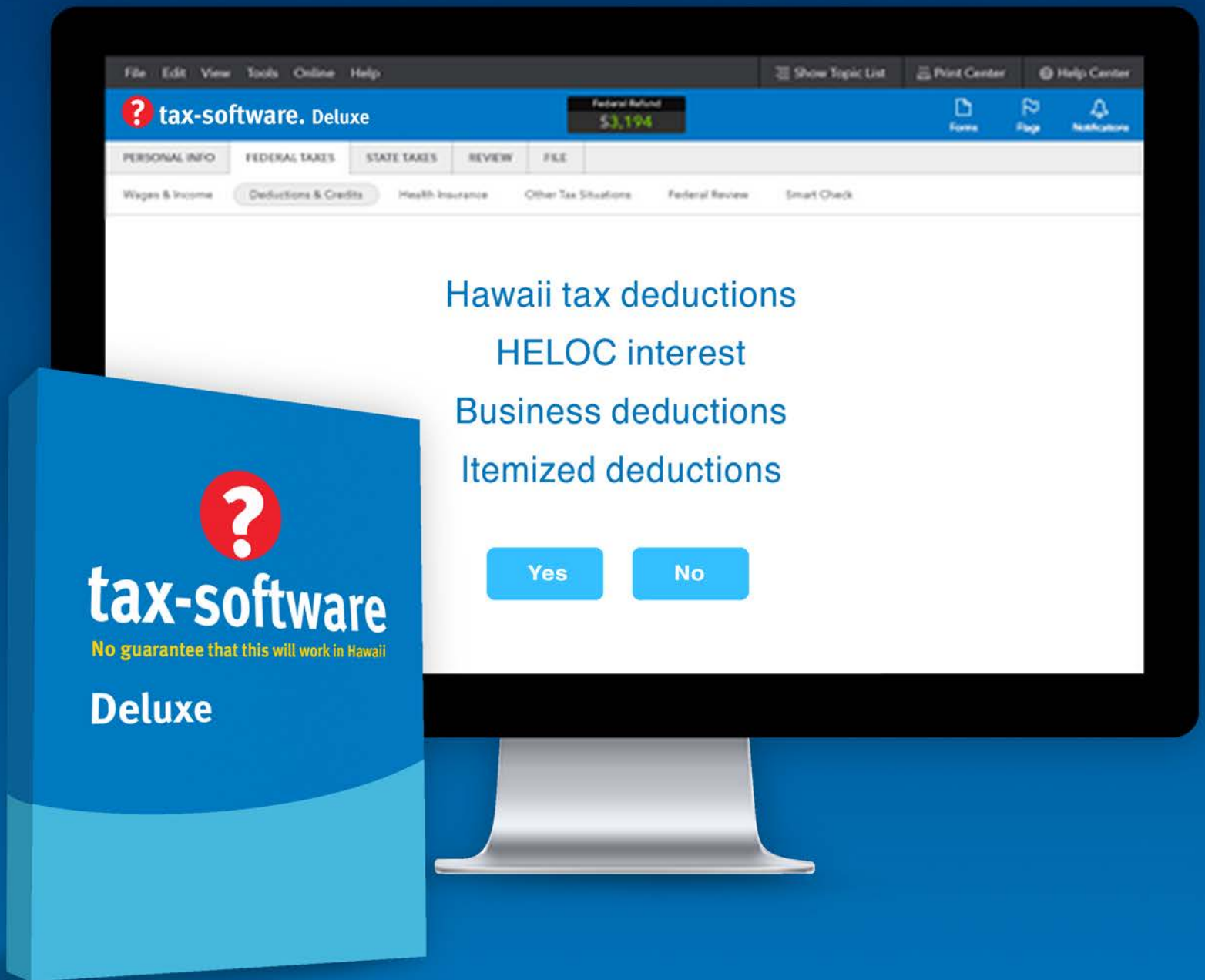


APRIL 2019



The Official Publication of the Hawaii Society of Certified Public Accountants



Beware of Tax Software!



Upon closer examination, a perfect collaboration can make all the difference.

It's no surprise TruTag® Technologies, an expert in microtag authentication, saw the true value in working with American Savings Bank. We provided them with a variety of financial services that helped them advance their innovations. TruTag recognizes we're a genuine ally, and, with their tech skills, they can spot one with ease.

From left to right:

1. Nelson Moku III - their Banker
2. Craig Leidholm - Sr. VP of Materials Manufacturing
3. Sho Hasegawa - Sr. Manufacturing Process Technician
4. Mike O'Neill, PhD. - Chief Science Officer
5. Brittany Pattinson - Sr. Process Engineer
6. Kathryn Anderson, PhD. - Director of Applications



Member FDIC

Real Life, Real Answers



AMERICAN
Savings Bank



The Official Publication of the Hawaii Society of Certified Public Accountants

In This Issue

President's Message	4
<i>By Darryl Nitta</i>	
Marketing Tips for Small Accounting Firms.....	5
<i>By Hugh Duffy</i>	
Great Leaders are Replaceable.....	6
<i>By Jim Boomer</i>	
HSCPA 59th Annual Conference.....	8
Talking to clients about tax extensions	11
Being Proactive on Emerging Technologies.....	12
<i>By Randy Johnston</i>	
Norman's Book Review.....	14
Beware of Tax Software?.....	16
<i>By Tom Yamachika</i>	
CPA Firm Microcomputer Technology....	18
<i>By Joy Takaesu</i>	
Y-CPA Buzz.....	19
Book Orders.....	20

Officers

President	Darryl K. Nitta
President-elect	Edmund N. Nakano
Vice President	Ryan K. Suekawa
Secretary/Treasurer	Chad K. Funasaki

Directors • 2017 – 2019

Robert K. Hatanaka
Ronald I. Heller
Adrian K. Hong
Frank T. Kudo
Jessica Su
Natalie M.H. Taniguchi

Directors • 2018 – 2019

Steven Oberg (KAUAI)
Valerie M. Peralto (BIG ISLAND)

Immediate Past President

Norman N. Okimoto

AICPA Council

Gordon M. Tom (Designated)
Darryl K. Nitta (Elected)
Trisha Nomura (At-large)

Executive Director

Kathy M. Castillo

Administrative Assistant

Debbie Cortes

Graphic Design

Underwood Graphics

Hawaii Society of CPAs

900 Fort Street Mall, Suite 850
P.O. Box 1754
Honolulu, Hawaii 96806

Tel: (808) 537-9475

Fax: (808) 537-3520

E-mail: info@hscpa.org

Website: www.hscpa.org



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

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

President's Message

By Darryl Nitta

WHAT DOES CPA STAND FOR? CAN'T PASS AGAIN!



