

MAY 2018

KĀLĀ

The Official Publication of the Hawaii Society of Certified Public Accountants

IS YOUR CREDIT CARD DATA SECURE?

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Accounting World

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June 22, 2018





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President's Message

By Norman N. Okimoto



Warren Wee Tribute

Imagine the Stan Sheriff Center (10,300), Les Murakami Stadium (4,312), and Rainbow

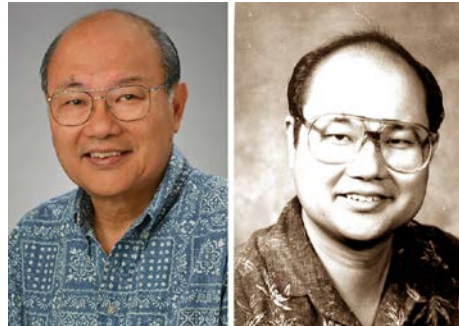
Wahine Softball Stadium (1,200) all being sold out on the same night. That is a conservative estimate of the number of students Warren Wee has taught accounting over his 40+ years teaching career at the University of Washington (UW), Pacific Lutheran University, Kapiolani Community College (KCC), University of Hawaii at Manoa (UHM), and for the last 30 years at Hawaii Pacific University (HPU). You know you have made a difference in the world when numerous business leaders and CPA firm partners credit you for their accounting knowledge foundation, and current students say their parents learned accounting from you!

Without fanfare, Warren will be retiring from HPU this year and taking a well-deserved rest from his years of dedicated service teaching students about accounting and having a good life. I've had the honor and pleasure of working with Warren on the HSCPA Board and Executive Committee. He is a person of impeccable integrity, highly knowledgeable of the latest accounting and business issues, and when he served as the HSCPA Secretary/Treasurer for many years, you know HSCPA was in good hands. When I learned of his impending retirement, I was compelled to share his story on behalf of the over 15,000 students who have taken accounting from him.

Local Boy Helping Others

Warren is a local boy who attended Waialae Elementary, Kaimuki Intermediate, Kalani High School and UH. I will let you

guess when he attended these schools by giving you this one hint, he worked part time at UH for \$0.90 / hr, which was the minimum wage at that time! He started out in engineering his first year, armed with a slide rule, T square, drawing board and masking tape. Engineering wasn't "talking to him" so he followed his parents advice of "go into business so you can get a job" and switched his major to accounting.



The late Howard Lowe convinced Warren to help him teach accounting at UH after graduating with distinction in accounting and getting his MBA from UH. So, for just a little north of \$10,000 / year, he taught at UH for two years, before deciding to get his doctorate in accounting from UW. He shared that he decided to get his doctorate because although it was difficult, expensive and not a sure thing to get his doctorate, it was a dream of his and he didn't want to regret not even trying to get it.

Deloitte Years

Thanks to Gary Nishikawa and the late Lloyd Fujie, Warren got a job at Deloitte after earning his doctorate from UW. He really enjoyed his time there, especially working for and with very talented people. In addition to Gary and Lloyd, he remembers George Lumsden, John Marrick, Rick Ching, Natalie Ichimura, Bob Hatanaka, Paul Higo, Val Shintaku, and Abe Lee, to name a few people.

Back to Teaching

Although he enjoyed working at Deloitte, going back to UH tugged at his pocket-book (UH paid 400% more than when he worked there previously) and heart (he really enjoyed teaching). With that, he began teaching full time at UH, KCC and finally, HPU.

His Teaching Secret

Warren takes great pride in whatever he does. When it comes to teaching accounting, he wants his students to learn it well and he experiences tremendous satisfaction when his students are successful in their careers. "I passed the CPA exam because of what you told me," "You made accounting fun," are some of the feedback he has received from former students.

His teaching secret? Because accounting is inherently boring, he structures his teachings around the concept of accounting being like a puzzle that people have to solve. He then tries to make it fun to solve the puzzle, and always relates accounting to business operations. Accounting is the life blood of any organization so being proficient at accounting is invaluable in learning about your company and other entities. My wife had the good fortune of taking accounting from Warren at UH and she fondly remembers how Warren made learning accounting fun and memorable. He inspired her to switch her major to accounting. With that, I have to thank Warren too because I met my wife as a result of her working in the accounting field!

Passion

Warren loves to read and keep current about anything dealing with the economy,



accounting and financial issues. He also likes to keep physically fit by walking every day (he used to run 3 miles a day in the morning).

Favorite Chinese Restaurants

His top three Chinese restaurants in no particular order are Duk Kee, Golden Duck and Happy Days. He fondly remembers the food at Tin Tin, Empress and Kuhio Grill, which have all closed for business.

Health Tips

I included a current picture of Warren, as well as a picture of him when he joined HSCPA over 30 years ago, to show how he looks the same and healthy as ever. In fact, my wife also mentioned Warren looks the same today as when she took accounting from him! He credits his good health to eating a balanced diet, minimizing his consumption of red meat,

and doing everything in moderation. He also shared a smart and funny tip of “you should never schedule a doctor’s appointment right after the holidays!” Like most of us, he indulges in many culinary delights during the holiday season.

On a psychological level, he believes the following four items are crucial to living a low-stress life:

1. *Have a good sense of humor.*
2. *Laugh a lot and laugh at yourself.*
3. *Don’t take yourself too seriously.*
4. *Don’t stress yourself out.*

He sees too many people and students being stressed out over a variety of things which is not good for their health.

Retirement Plans

Upon retirement, Warren will relax for a

bit before traveling to visit friends in his favorite cities of Las Vegas, Seattle, San Francisco, New York, Hong Kong, Singapore, Bangkok and Tokyo. He is looking forward to being away for a few weeks at a time because for as long as he can remember, the longest vacation he could take was one week due to work requirements. He might work part-time to keep his mind sharp too.

Thank You, Warren!

On behalf of HSCPA and the over 15,000 students you inspired about learning accounting, thank you very much and enjoy your well-deserved retirement! You’ve had a great career and good life so far!!!

