want.

As a Project Manager for Boomer Consulting, Inc., Jacqueline plans, executes and manages the people, resources and scope of many of our firm's projects, programs and events. Jackie supports multiple phases of our business by providing assistance and constant communication with clients and sponsors, and by serving as an event liaison for programs and consulting engagements. Her primary roles include overseeing Lean Six Sigma Consulting and The Boomer Technology Circles™ Partnering Sponsor Program. Jackie thrives at the opportunities to build new relationships.



Hawaii Tax Legislative Update





Phone

April 18, 2018 11:30 a.m. to 1:00 p.m. Plaza Club - 20th Floor Buffet lunch from 11:30 a.m. Program at 12:00 noon

What happened during the 2018 Legislative Session? Join us to hear which bills passed and the impact they will have on Hawaii taxpayers and businesses. Tom will provide an overview of the tax-related bills still alive at the Legislature. Topics of interest are the Tax Cuts & Jobs Act as applied in Hawaii; the "AirBnB Bill"; proposed "fixes" to the TAT laws to upend the *Travelocity* decision; and more. Tom will also be able to present perspectives on some bills that wound up in the round time - this time.

Note: By the April 18th luncheon seminar, the legislature will still be in session, and conference committees will be meeting to consider bills. In addition, the Governor still may sign or veto any bills that the Legislature passes.

Speaker: Tom Yamachika, President - Tax Foundation of Hawaii

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		Update on Hawaii Tax Measures • April 18, 2018 • Plaza Club
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Accounting Evolution

By Jill Ishimitsu

REVENUE RECOGNITION ... LEASES ... TAX REFORM ... ARTIFICIAL INTELLI-GENCE ... BLOCK CHAIN ... Honestly, just the thought of these topics gets me anxious. How are we supposed to know what to do. when the authoritative guidance has not yet been finalized? As accounting professionals, it's important to keep up with the latest news and guidance about what's changing in the industry. However, the industry guidance on revenue recognition has not yet been completed and the update related to the Tax Cuts & Jobs Act is currently in the exposure draft form. Not to mention the potential impact of artificial intelligence, block chain, machine learning, and other technology changes. Any technologically-challenged accountant is bound to throw their hands up in exasperation. How are we supposed to keep up with all these changes?

Read Accounting Periodicals. Articles on accounting updates, artificial intelligence, block chain, and tax reform are all over the Internet. A quick search on the Journal of Accountancy, AICPA website or Google is a good place to start. HSCPA's December KALA also had a good article on block chain.

Read the ASU. If it's an accounting update, perhaps a good place to start is by reading the actual update. Yes, I know, ASU 2014-09 Revenue from Contracts with Customer is around 700 pages and ASU 2016-02 Leases is around 480 pages. That's a lot of pages to read! Don't worry, some pages contain background information or charts that references the corresponding guidance in IFRS. Other sections deal with specific

industries or situations that may not apply to your clients. At a minimum, you should scan the update. Read the applicable sections to understand the main concepts and pay close attention to the sections that apply to your clients.

Don't Forget the Updates. Check FASB's website for any updates. There's already six updates regarding revenue recognition and one regarding leases. More updates are in process.

Read Industry Accounting Guides. If you want a more centralized place to start your research, consider reading accounting guides. The AICPA published an Accounting Guide on Revenue Recognition to help entities and auditors implement the new revenue recognition standard. Even though the guide is not yet complete, it is a great starting place. The Guide will be updated periodically as the industry implementation guidance is finalized. If you want additional guidance, many accounting firms issue accounting guidance on ASUs which can be easily found on the Internet. The guidance breaks down the update, consolidates significant aspects of issued updates in one document, and provides implementation guidance and illustrative examples.