Another good joke from Norman. For all you tax preparers out there ... one, last, final push! You can see the light at the end of the tunnel. Only two more full weeks left and your 60 - 80 plus hours a week will be officially over. Then, remember to take the time to reintroduce yourself to your friends and family when that calendar flips to April 16.

If you remember from my last President's message, I had the HSCPA Board of Directors and past Presidents answer a short survey to see what kind of predictive abilities they possess. Back in October 2016, I also asked the Y-CPA Squad to answer the exact same questions. For those that don't know, the Squad is the "junior" HSCPA Board's leadership. Do you think our young leaders did better or worse than the regular Board? As you recall, here are the three questions that were asked:

- Who will win the 2016 Presidential Election?
- Who will win the 2017 Superbowl? The 2018 Superbowl?
- What will the Dow Jones be at the end of 2018?

Just like the regular Board, absolutely NOBODY on the Y-CPA Squad got the first question right! Everybody believed Hillary Clinton was a lock for the Presidency. In fact, I even gave the Squad a follow-up question in January 2017. The question was, how long will President Trump be in office? To date, all guesses made by the Squad are still in the running. In chronological order, Jill Ishimitsu guessed 3 years then out by impeachment. With consistent controversy and the Mueller investigation going on, Jill might just be right! The most popular guess was one full-term by Michelle Kaneshiro, Gordon Tom (he was "young" at the time of the time capsule), Colin Lee, and Adrian Hong. Yumi Ueda is the only one who

thinks two full four-year terms is in store for America. All good guesses ... we will just have to wait and see who is right.

For the second question, only Adrian Hong guessed the New England Patriots for 2017! Nobody correctly guessed the Philadelphia Eagles in 2018. Adrian definitely saved the Squad on this question.

For the final question, Adrian was the closest with a Dow Jones guess of 19,000. I would have to give this one to the regular Board since the Dow Jones closed on December 31, 2018 at 23,327 and their best guess was much closer than Adrian's.

The one glaring difference between the answers to our time capsule questionnaire is that the younger generation of HSCPA Leaders is ALL business. There was absolutely no color commentary with any of their bold predictions of President, the Superbowl, and the stock market that we can look back on and laugh about like we did for the regular Board. It looks like the HSCPA future will be all work and no play!

Looking ahead: Bringing the time capsule questionnaire into full circle with what is currently happening at the AICPA level. It is truly a great time to be a CPA, especially if you are a Y-CPA!

In Memory Of Garrett K. Serikawa 1932 - 2019

Our sincere regret at the loss of a colleague, friend and member of the HSCPA since 1962. Garrett served as HSCPA President in 1979 and was inducted into the HSCPA Legacy Hall of Fame in 2014. We wish to express our deepest sympathy to his family and friends.

5 Marketing Tips for Small Accounting Firms

By Hugh Duffy



When it comes to marketing your accounting practice, the common complaint is that I don't really know where to focus my efforts or I don't have time.

During crunch time in an accounting practice, we become challenged serving the needs of existing clients, managing the office work flow, encouraging clients to get their work in early, managing staff, meeting with clients and reviewing the quality of the work. As a result, making time for marketing to new clients is like a step child to the needs of existing clients.

For those practitioners that want to continuously improve the quality of their clientele and improve the practice, marketing is and must become a habitual activity in the practice. Otherwise, the practitioner is constantly applying grease to the squeaky wheel in a knee jerk, reactive mode.

Here are five proven marketing tips that require very little lead-time to implement:

- **Local Listings** – All accounting firms should have a profile set up in Google and Yelp. After both profiles are set up and validated, then Moz Local should be used to ensure your contact information is consistent everywhere. Moz Local costs \$99 per year and is well worth the investment.
- **Reputation Management** – In today's electronic age, business decisions are made by looking online to see what others are saying about your firm. Or said another way, you need online reviews posted about your firm in Google and Yelp. The online

reviews give prospects the confidence to hire you over local competitors.

- **Take full advantage of website marketing** – The internet is a wonderful opportunity to market your firm services to total strangers and educate your existing clients about the range of services you provide. If you have a website that is well constructed, so it can be found on the search engines (e.g., search engine optimized), this is a wonderful way to attract new business.
- **Email newsletter** – To keep your firm top-of-mind year-around, we strongly recommend sending out an email newsletter that drives readers to your website. With integrated email newsletter solutions that leading website providers offer, this can be set up once to go out monthly or bi-monthly.
- **Develop a top twenty hit list** – Over the past year or so, you probably met with tons of prospects for your firm services. Develop a list of the

twenty best prospects who considered your services over the past year. Personally, reach out to them and persuade them to re-consider your firm. Send them a letter, then an email, and a phone call to meet briefly for coffee. Seek to close a couple of these over the next 60 days.

Marketing and improving the quality of your practice should be job one during busy season. Incorporate these five proven tips into your marketing plans and you will be pleasantly surprised.

Hugh Duffy is the Co-Founder and Chief Marketing Officer of Build Your Firm, a website development and marketing company for accounting firms. With more than 30 years of marketing experience, he has been coaching accountants on how to improve their marketing and make more money from their accounting practice since 2003. Hugh takes great pride in the impact his coaching has on the practices and lives of his clients.

www.buildyourfirm.com

Get noticed and expand your business!

Join the HSCPA Find A CPA directory for only \$25 a year

One of the most viewed sections of the HSCPA website, Find A CPA will get you noticed as potential clients search for suitable CPAs for their individual and/or business needs.



Join Now at: www.hscpa.org/find-a-cpa

GREAT LEADERS ARE REPLACEABLE

By Jim Boomer of Boomer Consulting, Inc.



What would happen if you had to stop working tomorrow? Would your roles and responsibilities within your firm transition seamlessly? Or would there be utter chaos?

We spend a great deal of time talking and thinking about the need to develop the next generation of leaders at the top of the firm, but what about all of the other critical areas of the firm beyond the partner group? Technology, human resources, training and learning, marketing . . . the list goes on. Are you paying attention to developing the next wave of leadership in those areas as well?

Are you ready for a six-month sabbatical?

During a Boomer CIO Circle™ meeting, one of our consultants posed this question to the group: “In 30 days you are leaving for a six-month sabbatical.

How do you prepare to hand off your job duties?” This obviously requires a little more planning than a standard weeklong vacation.

In this scenario, you really need to take stock of your job duties and the skill level of those around you. Are your job duties and the steps necessary to complete them documented? How about your relationships with clients, vendors and partners? Could those be handed off seamlessly? What about the projects you’re currently working on? Does anyone else have the knowledge and capability to manage those in your absence?

Are you a bottleneck?