Note: If you want to share any thoughts with Warren before he retires, you can e-mail him directly at wwee@hpu.edu, or to the HSCPA at info@hscpa.org.

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3 Responses to Disruption in Firms Today

By Sandra Wiley



I spend quite a bit of time talking to firms and leaders in our profession about digital disruption and changing business models

in firms around the country. With technology posed to take over all manner of accounting compliance work, traditional service offerings like tax preparation and some parts of audit will be automated or rendered virtually irrelevant. Everybody is talking about what to do next: how to boost revenue, relevance and value by developing the necessary skills and mindsets to leverage emerging technologies.

What I've discovered is that firms fall into one of three camps when it comes to thinking about and planning for the coming transformation. So, let's take a look at those three camps and what you should be doing if your firm is in one of them.

Camp #1: Watching from the sidelines

This camp is composed of individuals and firms who are sitting off to the side. Perhaps they hear what other firms are talking about and see what other people are doing but think, "It won't affect me," or perhaps even worse, "I'll be out of here before it happens."

Does this sound like you or the partners in your firm? If so, you've got to do something. First, disruption isn't coming – it's already here. The largest firms are already using technology that can slash the amount of time accountants spend on complex audits, analyzing contracts and researching tax credits.

Even if you believe you'll be enjoying

your retirement in the next few years, if you're planning on "cashing in" your share of the firm's value, what will it be worth? A train wreck, stuck in outdated processes and technology, losing talent and clients to other firms won't be worth much. If you want to have value to cash in, it's time to get off of the bench and start figuring out what your firm needs to do to remain relevant.

Camp #2: Feeling stuck

This camp is made up of individuals and firms who know change is coming but feel stuck. They're not taking action, not because they don't think the coming changes will affect them, but because they simply don't know what to do.

If this camp sounds familiar, lean in. Get educated. You don't have to do it on your own. Attend conferences, join peer groups and tap into the wealth of knowledge and experience being shared in our profession right now.

Take on specialized projects in your firm to expand your understanding of technology, data analytics, consulting and other skills that will become more and more crucial as the profession evolves. You don't need to have all of the answers today. As you start making steps towards learning and using new skills, you will gain confidence and start getting stronger.

Camp #3: All in

This camp is much smaller than the other two. These are the individuals and firms who are all in, making changes in their firms right now. Make no mistake: this camp is not made up of only the largest firms. True, large firms have the resourc-

es to develop their own AI products that smaller firms don't have. But the technology will become more widely available in the next few years until it becomes standard in firms of all sizes.

Is this where your firm is at? If so congratulations, you're on your way! But before you celebrate too much, make sure you're going the right way. It's not enough to change yourself. You need to lead other people and get them involved.

Technology isn't the only thing that will change inside firms in the next few years. The kind of people inside firms will change as well. We'll see a more diverse talent pool and people with degrees other than accounting. We'll need a mix of experience and specialties to meet the needs of our clients – more than any one person can provide on their own.

So which camp are you in? Whether you're sitting on the sidelines, unsure of which step to take first, or just looking for new ways to seize the opportunities that emerging technologies will bring, we can help. Check out the [Business Transformation Playbook™](#) or join the [Boomer Advisor Circle™](#). Commit to embrace change and truly become your clients' trusted business advisor.

Sandra Wiley, President of Boomer Consulting, Inc., has been lauded for her industry expertise in human resources and training. She is often called the "go-to person" for solutions to the profession's staffing crisis, citing her wise advice on hiring – and keeping – employees for the rest of their careers.



Emerging Technologies Equal New Opportunity

By Randolph P. (Randy) Johnston



One thing that CPE should do for you is to provide knowledge that you can apply in your day to day work.

When our K2 team offers a CPE course related to accounting technology, our rule is that we should have content that can be applied the next day you return to your office. While creating the content for our team to teach emerging technology this year, we applied this rule and also learned some things about emerging technologies along the way. One key learning point is that emerging technologies can and will be applied in the practice of accounting, whether you are in public practice or industry. It is also clear that emerging technology will contribute to the profits of the firm. Another thing that was not fun to learn was that there are many snake oil sales efforts around emerging technology. Let's discuss a few observations and opportunities.

The latest marketing buzz word is artificial intelligence. We've seen marketing words used before, for example cloud computing or "ease of use". You know the pitch, if you're not in the cloud, you're obviously missing out; or, if you change to this technology, it will make your life easier. While there are applications that work better in or with cloud technologies, vendors used the word cloud with their products, even when they were not. "Artificial" artificial intelligence is suffering from the same issues. Artificial Intelligence uses one or more of the dozens of algorithms to process data to produce insights and results that may not otherwise be obvious.

Some artificial intelligence applications can apply machine learning. This is where the computer programs can learn without the programming of rules. Machine learning can leverage special hardware and computing power with Google's TensorFlow, Microsoft's FPGA (Field Programmable Gate Arrays), Amazon's AWS Machine Learning, or NVIDIA CUDA. As a consumer of artificial intelligence products, it is hard for you to tell the difference between a rules-based product or one that has true artificial intelligence. While you may only care that a particular business objective is accomplished, rules-based products typically take more maintenance, are not as flexible, and will have severe limitations when the transactions are less consistent. While AI capabilities are progressing very rapidly right now, sales hype is progressing even faster.



Blockchain is just a database. K2 associate, Brian Tankersley, more fully developed this idea in an article he created earlier this year. While the concept and application of blockchain techniques are important, you don't need to have FOMO (Fear of Missing Out). Applications are being developed in a wide variety of industries as well as for public practice. But

most of you won't develop the technology, you'll just need to use it. Blockchain ledgers provide relatively secure transactions (proponents say completely secure, and that may not be so) that can be verified and audited. Much like we use a credit card today without thinking very much about how the money flows, blockchains will evolve to be an automated black box for processing transactions. We'll feed a transaction on one side of the box, and a secure, completed transaction will come out the other side. We have complete blockchain and cryptocurrency sessions ready to explain these concepts in ways that should help clarify how blockchains work, why they work, and the opportunities to apply blockchain.