Subscribe to Accounting Resources. If your firm subscribes to an accounting resource, such as the AICPA's Center for Plain English Accounting ("CPEA"), check their website for helpful articles or CPE. For example, CPEA has an article on how the tax reform affects accounting for income

taxes which includes examples of financial statement disclosures. They also provide quarterly updates for CPE credits. You can also subscribe to Accounting Today, the CPA Letter Daily, or other e-newsletters, many of which are free, that provide information on a variety of accounting-related and industry matters.

Consult with Others. Talk with your peers, managers, shareholders, clients, etc. Find out what they know about the topic. Are there any webinars, online classes, or conferences you can attend to get a better understanding? What are your clients doing to implement the change?

Take a CPE Course. Take a class on these topics. If you are attending a live CPE course, talk to other attendees. Listen to their thoughts and perspectives. What are they doing to comply with the accounting changes? What have they implemented or plan to put in place in regards to technology advancements?

There are many things we can do to stay current with all the changes in the accounting industry. By reading and discussing these topics, we will be better informed and able to assist our clients. As for technology advancements, keep in mind that our bosses may be looking at us, the younger and more technologically savvy generation, to research, develop, and implement these advancements to aid in our engagements. Let's challenge each other to stay on top of these topics and guide our clients and firms through these ever-changing times.









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KALA MARCH 2018

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Norman's Book Review

"Spark Joy"

by Marie Kondo

"Life truly begins only after you have put your house in order."

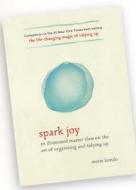
How many of us can truthfully say our house is exactly the way we want it to look and feel? I don't think many hands would be raised. Now, if I ask how many of our houses and offices could use some tidying up, many hands would be raised.

In the April 2016 KALA, I reviewed Marie Kondo's wildly popular first book, "The Life-Changing Magic of Tidying Up," which covered the KonMari Method of de-cluttering homes and offices. Many CPAs mentioned to me they thought the review was interesting and worth trying.

"Spark Joy" is the companion book to the author's first one, and she calls it the "Encyclopedia of Tidying Up." After reading the book, I must say it is complete, comprehensive, and filled with the author's hand-drawn pictures, which are refreshing, simple to understand, and entertaining. I am even more encouraged to continue my journey of tidying up my home and office, and correspondingly, my life!

The following are tidbits of information I thought you would find interesting and inspiring, along with links to videos of the author explaining her method to different celebrities. Because of her books, she has become a celebrity too! I've included a picture of one of her many drawings from the book so you can see how creative she is.

Six Basic Rules of Tidying



There are six basic rules of tidying the KonMari way, and once you are done, clutter will not reappear and your life will be transformed.
"The key to success is to tidy up quickly

and completely, all in one go." The six rules are as follows:

- 1. Commit yourself to tidying up
- 2. Imagine your ideal lifestyle
- 3. Finish discarding first
- 4. Tidy by category, not by location
- 5. Follow the right order
- 6. Ask yourself if it sparks joy

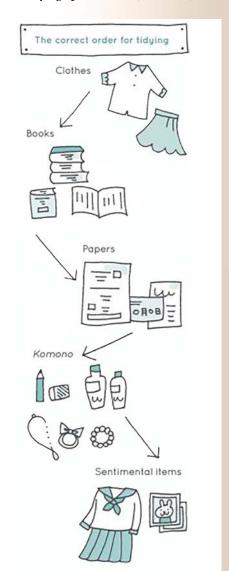
From her personal experience and from her experience in helping others, the best way to see if something sparks joy in you is to hold the item and see how it makes you feel. She says "when something sparks joy, you should feel a little thrill, as if the cells in your body are slowly rising. When you hold something that doesn't bring you joy, however, you will notice that your body feels heavier."

Thank Items You Discard

The author highly recommends you thank every item you discard before saying good-bye to it. Why? "By letting go of the things that have been part of your life with a feeling of gratitude, you foster an appreciation and a desire to take better care of the things in your life."