For many people, this exercise seems too daunting. They’ll simply say no one else on their team can do what they do. But consider this: if the firm’s sustainability depends on you, you are a bottleneck.

You are a liability and impede the path to progress. It sounds harsh, but it’s true.

Everyone would like to believe they are irreplaceable. But you arrived at where you are in your career because people in your past offered you the opportunity to learn and advance. Are you giving your team members those same opportunities? A true leader owes it to their team and firm to pay it forward.

One of the CIOs in our group shared his leadership philosophy. He develops his team members for promotion continually, even if there isn’t currently an opportunity to move up in the firm. Sometimes, this means they leave the firm for other opportunities. In fact, he actually helps them find opportunities to advance in their careers, even if it means losing their talent. Why? He believes he’s building loyalty that will be repaid when

he has an attractive position open in the future. Plus, he aspires to move up to other endeavors in his own career and is looking for a successor. By investing in his people, he always has a list of capable and willing candidates.

Are you a multiplier or a diminisher?

In her book, *Multipliers: How the Best Leaders Make Everyone Smarter*, author Liz Wiseman argues that leaders fall into two categories: multipliers and diminishers. Multipliers look beyond their own genius and focus on extracting and extending the genius of others, thus getting more from their entire team. Diminishers, on the other hand, believe intelligence is rare, and they're one of the few recipients of real intellectual ability. Diminishers get things done, but the people around them feel drained and underutilized.

This concept plays in perfectly with how

leaders and firms need to prepare for the future. It's time to stop acting like diminishers and start becoming multipliers. Treat people like the intelligent beings they are. Give them challenging tasks that will help them develop the skills that will prepare them to replace us eventually.

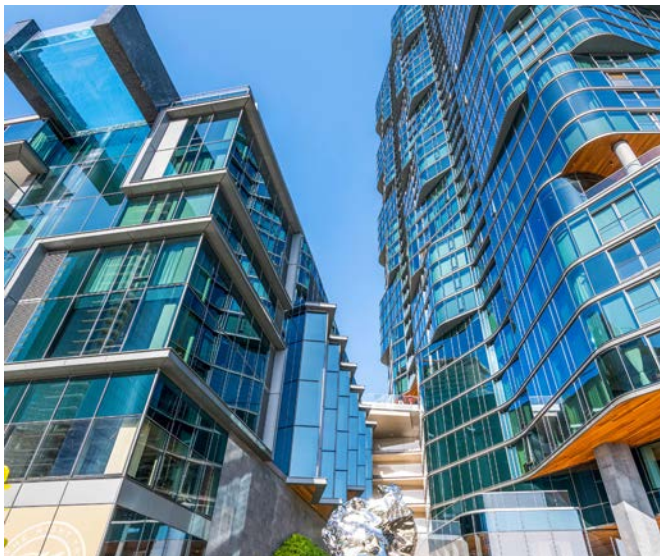
Think of it this way: wouldn't it be great to return from a vacation without an overflowing inbox? How nice would it be to attend a conference and not need to call in during every break to put out fires? By making yourself replaceable, you create the human redundancy necessary to take that six-month sabbatical without creating chaos.

Where to start

The time to start is now. Take yourself through this mental exercise: if you had 30 days to prepare for an extended absence, how would you prepare? Start making a list of the tasks or duties no one else in your firm knows how to do.

Make a list of the clients that recognize you as their only point of contact. Develop a list of the projects you're working on that no one else in the firm is aware of. Then look for opportunities to let other members of your team take on responsibilities in those areas. Train and coach them up now. By adopting the multiplier mindset, everyone will benefit: the firm, your team, and most importantly, you.

Jim Boomer, CEO of Boomer Consulting, Inc., is an expert on managing technology within an accounting firm. He serves as the director of the Boomer Technology Circles, The Advisor Circle and the CIO Circle. He also acts as a strategic planning and technology consultant and firm adviser to CPA firms across the country. Accounting Today called him a "thought leader who can help accountants create next-generation firms."



ANAHAN

1108 Auahi Street, Honolulu, HI

Anaha boasts a distinctive architectural building design, an amazing one-acre amenities deck, and concierge services. Across the street from the flagship Whole Foods Market and in close proximity to a variety of restaurants, shopping and Ala Moana Beach Park; live, play, and work in Ward Village!

unit 305 **\$1,799,000**

- 2 BD, 2.5 BA, 1,700 sq. ft., Lanai 93 sq. ft.
- Unique duplex layout with a lanai, partial ocean and Kamakee Street views

unit 1202 **\$2,150,000** | unit 1102 **\$1,945,000**

- 2 BD + Den, 2 BA, 1,691 - 1,704 sq. ft.
- Beautiful Diamond Head, ocean, marina, city and mountain views

Please Call Us:

808 532 3330



John "Jack" Tyrrell

President
Realtor®, CRS
CPA (not in public practice) E: Jack@jtchawaii.com
Lic. # RB-19880 C: 808.306.6933

www.jtchawaii.com Ala Moana Hotel - Lobby, 410 Atkinson Drive, Suite 1F6 Honolulu, HI 96814



**JACK TYRRELL
& COMPANY**

A Real Estate Brokerage Corporation

* The information presented herein is provided as is, without warranty expressed or implied of any kind. Information herein deemed reliable but not guaranteed.

AN ETHICAL

“A proper foundation of ethics requires a standard of value.”

Come and battle Ethics with the Avengers! It's a reporting year for Hawaii-licensed CPAs so fulfill the Ethics CPE requirement for licensure at the HSCPA 59th Annual Conference on June 28, 2019 at the Prince Waikiki Hotel. The ethics CPE is a licensure renewal (HAR 16-71-2) that applies to ALL Hawaii-licensed CPAs. You will earn the 4-hour requirement, plus more, for the best CPE deal in town for only \$250 (early registration for HSCPA members)! This includes 7 hours of CPE (4 Ethics; 3 A&A), great speakers, Conference amenities, complete local-style breakfast, Chef's special lunch, hosted parking, and Happy Hour!

As we continue to face unprecedented paces of change and disruption, the roles that the profession plays are more important than ever. Ethics in the accountancy profession are invaluable to accounting professionals and to those who rely on their services. A hallmark of the CPA profession is its commitment to a Code of Conduct which details responsibilities and compliance. The Code is what sets us apart from other non-certified accountants. There is no compromise.

The 59th Annual Conference will encompass all that's ethical as we welcome Bill Reeb. Fueled by rapid technological innovation, the world is changing at unprecedented speed – with significant implications for the accounting profession. Cybersecurity, blockchain, artificial intelligence and cognitive technologies all have the potential to transform our work. AICPA Vice Chair **Bill Reeb**, CPA, CITP, CGMA, will provide insight on the forces shaping the future of accounting and the numerous AICPA initiatives to keep the profession ahead.