Many industry businesses and CPA firms are hiring data scientists. While data science is important, it is not "the" silver bullet but simply a fresh way to analyze data. Why has this happened? Because we have data available from more sources than ever before. Again, colleague, Brian Tankersley, coined the word "digital exhaust" to describe this output, like the way he defined "digital plumbing" to describe the connections between cloud applications. We'll get even more data with the expansion of the Internet of Things and 5G cellular technology. But how do you make sense of all this data? Do you wind up with actionable information or do you simply have big, bad data? We know there are four types of data analytics: descriptive (what's happening in my business), diagnostic (why is it hap-

Continued on page 9

Is Your Customer Credit Card Data Secure?

By Nick Graf - Consulting Director, Information Security



Many small retailers think their size protects them from hacker attacks, as headlines focus on large retail chains falling victim

and exposing the personal data of millions of customers. But cyberthieves are not selective when it comes to choosing targets. In fact, the Identity Theft Resource Center's [annual data breach report](#) features page after page detailing malware attacks, phishing scams and other cybercrimes striking all types — and sizes — of businesses. Some hackers will go after a small company because they suspect security is likely not as robust, or that the employees may not be as wary of these types of schemes.

The stakes are high for retailers if customer information is stolen — one-third of consumers say they will shop elsewhere if their retailer of choice is breached.¹ Not only can such an exposure damage customer relationships,

but a data breach likely will trigger laws requiring notification of affected individuals. The fallout is costly: The average cyberattack costs a small business roughly \$7,115.²

Many retailers outsource the credit card payment process to a third party, which sometimes can provide a false sense of security as store owners believe they have handed over all the responsibility and worry to the external partner. But unfortunately, that's not entirely true.

Take the experience of Jimmy John's sandwich shops, which had more than 200 stores hit by a data breach. Cyberthieves accessed store point-of-sale systems via a username and password that the third-party payment processor used to manage the devices remotely. In this case, Jimmy John's was not the one responsible for the breach, the payment processor was responsible, but all the headlines screamed "Jimmy John's suffers massive credit card breach." Jimmy John's still had to deal with the negative publicity and the filing of a class action lawsuit.³

Luckily, there are steps you can take to fortify your customer data systems. Start by thinking through all the points where data might live, even briefly. Is every point in your system secure? The safest route for retailers is to keep it simple and not store any sensitive customer data.

When contracting with a credit card payment processor, retailers should verify that the vendor is handling sensitive customer information correctly. You should

make sure the company is properly credentialed by the Payment Card Industry (PCI) and following its Data Security Standard (DSS). The PCI DSS requires secure networks, cardholder data protection and encrypted transmissions, among other things.⁴

From the point of the credit card swipe or dip, the data should be transmitted directly to the payment processor, never touching the retailer's network. Retailers should look for a PCI-validated, point-to-point encrypted solution, which converts the data so it is useless to thieves who might be trying to capture it.

With proper steps, you can enhance your data security in hopes of avoiding a data breach scandal. Unfortunately, hackers are unlikely to give up on finding new ways to break into data systems, meaning cyberthreats will continue to evolve. Remain vigilant and evaluate your insurance portfolio to make sure you have the right coverages in the case of a cyber emergency. You don't want negative headlines about stolen credit card information to erase the hard work you've invested into your customer relationships.

Data Defense Tips for Your Retail Store

Use strong passwords that you change regularly on all devices and applications. Never use default usernames and passwords.

- Firewalls should be installed or enabled and maintained.
- Adopt encryption and/or tokenization for any data transmission or storage.

Catch Nick's presentation at the upcoming HSCPA Annual Conference on June 22nd (see page 10). Nick has more than a decade of information security experience and specializes in data leakage prevention, security policies, incident response, data breach and security awareness.

¹ Identity Finder, [Sales Drop](#) as Corporate Data Breaches Rise According to New Study from Identity Finder," April 29, 2014.

² National Small Business Association, [2015 Year-End Economic Report](#)," accessed Aug. 29, 2017.

³ Martyn Williams, [Data breach](#) that hit Jimmy John's is larger than first thought," [Computerworld](#), Sept. 26, 2014 1; U.S. District Court, Central District of Illinois, [class action complaint](#), Nov. 6, 2014. ⁴ PCI, [Maintaining Payment Security](#)," accessed Sept. 15, 2017.

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- Use antivirus software and install all security updates.
- Make sure the vendors of your hardware and software comply with the latest security standards.
- Restrict access to your system to only need-to-know employees.
- Check payment card readers to make sure no “skimmer” devices have been installed.

To protect yourself in the event of a breach, plan for cyber insurance coverage that would help your retail store(s) recover from a data breach, as well as for business income insurance that would help you through the interruption to your store’s operations.

Continued from page 7

pening), predictive (what’s likely to happen), and prescriptive (what do I need to do). But building predictive and prescriptive analytic models is not sufficient in a world where our users’ personal experiences have dramatically changed their expectations. Users want highly-personalized, highly-relevant recommendations, and one of our roles in using the emerging technology of big data correctly, is to ask the right questions.

In our K2 emerging technology courses offered through your State Society, we concluded that we had to give a practical accounting solution for each emerging technology including blockchain, artificial intelligence and Big Data. Don’t be fooled by

the sales pitches. While the opportunity is great, the opportunity to be fooled has never been greater. Are you asking the right questions?

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 2018 and from his own experience working with technology at various firms in the U.S.



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Like the Jumanji movie, the accounting profession is based on hard work, trustworthiness, self-discipline, prudence and imagination. It's 360 degrees of opportunities as accounting services continue to evolve in this global economy. While there are still some fear factors that surface, we need to view them as service opportunities. Artificial intelligence ... blockchain ... big data ... cyber security attestation ... these are some of the factors that's shaping the accounting industry today.

Join us at the 58th Annual Conference as we highlight many of these issues featuring our keynote address by **Tim Christen**, past chair of the American Institute of CPAs – and a funny guy! He will provide an overview of the key forces driving change for the CPA profession today and in the future.