The Difference Between Tidying and Cleaning

Many people use the words tidying and cleaning interchangeably but in reality, they are two very different things. The author refers to tidying as confronting yourself, while cleaning means confronting nature. That's why the year-end Japanese tradition is a "cleaning spree," not a "tidying spree." Note, however, "the



secret to a successful year-end cleaning is to finish tidying up beforehand."

Don't Give Up

Not sure you can do it? Is your room too messy? The author suggests you take before and after pictures because pictures never lie and usually the room looks messier than you think. Once you hit "rock bottom," you will be more inspired to take action. As the author insightfully notes, "no matter how messy your house may be, tidying deals with physical objects. No matter how much stuff you may own, the amount is always finite."

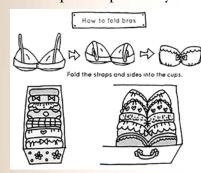
"Everyone can make their home a place that brings them joy, because tidying never lies."

90% Rule of Thumb

The author recommends you fill your storage areas up to 90% with things you love and that bring you joy. The drawers will look full but not stuffed. If you keep the drawers say 50 - 70% full, you will be tempted to fill them up with things that don't bring you joy and before you know it, you are accumulating more and more stuff again.

Treat Bras Like Royalty

Unlike any other profession, the author gets to examine people's underwear, and simply put, she notes "the way people treat their undergarments reveals much about that person's personality."



For women, she believes panties and bras should be stored separately, and bras

should be treated like royalty. "Bras have exceptional pride and emit a distinctive aura. They should be stored as to retain their shape and respect their beauty."

Skincare Products and **Makeup**

Skincare products and makeup should be stored separately, since the former is moist and watery, and the latter repels water. For example, "a single drop of skin lotion falling into your blush could ruin it."

Regarding shelf life of products, the author feels "powders will keep two — three years once they have been opened, lipsticks should be tossed after one year when they start smelling oily, and liquid foundation / skin care products will only last about a year." She has noticed "the life of cosmetics was much shorter than she had expected."

Kitchen Tidy Secret

The author decided to visit some restaurants to identify the secrets to keeping a kitchen tidy. What she found was one consistent tenet at every restaurant ... "The focus was not on ease of use, but on ease of cleaning." As one head chef noted, "Tidying the kitchen means wiping away any water and oil."

Secret To A Sweet Smelling Kitchen

The key to a sweet-smelling kitchen is to either take the raw garbage outside every day, or if that is not possible, the author recommends you bag all the garbage, squeeze out the excess water, and store in your freezer until it is garbage day.

King of Kitchen Komono

What is not widely known is "cutlery is the king of kitchen komono (miscellaneous items) because next to food and your toothbrush, cutlery is the only thing that enters your mouth." Consequently, you

should reserve the best space in your kitchen for your cutlery. "By treating anything that directly touches your body with extra respect, you can multiply the joy factor in your daily life." Cutlery can be stored either upright in tubes or by laying it flat in a box. "If you are going to choose a cutlery tray, your cutlery will be happier if you pick one that is made of rattan, bamboo, or some other natural material with a gentle embrace, rather than a plastic case in which it will rattle around."

Maximizing Joy In Your Room

Wherever you have a mirror, make sure you have one of your favorite pictures hanging opposite of the mirror. That way, when you look in the mirror, your heart will always be filled with joy when you see your favorite picture!

Tidying and Your Love Life

The author has noticed in her work that "tidying can also help people set their love life in order, no matter the direction of the outcome." Client actions as a result of tidying have ranged from improved love relations and marriage proposals, to terminating a relationship.

Closing Thoughts

I highly recommend you read Marie Kondo's books and watch her videos online. Your life will be transformed. As the author notes in her epilogue, "I believe that when we put our things in order and strengthen our bonds with what we own, we rediscover our innate capacity to cherish the things in our lives and regain the awareness that our relationship with the material world is one of mutual support."

"The greatest cha nge that occurs through tidying is that you will learn to like yourself.