To fulfill the mandatory CPE in ethics requirement, **Ron Heller**, Attorney/CPA with Torkildson Katz Hetherington & Knorek, will provide an update on the basic tenets of professional ethics, and explain recent changes in the AICPA Code of Professional Conduct and the Hawaii Administrative Rules on Professional Conduct. You will learn to identify, analyze and respond to conflicts of interest, how to apply independence rules in your practice, and key rules regarding client confidentiality. Ron will also cover recent Hawaii developments and tips to avoid malpractice claims or liability. This presentation will help you understand what ethical standards and considerations are critical to accounting professionals.

While we know the importance of Ethics, it's also important to give your body a boost with laughter! It might be the best medicine and it doesn't hurt to laugh. And that's what **Frank De Lima** will do for us during lunch. We all know him as one of Hawaii's most popular and beloved comedians. What he's most proud of is his Student Enrichment Program. He has made over 300 elementary and middle school visits to promote positive attitudes and values during their maturational process. Frank's comedic specialty is translating issues – current events, fads, attitudes and people – into fresh musical parodies. Remember? “What Lucille, you goin' leave me now . . . wow, laulau”. Frank will certainly leave us with happy hearts!

Speaking of Happy . . . Happy Hour awaits you as you complete your Ethics CPE requirement! A great way to end the day . . . Unwind and visit with colleagues that you haven't seen in years. Talk story and relax – and drink responsibly!



AL AFFAIR



Support our Sponsors and visit with them! Please welcome – and thank – American Savings Bank, our Corporate Lunch Sponsor, and Conference Partners Ceridian, Mutual of America, and Thomson Reuters. Representatives will be on hand to share the latest information to benefit you, your business and clients.



FEATURED SPEAKERS



William (Bill) Reeb CPA, CITP, CGMA, is the Vice Chair of the American Institute of CPA (AICPA). Currently, Bill is the CEO of the Succession Institute, a management consulting firm based in Austin, Texas. He has had a lengthy career in consulting for businesses of all sizes, primarily in the areas of organizational structure and governance, operations and accountability. Bill has founded six small businesses, including a CPA firm, prior to starting the Succession Institute. He has an extensive history of working with state CPA societies, and has conducted strategic planning with their volunteer boards, worked through bylaws and governance issues and led staff development programs. Additionally, he has provided education and training to state CPA society members for decades, including lectures, leadership programs, workshops, self-study programs and videos. For his many accomplishments, Bill has been repeatedly recognized by Inside Public Accounting as one of the top 10 most recommended CPA firm consultants. He was named as one of the Top 100 Most Influential CPAs by Accounting Today and CPA Magazine has listed him among the Top 100 Most Influential Practitioners.



Ronald Heller, Attorney and CPA, is a director of Torkildson Katz Hetherington & Knorek, a law corporation. Ron practices in the areas of taxation, tax litigation, business/commercial litigation (including CPA malpractice defense), and business law. He has served on the HSCPA 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, 2011-12 and 2015-17, and served on the AICPA Accountant's Legal Liability Committee.



Frank De Lima personifies Hawaii's diverse ethnicities and cultures. His ethnic background, which is self-described as "veritable Portuguese Soup" and "Chop Suey Nation," consists of Portuguese, Hawaiian, Irish, Chinese, English, Spanish, and Scottish. He celebrates, not disregards, ethnic differences and integrates them into his comedic routines. But comedy is not Frank's only passion. In 1980, Frank founded the Frank De Lima Student Enrichment Program. This non-profit organization is devoted to helping Hawaii's students understand the importance of reading, studying, laughing, and family, and managing major emotional and physical life transitions. Since the program's inception, Frank's visits have increased to 350 schools statewide biennially. In recognition of his commitment to Hawaii's keiki (children), Frank has received numerous honors, including Governor Cayetano's Kilohana Award for Volunteer of the Year and the Ellison S. Onizuka Memorial Award from the National Education Association.



59TH ANNUAL CONFERENCE • JUNE 28, 2019 • PRINCE WAIKIKI HOTEL

AN ETHICAL AFFAIR

P R O G R A M



MUTUAL OF AMERICA
Your Retirement Company



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

8:30 a.m. Annual Election Meeting
Accounting in Extraordinary Times
Bill Reeb, CPA, CITP, CGMA – Chair, American Institute of CPAs

Professional Ethics for Hawaii CPAs – Part 1
Ron Heller, CPA, Attorney – Torkildson Katz Hetherington & Knorek

11:45 a.m. Lunch – Sponsored by American Savings Bank

Installation of Officers & Directors

Lunchtime Laughter with Frank De Lima

1:00 p.m. **Professional Ethics for Hawaii CPAs – Part 2**
Ron Heller, CPA, Attorney – Torkildson Katz Hetherington & Knorek

3:00 **Happy Hour!**

	Register online at www.hscpa.org	TOTAL
Conference Package includes materials, complete breakfast buffet, lunch and Happy Hour!	Member: \$250.00	\$ _____
	Non-Member: \$350.00	\$ _____
	After June 14:	
	Member: \$300.00	\$ _____
	Non-Member: \$400.00	\$ _____
	Neighbor Island Member discount:	
	Regular (Neighbor Island) -\$50.00	\$ _____
	Associate (Neighbor Island) -\$25.00	\$ _____
	TOTAL AMOUNT PAID	\$ _____

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

Card No. _____ CVV _____

Name on Card _____ Signature _____

Registrant Name _____

Firm _____

E-mail _____ Tel _____

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

Talking to clients about tax extensions

As CPAs, we know how to navigate challenging filing seasons. One of those maneuvers is to file tax extensions on behalf of some of our clients. This lengthens the time we have to complete their returns and helps us adhere to our quality control procedures and standards. However, it can be difficult for clients to recognize the benefits.

“Clients can have difficulties understanding the purpose of tax extensions and may feel uncomfortable with the process, particularly if they have never gone on an extension before,” said Darryl Nitta, HSCPA president. “Before notifying a client that an extension is necessary, CPAs should prep them for this possibility.”

Because of tax reform, more people than

usual may face tax extensions this year. That means you’ll likely be talking to clients who have had little or no exposure to these kinds of filings.

Clients with small businesses are highly likely candidates for extensions this year. The new Sec. 199A deduction for passthroughs is advantageous, but the new law was unclear, guidance was slow coming and interpretation and implementation questions still exist among tax practitioners.

There is also a new group of clients likely to go on extension this year - those who are in shock or disbelief over the initial results of their return. The loss of personal exemptions and the massive changes to Schedule A are taking many by surprise.