Nick Graf, Consulting Director of Information Security with CNA Risk Control, and a certified ethical hacker. He will discuss what's in front of most people's minds today – data security and privacy. With the near daily occurrence of businesses losing customer information (due to hacking, human error, etc.), compliance with breach notification laws is a major concern. Another is that since the U.S. lacks a unified national law, various states (like New York) have passed their own data security laws.

One of Hawaii's finest prosecuting attorneys, **Chris Van Marter**, senior deputy prosecuting attorney and chief-white collar crime unit of the Hawaii Department of the Prosecuting Attorney's office, will discuss the conditions that result in fraud, why fraud schemes go undetected for so long, the most common red flags that are missed (even by professionals), and some of the best-practices and techniques for responding to fraud. Chris will also mention cases that involved CPAs – both as defendants and witnesses. The profession has unfortunately faced its own accounting scandals, and Chris will be sharing information on some of Hawaii's high-profiled cases.

It's been about six months since the tax reform (Tax Cuts and Jobs Act) has been enacted and states continue to react and respond to the various provisions. Hawaii's foremost tax experts, **Ron Heller and Tom Yamachika**, will guide you through this maze and how it impacts Hawaii taxpayers.

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FEATURED SPEAKERS



Timothy "Tim" Christen, CPA, CGMA, is Past Chairman of the AICPA and currently serves on the board of CPA.com. Tim also serves as the Chairman of the Board of Baker Tilly

International (BTI). BTI is the world's tenth largest accounting and advisory firm network. The \$3.4B organization includes 33,600 team members in 147 countries. He is Chairman Emeritus of Baker Tilly Virchow Krause, LLP (Baker Tilly). Tim has a proven track record of achieving profitable organic growth while concurrently identifying, negotiating and integrating strategic mergers. His thought leadership on culture, strategy and innovation led to Tim being recognized as one of the five Most Admired US Managing Partners by Inside Public Accounting. He has also been recognized by Accounting Today as one of the 100 most influential people in the accounting profession.



Nicholas "Nick" Graf serves as Consulting Director of Information Security for CNA's Risk Control unit. Nick has more than a decade of information security experience and

specializes in data leakage prevention, security policies, incident response, data breach and security awareness. Prior to re-joining CNA in 2011, Nick served as a Senior Analyst for Information Security Risk Assessment at HSBC. Prior to that role, Nick held roles in CNA's Information Technology unit.



Ronald "Ron" Heller, Attorney & CPA, is a director of Torkildson Katz Hetherington & Knorek, a law corporation, and practices in the areas of taxation, tax litigation, business/commercial litigation (including

CPA malpractice defense), and business law. He has served on the Board since 1988 and was the Society's president for 1994-95. An active member of the Society, Ron also served as a member of the AICPA Council in 1994-96, 2002-04, 2011-13, and was re-appointed in 2015. He also served on the AICPA Accountant's Legal Liability Committee.



Christopher "Chris" Van Marter is the Senior Deputy Prosecuting Attorney, Chief-White Collar Crime Unit, of the Department of the Prosecuting Attorney's office. His area of expertise covers prosecuting complex white-collar crimes, including securities fraud, money laundering, identity theft, and racketeering, as well as all high technology computer crimes and public corruption cases.



Thomas "Tom" Yamachika is President of the Tax Foundation of Hawaii - the 'watchdog' that keeps an eye on Hawaii's taxes. Tom 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 Acuity LLP where he managed the tax consulting practice, including quality and risk management and practice development.

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PROGRAM

7:30 a.m. Registration / Check in / Breakfast Buffet

8:30 a.m. Annual Election / Membership Meeting

State of the Profession / Professional Issues Update

Data Security and Privacy

Financial Fraud in Hawaii

Latest & Greatest on Tax Reform

3:30 p.m. Happy Hour!

	Register online at www.hscpa.org	TOTAL
Conference Package includes materials, complete breakfast buffet, lunch, swab bag, and Happy Hour!	\$275.00 – Member \$375.00 – Non-member After June 10: \$325.00 – Member \$425.00 – Non-Member	\$ _____ \$ _____ \$ _____ \$ _____
		\$ _____
TOTAL AMOUNT PAID		\$ _____

Total \$ _____ ☐ Check # _____ ☐ VISA ☐ MasterCard Exp. Date _____ / _____

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CPA FIRM



MICROCOMPUTER TECHNOLOGY

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



Last month's article was an overview of blockchain, the internet-based distributed digital ledger technology. This month we will discuss how blockchain may potentially change the audit process. The information in this article was again taken from *Technological Disruption of Capital Markets and Reporting? An Introduction to Blockchain from CPA Chartered Professional Accountants Canada, and Blockchain Technology and Its Potential Impact on the Audit and Assurance Profession*, sponsored by the AICPA in conjunction with several other organizations.

As previously discussed, by design, blockchain provides transparent record keeping. Organizations may use private or public blockchains, which may serve as new sources of information for financial statements.

With blockchain, an external auditor could be given a digital "key" granting access to detailed, timestamped transaction information. Instead of having to coordinate schedules and dealing with multiple digital and analog data formats, blockchain technology could allow near real-time access to financial data in a consistent, recurring format. For internal audits, the blockchain

could provide information for an audit trail or for analysis. Blockchain's full transaction visibility opens up the possibility for powerful new reporting tools.



Blockchain technology offers new potential benefits, but it also comes with its own risks and challenges. The blockchain itself is not sufficient as audit evidence, it stores transactions, but not the underlying supporting documents. Auditors would still need to evaluate whether the blockchain transactions are legal and authorized, correctly classified in financial statements, and free from fraud. Other risks include hacking, and privacy and accessibility concerns.

Blockchain technology has many potential applications across industries. The articles' authors encourage CPAs to keep up-to-date on the developing technology, and to educate themselves on the new opportunities

and risks. We are only just beginning to explore the possibilities.