■ ○ □ ■ CPA FIRM ■ ○ □ ■ MICROCOMPUTER TECHNOLOGY

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





We'd like to continue where we left off in our last article regarding assessing security risks and related protections for a small CPA firm. Here are some additional things to keep in mind:

It is very important to protect the software you use to access your email such as Microsoft Outlook, Email web access, and mobile devices that access your email. The reason for this is that many sites allow us to reset the password by sending us an email. That means anyone who has access to our email can reset the passwords to sites we access, and thus get access to those sites. In addition to keeping our email access secure, we should implement two factor authentication on all sensitive sites, so that even if someone reset the password, they could not get access because they would need our phone to supply the one-time security code. This would include two factor authentication to email web access such as Microsoft Office 365 Exchange Online.

It is very important to protect the software we run on our computers, especially sensitive software such as tax preparation, audit engagement software, cloud-based software such as online document storage, online tax preparation, or online accounting software such as QuickBooks Online. One way to do this is to use very strong passwords for these programs, and to use password management software so that you don't have to remember any of the passwords and so that these passwords can be unique for each login. Another strategy is to use two factor authentication for all sensitive software. No sensitive software should be set to remember the password. It should not allow access without you supplying the password.

It is very important that you ensure that your computer is secure when you are not using it. Microsoft Windows should be set to automatically lock the computer if you've been away from it for a time, such as twenty minutes. When you leave for the day you should log out of your email program, your password manager and all other sensitive software. Do not use 'remember me' or automatic logon for any sensitive software. Be aware that some programs use a persistent connection and require that you log-off before leaving for the day, even if you're not actually in the software. Your computer is secure when you've logged off of all of these programs before you leave for the day. Developing good habits in this regard will go a long way to preventing unauthorized access to your sensitive software, especially tax preparation software.

Finally, do everything possible to protect the master password for your password management software, including using the virtual keyboard instead of the physical keyboard to enter the password, and two factor authentication, because this is your most important password.

We need to understand that unauthorized access to our software and data might be the greatest risk our firms face, and get used to doing everything possible to prevent it.

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.

Hawaii Practices For Sale

Gross revenues shown: Hawaii Island CPA-\$383K, accounting (57%), tax (42%), quality clients, strong fee structure & staff in place; Hawaii Neighbor Island CPA-\$1M, Tax (49%), acctng (46%), other (5%), cash flow 50%+, turn-key practice, tenured staff; Honolulu CPA Majority Partnership Opportunity-60%+/\$300K, tax 65%, acctng 35%, strong fee structure, staff in place. For more information, please call 1-800-397-0249 or to see listing details and register for free email updates visit www.APS.net.

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- Identify the changes for individuals under the TCJA
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- Explain the new deduction of 20% of qualified business income
- Identify the changes made to methods of accounting which allow more businesses (even a business where inventory is a major income-producing factor) to use the cash method
- Recognize the changes made to estate and gift taxation
- Explain the changes made to the section 179 deduction and the additional types of property which will qualify for the section 179 deduction in 2018
- Explain the effect of the TCJA on partnerships, C corporations, and S corporations



Continued from page 7

Pressure related to financial interests.
 For example, pressure to manipulate performance indicators from superiors, colleagues or others, such as those who may benefit from participation in compensation or incentive arrangements.

Pressure related to gifts or entertainment:

- Pressure from others, either internal or external to the employing organization, to offer gifts or entertainment to inappropriately influence the judgment or decisionmaking process of an individual or organization.
- Pressure from colleagues to accept inappropriate gifts or entertainment from potential vendors in a bidding process.

Pressure related to conflicts of interest, for example, pressure from a family member bidding to act as a vendor to the member's employing organization to select that vendor over another prospective vendor.

In those situations in which you determine that the pressure to breach the "Integrity and Objectivity Rule" [2.100.001] has not been eliminated, you should do the following:

- Decline to undertake or discontinue the professional activity that would result in a breach of the rule.
- Consider whether to continue a relationship with the employing organization.