Other clients who may benefit from extensions:

- Those affected by natural disasters
- Certain taxpayers who are out of the country
- Those with unexpected life events like a death in the family

Keeping the following points in mind can ease the tax extension discussion and help your clients understand the process.

How extensions work — A tax extension is a six-month postponement on the time to file but not on the time to pay. Your client must understand that the estimated tax liability seen on the extension form is their responsibility and they should plan on making an estimated tax

Continued on page 17

HOME LOANS FROM AMERICAN SAVINGS BANK



- More than 15 years of mortgage experience
- Former CPA; currently on the Shidler College School of Accountancy Advisory Board
- Established an endowment for Shidler College School of Accountancy students

I can help you find the right home financing to meet your unique lending needs. Please contact me today.

Manuel Lawrence August, Jr.
Vice President | Residential Loan Officer
NMLS #662118
(808) 927-4512
maugust@asbhawaii.com



Member FDIC
NMLS #423168

asbhawaii.com



AMERICAN
Savings Bank

Prevent Disruption to Your Firm by Being Proactive on Emerging Technologies

By Randy Johnston



We will need to take our firms through a technology transition in the next five years that is unlike anything that has come before. While you may believe that the transition from DOS to Windows, the arrival of the Internet, or the use of cloud technology were big things, the use of Artificial Intelligence (AI), Machine Learning (ML) and other emerging technologies such as robotic process automation (RPA) will deeply change the practice of accounting. How can you help keep your firm on the right track? It certainly won't be done by doing the same old thing, but the risk won't be mitigated by jumping to new technology too early either.

We each have different technologies we discover, we have different client needs and we have different strategies for our firms. Remember that you are still well served having a strategic plan and tactical objectives for the firm which are then incorporated into a technology strategic and tactical plan. We still must get day-to-day work done in Accounting, Payables, Tax, Audit and other core services. Each business area and application have development in progress that will apply AI, ML and RPA. The key question you should ask is when does my area of responsibility need to apply the emerging technology?

What Are the Top AI and Automation Opportunities?

Wherever there are a lot of transactions or data, there is an opportunity to automate. You have already seen the op-

portunity to reduce the amount of effort needed to use bank or credit card feeds to capture all transactional data if you use online accounting software. Some of you are using expense management software to capture transactions and reduce the effort to manage expense reporting. These simple examples leverage the benefits of centralized cloud computing.



Over time, computing power has gone from centralized to distributed back to centralized and is preparing to shift back to more distributed capabilities. The new wave of distributed computing is a result of widespread use of mobile computer power and from the reduced cost of graphics processors which can accelerate machine learning and artificial intelligence. Recognition capabilities, commonly referred to as Optical Character Recognition (OCR) has continued to improve, but adding AI, ML and other techniques improve accuracy. Having a local graphics processor can speed up AI and ML. If a document is presented in paper form, the accuracy of translating the image's numbers and words continues to improve approaching 100%. Of course, it is better to capture the data in

the original format which means we will download the transactions from a bank or from an accounting software system. Another rule to apply is that if an accountant is keying data, there is a broken process somewhere and your team should not be keying data at any level.

We have seen and experienced the first wave of computer automation with document management, expense management and accounts payable management with tools like eFileCabinet, Concur and Altec doc-link. While some of these products are approaching ten years old, their capabilities were largely built with manual forms and compute power, not with AI and other advanced techniques. New generation tools like Receipt Bank Extract, Zoho Expense and Bill.com are leveraging emerging technology to improve their capabilities and recognition rates.

Consider what happens if we can ingest a large amount of data for a tax return or an audit, perhaps even all transactions, to look for irregularities? What happens if all, or at least most, business transactions can be accurately captured and classified? Both functions are happening now with first generation products such as Inflo and Mindbridge AI. The algorithms in use are improving in accuracy as more data is processed, and the rules in the algorithms are improved. Mainstream and start-up vendors are beginning to sell these capabilities. Imagine what can happen if we can apply blockchain techniques to insure that all transactions that are recorded can't be changed (= immutable). We are seeing this

type of product with tools like AuditChain which is also leveraging XBRL reporting.

So, What Are Some Potential Tools to Use Today?

Multiple publishers are marketing products claiming that they have these problems solved today. While their techniques are beginning to work, don't expect 100% solutions. Examples of products that are working for audit include: Wolters Kluwer Audit Accelerator and Team-Mate Analytics, MindBridge is making progress on ingesting and classifying a large amount of data, while new audit tools are being promoted by the competitors of AuditFile, MyWorkPapers and the AICPA's OnPoint PCR.

We can bring back feeds and expense documentation together with a wide variety of expense reporting tools from Zoho Expense to Tallie to Expensify to Nexonia. We can automate payables with over a dozen different products from CloudX to Anybill to Aviid Exchange. Note that if a process can be handled by a human, there are tools that can automate these processes as well. Reports from large organization demonstrate that Robotic Process Automation (RPA) is paying off very well financially.

Robotic process automation (or RPA) is an emerging form of business process automation technology based on the notion of software robots or artificial intelligence (AI) workers. RPA can be attended vs unattended (similar to Machine Learning). When RPA 2.0 arrives, we will have more integration to AI. Today the tools are more like programming and scripting. The benefits of RPA include: Productivity, Cost savings, Risk Management, Innovation, and Employee engagement. The use cases (and more) include: QA, patch deployment, load testing and data entry.

Possible tools to consider include (pay particular attention to the platform across the tool chosen): UiPath, Automation Anywhere, Auto IT (scripts, local workstations), and Blue Prism. What is done well with RPA? Any manual processes that can be automated, repetitive tasks, rule-based activities, changeable tasks that are parameter driven, electronically readable format content, mature/stable processes, processes with low exception rates, areas that have high volume and any places where you can achieve FTE savings from automation.

There are three levels of complexity with RPA: low (recorder, power users), medium (some simple scripting), and high (Developers). To get started on a project, you'll need to engage the stakeholders (tax/finance), have solid process mapping/prioritization, look at the ROI/KPI, find and develop a Tech/Proof of Concept (use case before, vendor build), and repeat to improve. We suggest that you target work with least realization or areas that you believe will gain benefit from optimization, standardization, quality, or innovation.

And We Are Not Done Yet...

What can you do now? Recognize that if you keep your technology current, vendors will make new offerings available to plug into your technology infrastructure. Consider services offered by your firm today or ones you'd like to offer in the future. Create an innovation lab, or sandbox, that can be used for testing of new applications and techniques. Listen to your clients or customers' needs carefully while you are trying to assemble an offering. Test the offering with a few trusted clients and expand the offering into more of your base. Remember that you don't want to give away the efficiencies gained by reducing fees or prices. Over time, poor competitors are likely to compete on

price, but initially you should compete on value. Use the extra time made available by the efficiencies of the application(s) to provide a higher level of service, perform more business development, reduce the workload of your team or allocate the time to other worthwhile projects in your firm.