This is my last article for KALA as I (Ron) retired on March 31, 2018. I've enjoyed writing these articles all these years and the dialogue that it created with many of you. It has been fun. With my departure there are only one or two CITPs in Hawaii. I encourage all of you to consider working in the computer consulting area and getting a CITP designation. There is a tremendous opportunity for CPAs in this critical area and a responsibility that goes with our trusted advisor position to help businesses with their IT automation and security needs.

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.

Thank You
Ron Gouveia!

*for the many years of contributing the
CPA Firm Microcomputer Technology
column in KALA. We wish you good
health and prosperity in your retirement!*
Aloha from the Hawaii Society of CPAs



Norman's Book Review

"The Hidden Messages in Water"

by Masaru Emoto

My good friends on Maui, Nala and Carol Arai, gave me this book last year as they thought I would really like it. They were right! It was fascinating, easy to read, and filled with pictures of ice crystals from around the world as well as those exposed to different types of music, words and photographs. It reaffirmed the importance of being surrounded by love and positive energy, and the harmful effects of negativity and hate.

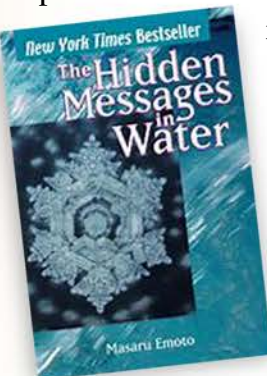
We Are Primarily Made Up of Water

The book reminded me we are primarily made up of water, starting out at "99% water as fetuses. At birth we are about 90% water, on average 70% water as adults, and down to about 50% if we die of old age." Thus, we are sensitive to anything that affects water, and we must keep our water (blood) moving. "When blood stops flowing, the body starts to decay."

Thank You vs. You Fool

Water exposed to the words "thank you" in different languages form

beautiful crystals, while water exposed to the words "you fool!" did not form whole crystals.



Beethoven's Music Vs Heavy Metal Music

Beethoven's music resulted in fanciful crystals,

while heavy metal music resulted in incomplete crystals like water exposed to the words "you fool!"

Tap Water From Tokyo and Around the World

Treated water from around the world did not form crystals, such as water from Tokyo, London, Paris, Rome, Venice, Sydney, Bangkok, etc. Water crystals did form for water from Vancouver, Buenos Aires, Manaus, Washington D.C., New York City, etc.

Existence is Vibration

The author's work with water crystals reaffirmed these three words – existence is

vibration. It's a "fundamental principle of the universe since everything is in a state of vibration and each thing generates its own frequency."

For example, "a person who loves others will send out a frequency of love, but a person who acts out evil will give out a dark and evil frequency." Regarding objects and locations, "there are locations that create happiness, locations where accidents frequently happen, jewels that bring tragedy to successive owners, etc."

The following is a listing of emotions that create opposing frequencies from the book.

Hate – Gratitude
Anger – Kindness
Fear – Courage
Anxiety – Peace of Mind
Pressure – Presence of Mind



Resonance

Like a musician using a tuning fork to tune an instrument, people resonate with each other. "People who generate similar frequencies are attracted to each other, resulting in friendship, respect

Hawaii Practices For Sale

Gross revenues shown: Hawaii Island CPA-\$383K, accounting (57%), tax (42%); Hawaii Neighbor Island CPA-\$1M, Tax (49%), acctng (46%), other (5%), cash flow 50%+; Honolulu CPA Majority Partnership Opportunity-60%+/\$300K; avail after 4/15/18 Island of Kauai CPA-\$748K. For more information, please call 1-800-397-0249 or to see listing details and register for free email updates visit www.APS.net.

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 Ryan@APS.net.



and/or love. People with different frequencies are usually uninterested in each other, no matter how physically close they may be.”

Winning Without Fighting

The author noted “the greatest secret of Japanese martial arts is referred to as “winning without fighting.” This essentially means try to avoid resonating with the enemy because if you fight and win, you end up having a very low level of relationship with that person.”

Water is Heaviest at 39 Degrees F

An interesting fact covered in the book is water is heaviest at 39 degrees F. What this means is no matter how cold it is outside, the bottom of a body of water such as a lake or river is 39 degrees. This allows water to flow under the ice and creatures are able to live under the ice.

Water Is Life

People who have experienced a natural disaster know that you can survive without electricity and food for a period of time, however, you cannot survive very long without water.

Rice Experiment

As covered in the book and replicated by others and documented on YouTube, take two jars of cooked rice and for one jar, say “thank you” every day and treat it with love. For the other

jar, say “you fool” every day and surround it with negative energy. What you should find is the “thank you” rice will start to ferment and smell fine, while the “you fool” rice with rot and turn black. Others added a third jar which was ignored. The ignored rice also rotted.

The author believes “we are always emitting energy and we must always be loving and grateful. We must give our children our attention, and to talk with them. Speaking words of kindness and love should begin from the time of conception.”

Summary

Masaru Emoto sadly passed away on October 17, 2014 at the age of 71. His

legacy and wisdom will live on in his books, photographs, music, etc. After reading his book, I believe the message he wants to leave with us is the following passage from the book.

“We must first and foremost live life to the fullest. Our consciousness is what will purify water, and through this we send messages of beauty and strength to all life. If you can fill your heart with love and gratitude, you will find yourself surrounded by so much that you can love and that you can feel grateful for, and you can get closer to enjoying the life of health and happiness that you seek. The life you live and the world you live in are up to you.”

Would
you like a
second
opinion?

mel r. hertz, MBA, CFP®
808-522-0100



the
retirement coach sm

237 Kuumele Place #8, Kailua, HI 96734
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Securities and advisory services offered through the Strategic Financial Alliance, Inc. (SFA), member FINRA and SIPC, mel r. hertz is a registered representative and an investment adviser representative of SFA, which is otherwise unaffiliated with the retirement coach. Supervising Office (678) 954-4000

The Power of notice vs. imagine

By Steven Gaffney

How a Simple Shift in Understanding Can Improve Decision-Making and Positively Affect the Bottom Line



If only I had known.