Finally, you should document the facts,

communications, courses of action considered, parties with whom these matters were discussed, and how the matter was addressed.

Gil Blumenthal, CPA has been active in the Arizona CPA community since 1978. He received his training in two of the now "Big 4" CPA firms ultimately becoming a shareholder and managing partner of a local CPA firm that grew to become one of the largest in the Phoenix area. Gil has authored and taught a variety of CPE courses for CPAs and has been the principal instructor for professional ethics programs for CPAs in Arizona since 2004. Gil also served in the United States Army in the Office of the Inspector General, Frankfurt, Germany.







By Tom Yamachika

How Much Does a Crosswalk Cost?



Most of us are very familiar with crosswalks and traffic signals. We pass a few of them every day. We might get stopped by a red light from one of them. But

have we ever stopped to think how much one of these things cost?

One of the bills introduced in the recent legislative session, <u>Senate Bill 2004</u>, tells the story of just one signalized crosswalk yet to be built. <u>House Bill 2063 is identical</u>. The crosswalk is to be located at the intersection of Vineyard Boulevard and River Street in Honolulu, at the edge of Chinatown. It's kind of a busy area for cars and people, with Vineyard Boulevard being six lanes of traffic all going Ewa (West, for you non-locals).

Apparently, our lawmakers agreed some time ago that a crosswalk with traffic signals is needed there. Funds were appropriated for the project back in the Supplemental Appropriations Act of 2014. At the time, \$750,000 was set aside for both design and construction.

Although the 2014 budget act was signed into law on June 26, 2014, the text of Senate Bill 2004 recites that the funds were released in April 2015, ten months later. That date is significant because the State's fiscal biennium ended at the end of June 2015, at which point the funds appropri-

ated in the 2014 bill were to lapse. The Department of Transportation was able to get a contract signed to design the intersection, but not to construct it. The design work seems to have cost about \$230,000.

Because the crosswalk was still needed and wasn't built yet, lawmakers took up the cause again in the 2016 legislative session and were able to get it included in the Supple-mental Appropriations Act of 2016. This time, the appropriation was for \$523,000, which probably was what remained of the originally appropriated \$750,000 after the design costs were taken out.

But alas, delays plagued the project once again. Our Department of Transportation posted a notice on October 10, 2017, requesting bids by November 9. The work included "installation of traffic signals, underground ducts, traffic/pedestrian signal poles, foundations, controller hardware, curb ramps, BMP, pavement markers, lane extension, electrical installation and connection, and removal of chain link fences." (Sounds pretty involved — but would it be different installing any other traffic signal?)

On November 9, 2017, the bids were opened. Two bids were received, the lower of which was for \$816,000. That's in addition to the design work that already had been done, putting the total project cost north of \$1 million. Because this

new project cost is somewhat larger than the \$750,000 originally appropriated for the project, Senate Bill 2004 asks for an additional \$352,800 on top of the funds in the 2016 appropriation. The bill says that "construction costs have increased over the intervening years." (That's an increase of over 13% per year. I must be in the wrong business.)

The median price of a single-family home, which includes design, construction, electrical work, plumbing, and the dirt on which all of it sits, was \$760,000 in 2017 according to Honolulu real estate firm Locations. That amount of money doesn't seem to be enough to pay for one crosswalk with a traffic signal. And a single-family home can be built much more quickly.

Is this the new normal? Is this a signal for the need to raise taxes again? Please tell me that it's not!

Tom Yamachika is President of the Tax Foundation of Hawaii - the 'watchdog' that keeps an eye on Hawaii's taxes. He is also the owner of Aloha State Tax, a small law firm with emphasis on State taxes. Prior to going solo and the TFH, Tom was a principal with Accuity LLP where he managed the tax consulting practice, including quality and risk management and practice development.



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