Expect some of the applications to not work out as you expect, and act quickly to set these options aside. You may want to hold your work for deployment at a later time once the quality of the products improves and/or become more affordable. Remember to package service offerings as a product and have a marketing documentation and procedures to support the offering. Revise the procedures and offering frequently until you have it finely honed to fit your client base.

There is broad FOMO (fear of missing out) and vendors are selling many partially baked offerings that aren't really what is advertised. The keys to the offerings are: do they work sufficiently well today to be useful, are the affordable, and do clients and/or your firm have a better experience while using them? If so, you can innovate with the innovative products today and be ready for the emerging technologies of tomorrow.

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 around-the-clock support from Boston to Honolulu. Concepts for this article were extracted from the Emerging Technology session produced as part of the 2018 K2 Technology Conferences and from Johnston's own experience working with technology at various firms in the U.S. Ask for help at NMGI by emailing helpdesk@nmgi.com or calling 620-664-6000.



Norman's Book Review

"The End of Alzheimer's"

by Dr. Dale Bredesen, MD

Grim Facts

- *"Alzheimer's Disease (AD) so far has been incurable and largely untreatable.*
- *No new drug to fight AD has been approved since 2003.*
- *99.6% of AD test drugs have been failures (243 of 244).*
- *AD is the only one out of the top 10 most common causes of death in the USA for which there is no effective treatment.*
- *There is no drug that reliably prevents or slows AD.*
- *AD robs its victims of their very humanity and terrorizes their families.*
- *AD has defeated the greatest minds in neuroscience and medicine so far.*
- *AD strikes an estimated one in nine Americans 65 years and older.*
- *AD is projected to strike 160 million people by 2050.*
- *AD is on track to take the lives of 45 million of the 325 million Americans alive today."*

First Hand Experience

I know full well the utter horror of AD. My mom had AD for approximately five years, and passed away on June 22, 2012 at the age of 83. After awhile, she didn't recognize any of her family and

friends, and she would often forget to eat, eventually weighing less than 70 lbs. My sister and I, as well as our families, did our best to be positive and supportive. I'll be honest ... it was really difficult to see our mom not be the person she always was before AD.

There Is Hope

Ever since my mom was diagnosed with AD, I have been very active in tracking the latest research on AD. It has been a very disappointing process, as there haven't been any success stories. All this changed when I read this book over one weekend. I got so excited as the book covered documented cases of people who not only stopped AD, but reversed their cognitive decline and had sustained the improvement. In fact, hundreds of people have experienced the same results. As the author states in the book:

"Alzheimer's disease can be prevented, and in many cases its associated cognitive decline can be reversed."

36 Contributors To AD

Through his research, the author has identified 36 contributors that determine whether or not someone gets AD. He uses the analogy of a house roof with 36 holes in it. While you may not have to patch all 36 holes to avoid AD, you have to patch as

much of the 36 holes as possible. That's why he states there probably will not be a single drug you can take that will stop and reverse AD. The single drug may patch only one or a few holes in the roof, which will not be enough.

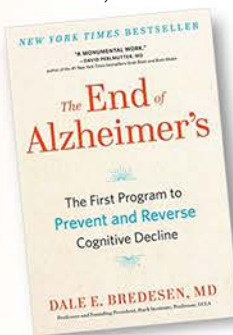
ReCODE Protocol

"ReCODE stands for reversal of cognitive decline. It is a personalized and sophisticated protocol based on the author and his colleague's decades of research on the neurobiology of AD. The protocol not only has achieved the reversal of cognitive decline in many patients with AD and pre-AD, but it also has allowed patients to sustain the improvement." As the author notes, "it is like a silver buckshot to the multiple contributors to cognitive decline, not a silver bullet that targets a single abnormality."

"Their first patient treated with the ReCODE protocol is five years into the treatment as of the book's writing, and at age 73, remains cognitively healthy, travels the world and is working full-time. From their subsequent work with hundreds of other patients, the first patient's results are far from unique." So amazing and exciting!!!

What AD Is and Is Not

Interestingly, the author states *"AD is NOT like cancer, rheumatoid arthritis, other auto immune diseases and many other diseases where something is dangerously out of whack."*



“AD is different. AD IS what happens when the brain tries to protect itself from three metabolic and toxic threats:

- Inflammation (from infection, diet, or other causes)
- Decline and shortage of supportive nutrients, hormones, and other brain-supporting molecules
- Toxic substances such as metals or biotoxins (poisons produced by microbes such as molds)”

Is AD Hereditary?

Yes and no. You can get AD even if it doesn't run in your family. However, if one of your parents has / had AD, the risk of you getting AD increases 30%. If both of your parents has / had AD, the risk of you getting AD elevates to 50% - 90%.

Cholesterol and AD

All of us are very conscious of our total cholesterol number, with the goal being total cholesterol below 150. Many of us are put on statins to help us achieve this goal. Surprisingly, the author points

out “low rather than high cholesterol is associated with cognitive decline. When cholesterol falls below 150, you are more likely to suffer brain atrophy – shrinking. Hence, your total cholesterol goal should be > 150, not < 150.”

How To Prevent AD

The author goes into great detail as to the things you can do with your diet, activity level, lifestyle, supplements, vitamins, exposure to toxins, etc to reduce your risk of AD. In summary, you need to:

“Prevent and reduce inflammation. Optimize hormones, trophic factors and nutrients. Eliminate toxins.”

Get The Book

If you are concerned you, a family member, co-worker and / or friend is pre-AD or is showing signs of cognitive decline, you need to get this book. You will learn about AD and how you have a chance of successfully fighting this devastating disease. You will be filled with hope, rather than feeling hopeless. Before

reading this book, I felt like this quote in the beginning of Chapter 2:

“Everyone knows a cancer survivor; no one knows an Alzheimer's survivor.”

Summary

I sincerely feel like this is one of the most important books I have ever read. We all know someone whose loved one has / had AD. It is a life altering disease which not only significantly impacts the individual with AD, but the individual's family and friends. It's excruciatingly painful, frustrating, sad and expensive. Life savings have been drained to support the person with AD. As I mentioned in the beginning of my review, this book gives us hope that AD can be defeated, as opposed to defeating us. There is no magic pill, but at least there are success stories with people on the ReCODE protocol. As the author proclaims in his book:

“No one should die from Alzheimer's disease.”



“No one should die from Alzheimer's disease.”