It's a terrible thought most of us have had at one point---usually when

we have discovered a big problem that started out small. The good news is most problems really do start out small. The better news is that a simple shift in understanding will empower you and those in your organization to improve communication and mend these small, lurking problems before they disrupt your business. That shift in understanding can ultimately net great bottom-line results.

I was on my way to a speaking engagement recently and carried on the usual brief introductory conversation with the person seated next to me on the plane. Since I had an extra copy of my book *Just Be Honest* (which includes how to handle *If only I had known* situations), I gave it to him before taking a nap. When I awoke, he told me he wished he had read the book sooner as he was preparing to announce some major layoffs at his company.

When I asked how this related to my book, he explained how they had just lost a major re- compete with a long-standing client to a competitor. The competitor proposal had what the client really wanted, while his company had what they thought the long- time client was looking for, based on their prior working relationship. The result? A lost contract, lost

jobs, and a major loss in revenue. This story illustrates a powerful truth we can harness to positively impact our personal and professional lives.

Consider for a moment how often people operate and make decisions as if their opinions are facts.

The trouble is, according to our research based on more than 15 years of conducting seminars, we can often be between 50 and 80 percent wrong on a daily basis. That may be hard to believe, but the mind tends to remember the times we are correct and forget the times we are not. That means we may be wrong more often than we are right.

Think about it. Have you seen missed opportunities because someone believes they know what their customer wants, rather than finding out what the customer actually wants? Or, have you ever seen project execution go awry because goals were based on assumptions rather than facts and data points?

This is a simple problem to understand, but not so simple to fix---and it easy to blame other people as well. For example, do you think of yourself as open-minded? How about those around you? Here is a test to gauge your open- mindedness: How long can you listen to a talk show host who represents views with which you disagree before you change the station? Or, when was the last time you had

a discussion with someone with whom you disagreed and came away from the conversation converted to their viewpoint? Being open-minded is much more challenging than we often like to admit.

A key strategy in solving this problem is to understand the difference between what can be noticed (the facts of a situation) and what we imagine (our opinions, thoughts, evaluations, conclusions). This may sound simple---and it is--- but think how often people operate and make decisions as if their opinions are fact, or as if what they imagine is correct instead of discovering the truth. Once we develop a conclusion we start to look for evidence to support it and will often overlook facts inconsistent with our opinions and conclusions in the process. The misdiagnosis becomes even more exacerbated when the people with whom we interact have different agendas, goals, needs, and backgrounds. When we fully understand the breadth and scope of the distinction between Notice and Imagine it can produce major breakthroughs, especially in conjunction with research showing we are often wrong in what we imagine.

Check out the logic. When we understand we may be wrong, we ask more questions. The more we ask questions, the more likely we are to find out the real underlying facts. The more facts we find out, the better the quality of our decisions; the better the quality of our decisions, the better the quality of our



business and even our personal lives. The man I met on the plane highlights this point. He read about this concept of Notice vs. Imagine in my book and immediately recognized what had happened with his former client. As he went on to tell me, if he had known about this he would have been able to save jobs and revenue---and avoid a lot of stress, too.

Notice vs. Imagine gives us an excellent reason to check in with others and ask questions. It reminds us to go and ask for feedback and information rather than passively waiting for others to provide it.

I heard from a manager at a large corporation who had been told to fire an employee who was performing poorly. He decided to ask the person what was going on. It turned out this person son had just undergone open-heart surgery. The employee had never said anything to his boss because he preferred not to discuss his personal life. Clearly, the facts surrounding this employee situation did not resemble what the boss had imagined. It is critical to remember that even though employees may not ask for help, you can always talk to them.

This concept has important implications for our personal lives and can be easily applied there as well. The following story is from one of my seminar participants:

A while back, my husband and I ordered pizza. After 45 minutes we called to find out when we could expect delivery. We called again after an hour and finally after an hour and

fifteen minutes, we called and cancelled our order. As we were walking out the door to go grab a bite, our pizza delivery lady showed up with our pizza. My husband and I told her that we had cancelled our order and now no longer wanted the pizza. She apologized for being late and told us we could have the pizza for free. We told her, thanks. We decided to go out to eat.

All of a sudden, she started to cry. My father died last week and today is the first time I really felt that he's gone, she said. She couldn't stop crying while she told us how she kept getting lost in our neighborhood all night even though she delivers pizza there all the time. She said the people in the last home she delivered to yelled at her for being late and she felt terrible about that, too. I threw my arms around her and hugged her tightly. My husband stepped up and did the same. We paid for the pizza and invited her in to have dinner with us.

A couple of weeks later, there was a knock on the door and there stood Vicky the pizza lady. She told us she wanted to buy us a gift but there was no gift that could ever express the appreciation she felt for our kindness that night. Instead, now when she drives by our home she sends good wishes our way, she said.

One night my husband and I were driving home and we happened to be behind Vicky. I sure she didn't know

we were there. We live on a corner and when we turned onto our street we watched her drive by and wave toward our home, throwing good wishes our way.

Vicky gave us an immeasurable gift and gave us an unforgettable life lesson.

It is easy to make assumptions and draw faulty conclusions based on a lack of information. Maybe someone who is not returning our calls is not trying to be disrespectful; maybe they just didn't receive the messages because they were out of town and did not change their voice mail accordingly. Maybe they did receive our messages but are embarrassed to call and let us know they are behind schedule. Or maybe they did not do what they said they would do, and by not calling they are avoiding the anticipated conflict.

Maybe when someone snaps at us, it has nothing to do with us. Maybe instead they are having some personal problems at home (e.g., an elderly parent who is sick or a child who is not doing well in school). Maybe they are under stress or feeling extreme pressure over work issues. As a result, they may take it out on us, but it really has nothing to do with us.

I am not making a judgment about the behavior being right or wrong; I am simply saying things are not always as they appear. Understanding the difference between noticing and imagining enables us to be open-minded and get the information we need.