TAX FOUNDATION OF HAWAII

Hawaii's Watchdog on Taxes & Government

By Tom Yamachika

Beware of Tax Software?



Well, we're in the thick of tax season! It's that time of year when individuals, gritting and gnashing their teeth, scour through their financial records and begin the arduous process of completing their 2018 federal and state tax returns.

especially after a major federal change. They are usually pretty good at coming to the right answer eventually, but in the first one or two years you should be especially careful, because the reality is that Hawaii-specific changes are not that high on their priority list as compared to those in other, more populous states.

Here are some thoughts to keep in mind when filling out your Hawaii return. Do not assume that specialized computer tax preparation software services (you know which ones they are) are going to pick up every nuance of Hawaii tax law,

First, watch out for the state and local tax deduction. Normally, state income tax and property tax are deductible. The new federal tax law says that no more than \$10,000 in state and local taxes are deductible. It doesn't take much to get

to that number in Hawaii, so many of us will find that our state tax deduction is capped at the \$10,000. The cap does not apply for state tax purposes, so if your tax software cuts you off at the same amount on your state return, you need to find a way of getting your deduction for the extra dollars for state purposes.

Next, if you have a mortgage and/or home equity loan, the federal rules changed so that the deductible mortgage interest may be limited, and the HELOC interest may be disallowed entirely. These new caps do not apply for Hawaii tax purposes, so, just as with the state and local tax deduction it may be worth your while to make sure that your mortgage interest deduction is being handled correctly.

Are you an employer who saw lots of changes in the amount you can deduct from business income? For example, the new federal law doesn't allow a deduction for parking benefits, it halves the amount you can deduct for food and drinks purchased for the office, and it completely disallows any deduction for business entertainment in 2018. Hawaii picked up many business tax changes, but it didn't pick up these. So, there will still be a break on the Hawaii return for those items.

There's some good news and bad news if you own a small business, are a partner in a partnership, are a shareholder in a S

What's
Still Alive?

1 CPE
Credit hour

Hawaii Tax Legislative Update



April 18, 2019

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

Plaza Club - 20th Floor

(Public parking available at various municipal lots)

Lunch Buffet
from 11:30 a.m.
Program at
12 noon

What's still alive in the 2019 Legislative Session? Tom will provide an overview of the tax-related bills still alive at the Legislature, including a few bills already on their way to the Governor, and the impact they will have on Hawaii taxpayers and businesses. Topics of interest are proposed GET and Estate Tax hikes; carbon tax; possible new county surcharges, this time on the TAT; and more. Tom will also be able to present perspectives on some bills that wound up in the round file - this time.

Note: By the April 18th lunch 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

corporation, or get dividends from a real estate investment trust. The good news is that you get a new federal deduction, which tax practitioners call the “Section 199A deduction,” that is intended to give a tax break to individuals who conduct business that gets taxed on their individual tax forms. The bad news is that Hawaii didn’t adopt it, so don’t expect to get a benefit of that deduction on your Hawaii income tax return.

Also, if you have claimed lots of itemized deductions, the federal return will allow you to add them up, within the limits previously described. On the Hawaii return, if adjusted gross income is above a certain amount then a pre-Trump Tax law called the “Pease limitation” kicks in and eats away at your itemized deductions. As a result, the total itemized deductions that you are allowed to deduct in calculating taxable income may be somewhat less than the sum of the various categories of your itemized deductions.

And even if you do use a professional preparer, make sure to go over your draft return carefully before you sign your name to the final version. Make sure that these law changes are included. And good luck with your tax season!

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.

payment at the time the extension is filed. This payment can reduce or eliminate interest and late-payment penalties.

Benefits and risks — The advantage of a tax extension is it gives a preparer more time to compile all the needed information to file a return accurately. Extensions are often more cost-effective than filing an amended return later down the line and do not increase the likelihood of an audit. However, there are risks involved with a tax extension, including accruing interest and penalties. A client who misses the extended deadline will face steep penalties.

April 15 deadline still matters — All payments on taxes owed must be paid by the April 15 deadline or your client may be charged interest and penalties. April 15 is also the last day your client may set up an IRA or make IRA contributions for the 2018 tax year. Married couples are not permitted to change their filing status from married filing jointly to married filing separately after the April 15 deadline even if they go on an extension.

Business rules — It’s likely more business clients than usual will face tax extensions this year due to pending tax reform guidance. Those who own C corporations must file their 2018 tax return or extension by April 15. Like individual tax returns, a business extension filed through Form 7004 is an extension of time, not an extension to pay.

Tax reform and state rules — Many states allow for an automatic filing of state extensions when a federal extension is filed, but other states may have different procedures or impose greater

interest and penalties. Review the state rules with your clients.

Due diligence — Because of the volume and complexity of tax extensions this year, extra due diligence is necessary. CPAs must obtain written authorization from their clients before filing tax returns on their behalf. This document should also include details of the extension like estimated tax payment amounts and an explanation of possible interest and penalties. Consult the AICPA Code of Conduct, Circular 230, AICPA Statements on Standards for Tax Services (SSTs) and the Internal Revenue Code (IRC) while preparing your clients’ tax extensions this year.

And while it goes without saying, extensions are a tried and true method for spreading out the workload, especially during this last stretch when days are getting longer and patience is running shorter.

HAWAII PRACTICES FOR SALE

Gross revenues shown: Island of Kauai CPA - \$785K; Honolulu Tax & Accounting - \$345K; Kailua Tax & Accounting - \$142K. Avail after 4/15/19 - Honolulu CPA - \$800K. 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 email Ryan@APS.net.





CPA FIRM



MICROCOMPUTER TECHNOLOGY

By Joy Takaesu of The CPA Collective



Starting in April, Windows 7 users will start seeing “courtesy reminder” notifications that support for Windows 7 ends on Jan 14, 2020.

According to the Windows blog, there will be a “handful” of reminders throughout the year, but it will be possible to turn them off. Support for Office 2010 is also coming to an end next year, on 10/13/20.

Microsoft is testing an automatic roll-

back feature for incompatible updates (for those running Windows 10 Insider Preview, build 18351 or later). If a machine fails to start up, Windows will first attempt to diagnose and fix issues, such as disk issues, system file corruption, or invalid registry keys. If it still won't boot, Windows will check for recently installed drivers or updates, and may automatically uninstall them. If rolling back the updates resolves the issue, Windows will also block those updates from automatically reinstalling for 30 days. The updates can still be manually reinstalled, but according to Microsoft's support page, “if your device is unable to start up properly after automatic or manual installation of these updates, Windows will uninstall them again automatically.”


As a reminder, it's important to keep all browsers up-to-date in order to receive the latest security fixes. In March, Google's Director on Chrome Security & Desktop, Justin Schuh, urged everyone via Twitter to immediately check Chrome for updates and restart the browser in order to apply the update, after it was discovered that an exploit was being used in the wild.

Business e-mail compromise (BEC) scams are still a common and potentially costly cybersecurity threat. BEC scammers send e-mails that are designed to appear as if they were sent by someone

familiar to an organization, in order to request fraudulent payments or sensitive employee information. BEC scams are increasingly using targeted attacks such as spear phishing, where scammers use carefully crafted e-mails to target specific individuals or organizations. According to a report by Cybersecurity company Barracuda Networks, the top BEC scam e-mail subject lines included phrases designed to create a sense of urgency, like “Request,” “Follow up,” “Urgent/Important,” or subjects meant to imply familiarity, like “Are you available? / Are you at your desk?”

The IRS issued a warning about BEC scams, citing an example where scammers pose as a person in authority in order to request a list of employees' W-2 forms. In another example, a scammer posing an employee will email the person in charge of payroll claiming that their bank had changed, and request to change the direct deposit details. BEC emails may include real names of known individuals, and may slip past e-mail filters since they do not contain any malicious links or attachments. It is up to the recipient to recognize that the e-mail is not legitimate.

If you have any questions or comments, please call me at (808) 837-2517, or send e-mail to jtakaesu@thecpacollective.com.



**PRISTINE BUILDING
IN DOWNTOWN
HONOLULU/
CHINATOWN**

Fee Simple
Built in 1910
3,471 SF Building
BMX-4 Zoning

Current owner relocating,
building to be delivered vacant.
Price: \$1,850,000

**Contact for additional info and
Confidentiality Agreement:**
Andy Y. Kazama (S)
Mobile +1 808 864 3385
andy.kazama@colliers.com



National Plan for Vacation Day

By Jill Ishimitsu



Did you know that January 29th was National Plan for Vacation Day? It is celebrated

annually on the last Tuesday in January. Launched by the U.S. Travel Association's Project: Time Off Initiative in 2017, National Plan for Vacation Day encourages Americans to plan their days off.

According to Project: Time Out, 52% of Americans did not use all of their vacation days in 2017. This amounted to 705 million unused vacation days. Of the 705 million unused vacation days, 212 million days were forfeited which is equivalent to \$62.2 billion in lost benefits or \$561 per worker. To help workers take their vacation and use their vacation time to travel, the travel industry is working to change our thinking and behavior about vacation time.

Causes

- **Work Martyr Complex.** We don't want to take vacation because we have too much work. No one else can do our job so there will be a large amount of work waiting for us when we return from vacation. We worry that we will be replaceable.
- **Technology.** Even though we take vacations, we don't unplug from the office. We often check e-mails, return calls, and even remote in to check on things or complete a project. We plan workcations instead of vacations.

- **Money.** Some companies allow workers to cash out on their unused vacation hours. We value the additional income from unused vacation rather than taking time off.
- **Too Busy.** We are too busy with work, family, sports, school, and everything else in our lives. Planning a vacation is just another thing on our already full to do list. Where are you going? Were you able to find a pet sitter? Which airlines and hotels have the best rate?



Benefits

- **Health Benefits.** Vacations reduce stress by taking us away from activities that cause us stress and anxiety. Taking regular vacations is also known to reduce our risk of heart attacks and other heart-related illnesses.
- **Improved Productivity.** After a vacation, we are more focused and reenergized. We are thinking clearer and are more productive.

- **Improved Relationships.** Spending time traveling and enjoying life improves our relationship with loved ones. We cherish creating memories with our family.
- **Happiness.** Vacations restock our energy levels. We are more relaxed and happy as a result of the vacation. We are happier with our jobs and company.
- **Boost the Economy.** Our tourism industry relies on vacationers. If we plan our vacations early, we are more likely to travel.

Plan Your Vacation

Research indicates planners tend to use all of their vacation days each year. Planners also travel more than nonplanners. To become more of a planner, think about what you want to do and block days out on your calendar. Be aware of busy times at work. You don't want to request time off during the company's busy season. Request time off early to ensure there is adequate coverage while you are on vacation. Even if your plans change, it is easier to back out of your vacation time than try to request time off at the last minute.

Although National Plan for Vacation Day was over three months ago, vacations can be planned at any time. Start now. Busy season is almost over and we're all definitely in need of a vacation!



2019 TAX BOOK ORDER FORM

ALL SALES FINAL



2019 CCH U.S. Master Tax Guide – \$78.00 / \$98.00

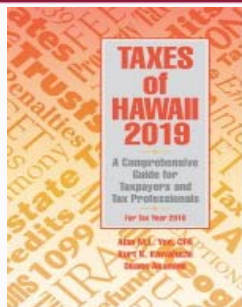
The nation's top federal tax resource, the **U.S. Master Tax Guide® (2019)**, has been updated to provide complete and reliable guidance on the historic Tax Cuts and Jobs Act, as well as pertinent federal taxation changes that affect 2018 returns. Virtually all taxpayers are impacted by the changes to the U.S. tax structure, with individual taxpayers and businesses witnessing the most significant changes.



2019 RIA Federal Tax Handbook – \$65.00 / \$85.00

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

SOLD OUT!



2019 Taxes of Hawaii – \$27.00 / \$36.00

Every year since 1964, this annual publication is updated with all new state taxation laws and judicial rulings. Taxes of Hawaii is an invaluable tax-season tool used by Island and mainland CPAs, tax preparers and bookkeepers, as well as attorneys, small businesses, individual taxpayers and students. Includes income tax rate tables, specimen tax forms and vital information on income, General Excise use, estate, property, unemployment, transient accommodations and other taxes.

**LIMITED
SUPPLY**

**ALL
SALES
FINAL**

Quantity		Member	Non-member	Total
	2019 CCH U.S. Master Tax Guide	\$78.00	\$98.00	
	2019 RIA Federal Tax Handbook			
	2019 Taxes of Hawaii	\$27.00	\$36.00	
Mailing: Postage & Handling *				
	\$9.00 for 1st book (HAWAII ONLY)	1 - \$9.00	1 - \$11.00	
	\$4.00/book - 2nd book & thereafter	2+ - \$4.00	2+ - \$6.00	
*Mainland/International - contact for pricing				
TOTAL AMOUNT DUE				

Payment must be received to confirm order - while supplies last.

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

☐ Check # _____ ☐ ☐ Card No. _____ Exp. Date _____ / _____ CVV _____

Signature _____ Print name on card _____

Name _____ Firm _____

Address _____ Tel _____ E-mail _____

Please remit completed form with payment to:

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