Continued on page 19



TAX FOUNDATION OF HAWAII

Hawaii's Watchdog on Taxes & Government

By Tom Yamachika

The Feds Gave You a Break? Now We, the State, Can Turn the Screws!



It's not often that State lawmakers express their justification for imposing taxes in terms other than "We need the money to fund essential services and programs." But how about this? The following language is from an actual bill.

The legislature finds that the federal government has significantly raised the threshold for the federal estate tax. The federal estate tax grants an exemption of \$5,490,000 per individual and up to \$10,980,000 for a surviving spouse;

provided that the surviving spouse elects to use portability of the predeceased spouse's exemption on the predeceased spouse's estate tax return. Estates valued at less than these amounts are exempt from paying federal estate taxes. The recently enacted Public Law No. 115-97, originally introduced in Congress as the Tax Cuts and Jobs Act, doubles the threshold to approximately \$11,180,000 and \$22,360,000, respectively, and will result in a reduction in federal estate tax revenues. According to Internal Revenue Service data, twenty-one estates in Hawaii paid a total of \$23,471,000 in federal estate taxes in 2015.

The legislature further finds that these changes to the federal estate tax provide the State with an opportunity to benefit Hawaii residents. By amending Hawaii's estate tax thresholds and rates, the State can capture some of the money that certain residents will no longer be required to pay to the federal government and redirect that money to the State.

This, by the way, is from [HB 207](#), Senate Draft 1.

As it now exists, the bill would jack up the Hawaii estate tax by adding a new top tax rate of 20% to be applied to taxable estates over \$10 million. It would also hike the Hawaii conveyance tax on purchases or sales of condominiums or single-family residences valued at \$2 million or more, and there the tax would increase between 66% and 220% depending on the value of the unit being sold.

The bill as the House passed it in 2017

looks nothing like the current bill. Surprise, surprise, this bill is another victim of the much-hyped "gut and replace" technique. What does that mean? The only thing about a bill that can't be changed during its journey through the Legislature is its title, and under the Hawaii Constitution, the contents of a bill must relate to its title. Therefore, if a legislative committee has before it a bill with a broad title like "Relating to Taxation," it can amend the bill by gutting it and replacing its entire contents with something very different. This bill as the House passed it, for example, was an income tax bill relating to the low-income householders' credit. But because its title is "Relating to Taxation," the income tax contents can be deleted and replaced with hikes in the estate and conveyance taxes.

Now, the Senate adopted some rules that sound like they wanted to curb the "gut and replace" technique. Senate Rule 54(2) says, "The fundamental purpose of any amendment to a bill shall be germane to the fundamental purpose of the bill." In practice, however, gut-and-replace is still alive and well, and a technique in the playbook of many of the House and Senate committee chairs. So, as our legislative session finally winds down, there will be lots of surprises such as bills previously thought dead being resurrected by incorporating their contents into other bills.

It ain't over till it's over, folks!

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.

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ANNUAL ELECTION/BUSINESS MEETING

June 22, 2018

ELECTIONS

The Annual Election Meeting will be held on June 22, 2018 in conjunction with the 58th Annual Conference at the Prince Waikiki. Following the Election Meeting, the new officers and directors will be installed at the 58th Annual Conference Luncheon on June 22, 2018.

NOMINATING COMMITTEE REPORT

Pursuant to the provisions in Article VI, 6.1 of the HSCPA Bylaws, the Nominating Committee has submitted the following nominations for officers and directors of the Society for the fiscal year beginning July 1, 2018. If any nominee should for any reason become unavailable after notice of the election has been given, and if voting is not conducted by written ballot, then nominations for that office from the floor by any member in good standing who is present in person at the Annual Election Meeting shall be accepted.

VICE PRESIDENT

Ryan K. Suekawa – Deloitte

DIRECTORS (2018-2020)

Steven R. Oberg – Oberg & Free, CPAs (KAUAI)

Valerie M. Peralto – Peralto & Co., CPAs, Inc. PC (BIG ISLAND)

AICPA MEMBER OF COUNCIL (Elected)

Ryan K. Suekawa – Deloitte (term to begin May 2019)

In accordance with the Bylaws, officers automatically accede to the next level of office to serve terms as elected or as designated, and the directors named below will continue to serve their terms as elected or as designated, or may be removed by a vote of at least two-thirds of the voting members present at a designated meeting. The President automatically becomes Immediate Past President when his/her term ends.

PRESIDENT

Darryl K. Nitta – C&Y CPAs LLC

PRESIDENT-ELECT

Edmund N. Nakano – C.S. Wo & Sons, Ltd.

SECRETARY/TREASURER

Chad K. Funasaki – N&K CPAs, Inc.

IMMEDIATE PAST PRESIDENT

Norman N. Okimoto – Hawaiian Tel Federal Credit Union

DIRECTORS (2017-2019)

Robert K. Hatanaka – CW Associates, CPAs

Ronald I. Heller – Torkildson Katz Hetherington & Knorek

Adrian K. Hong – Island Plastic Bags, Inc.

Franklin T. Kudo – University of Hawaii at West Oahu

Trisha N. Nomura – ProService Hawaii

Jessica Su – TRUSTA AAC

Natalie M.H. Taniguchi – American Savings Bank

AICPA MEMBER OF COUNCIL

Darryl K. Nitta – Elected 2017-2019

Gordon M. Tom – Designated 2018-2020

Proposed amendment to HSCPA Bylaws

Amendment to Section 2.12(2) to expand Associate Membership:

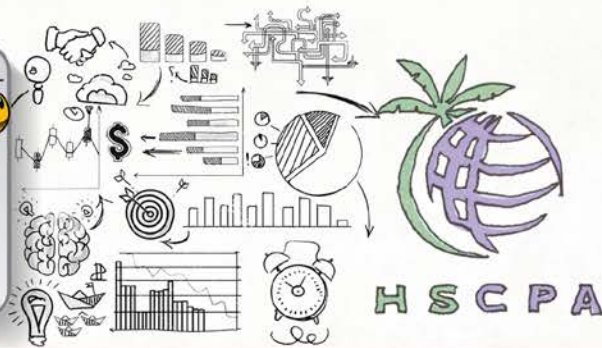
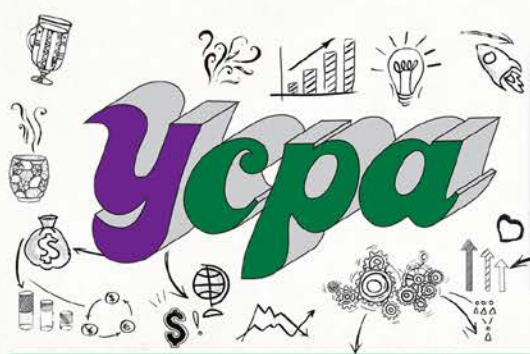
- (2) ASSOCIATE MEMBERSHIP. Any resident of the State of Hawaii who (i) has passed the Uniform CPA Examination and is otherwise qualified except that he or she has not fulfilled the experience and/or education requirements to receive a certified public accountant certificate as specified in the rules of the Hawaii State Board of Accountancy, [or] (ii) is employed by a CPA firm and has stated his or her intent to take the Uniform CPA Examination, ~~or~~ (iii) is eligible to be an associate member of the American Institute of Certified Public Accountants ("AICPA") under the applicable rules established by the AICPA., or (iv) holds a bachelor's degree and is sponsored by a Voting Member of the Society.

Continued from page 17

Just imagine a workplace and home life where everyone understands they might be wrong----or is at least in need of more information. If that were the case, people would be more likely to check in before making decisions or drawing conclusions. In the absence of being certain they knew everything, people would be more likely to give others the benefit of the doubt. The outcome would be more open lines of communication, reduced defensiveness, more appropriate expectations, greater collaboration and teamwork, improved sales, and better-executed programs---- all of which would make organizations more efficient and more profitable, and all of which I have consistently seen when organizations embrace and execute this understanding. One way to make an immediate impact is to pass this article along to important people in your life. Talk about it and discuss what you and others can do. If you need help, call me.

Steven Gaffney is a leading expert on honest, interpersonal communication, influence and leadership, and is one of the recognized authorities on the subject of honesty. He is the author of two ground-breaking books, Just Be Honest: Authentic Communication Strategies that Get Results and Last a Lifetime and Honest Works! Real-World Solutions to Common Problems at Work and Home. He is also the co- author of the book Honesty Sells: How to Make More Money and Increase Business Profits.

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Plastic is Bad for the Environment

By Michelle Kaneshiro



While we all know that plastic is bad for the environment, I never made changes in my life to decrease the use of plastic, other than taking my reusable bags to the store. The convenience of plastic was just too hard to give up, especially when I felt like anything that gave me an extra 10 minutes of time was worth it. However, last fall I kept seeing various articles or stories about all of the plastic in our ocean waters, either circulating on the Great Pacific Garbage Patch or landing on various island shores. Then I learned about how these plastics are starting to break down into micro particles that can be ingested by various sea creatures which we in turn ingest as seafood. All of this information made me wonder, "how do I really know that when I put plastic in the garbage can either at a park or at home, it doesn't somehow end up in the ocean?" From that point forward, I decided that the negative aspects of plastic outweighed the convenience. Therefore, I decided that I wanted to decrease my personal use of plastic. Don't get me wrong, I can't imagine not using any plastic, but I figured I could start by making small changes that would hopefully make a difference.

This is a list of the small changes I've made. If we all start somewhere, hopefully the world will be a little better for our children.

Take Reusable Cloth Bags to the Store – I try to keep reusable bags in the car for anytime that I go to the store, but there are times that I forget like when I'm at work and I walk to Longs Drug. So yes, I took

the store's thicker plastic bag which I now fold and carry in my purse or work bag so I always have one around.

Stop Drinking out of Plastic Water Bottles

– Hopefully, with the craze of Hydro Flasks and other reusable water bottles, we all already have a bottle we can use. A stainless steel or glass water bottle is not only helping the environment, but it is better for your body too. I remember how the water would taste if I found a plastic water bottle that had been in my car for a few days. Yuck!

Use Your Own Containers - When getting take-out for lunch, bring your own containers and ask them to put your food in that instead. Not only will your toss salad stop getting warm, but you will use less plastic or styrofoam. If that's not your style, then just say, "No thank you" to the plastic bag.

Stop Using Plastic Utensils - If you are picking up food or even getting food delivered to your house/office, let them know you don't need any cutlery. I bought an entire set of stainless steel utensils from Ross for my office for \$12 so that we could reuse those instead of the plastic ones.

Don't Chew Gum – Yes, gum base often contains polyethylene, a long molecule that's also used to make plastic bottles and plastic bags. In addition to the environment, your jaw will also thank you for not chewing on gum.

Use Bar Soap instead of Liquid Soap – Liquid soap comes in plastic containers

typically with pumps, while bar soap can come in a box. But if you can't give up the foaming hand soap, at least try to purchase refills instead of discarding the pump each time you run out. Refills are not only cheaper, but also uses less plastic.

Get Off Mailing Lists – No one likes to receive junk mail, but you can also help the environment by decreasing the wasted paper and plastic on the envelope. Catalogchoice.org can help you to get decrease your junk mail.

No More Red Cups – We host extended family dinners often and I couldn't believe how fast we would go through a Costco-sized pack of red cups. I purchased some dishwasher safe cups that my family now uses and I put them in the dishwasher after dinner.

Stop Using Straws or Plastic Soda Covers – When eating at McDonalds or Panda Express, do you really need a plastic cover or straw for your drink? Sometimes I think I will finish the rest in the car, but in reality, I don't usually drink anymore and my body didn't really need the last few sips of soda. You can also decrease your use of straws at all restaurants and bars by saying "No straw, please".

Treat Yourself to an Ice Cream Cone – Instead of keeping ice cream in my freezer, I will treat myself to a cone while I am out. This not only decreases my consumption of ice cream, but also, the cone doesn't come in a plastic-lined container nor does it need any utensils to eat it.