

JUNE 2019

KĀLĀ

The Official Publication of the Hawaii Society of Certified Public Accountants



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ETHICS!

59TH HSCPA ANNUAL CONFERENCE
June 28, 2019



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Society of Certified Public Accountants

In This Issue

President's Message 4

By Darryl Nitta

CPA Firm Microcomputer Technology..... 5

By Joy Takaesu

Hawaii Society of CPAs' Members Visit
Lawmakers in Washington..... 6

HSCPA 59th Annual Conference..... 8

Mahalo, HSCPA Members..... 12

By Wendell Lee

Norman's Book Review..... 14

Gut-n-Replace 2019..... 16

By Tom Yamachika

Member Advisory..... 17

Y-CPA Buzz..... 18

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President's Message

By Darryl K. Nitta

*What is the Army slogan for accountants?
Be audit you can be!*



Every two years in May, the AICPA's Spring Meeting of Council is held in Washington D.C. For three days, CPAs from across the nation discuss key issues facing our profession. After briefings on day three, AICPA Council members head to Capitol Hill to meet with their respective state members of Congress to advocate on issues affecting taxpayers and the accounting profession. The HSCPA had an unprecedented seven members representing Hawaii on this trip to DC. Our group led by Executive Director Kathy Castillo included outgoing AICPA Council members Trisha Nomura and Gordon Tom, and incoming AICPA members Ryan Suekawa and myself. We even had special guests Kurt Kawafuchi, the former Hawaii Director of Taxation and Norman Okimoto, two-time past HSCPA President join the team. We were also fortunate to have scheduled meetings with all four delegate offices on Capitol Hill. Special thanks to Mika Morse of Senator Schatz's office, Ben Strand of Senator Hirono's office, David Chun of Congresswoman Gabbard's office, and Mitch Heidenreich of Congressman Case's office who all took the time to listen to our positions on the current issues facing our profession today

The four key issues discussed with the Hawaii delegation are as follows (refer to the AICPA website for more details www.aicpa.org):

- Fiscal State of the Nation – We requested support of a Congressional fiscal state of the nation resolution calling for the Government Accountability Office Comptroller General (GAO) to make a presentation to a joint session of the House and Senate Budget Committees on the GAO's auditor's report of the U.S. government's financial statements.
- Taxation of the Digitalized Economy – We advocated for sound tax policy as we discussed the complex and unique tax challenges presented to governments and taxing authorities around the world by the advancement of digital technology on the global economy.
- Practitioner Services Division – In April 2019, the IRS announced a six-year IRS Integrated Modernization Business Plan. As part of that plan, we advised that by consolidating existing IRS units into a new department called Practitioner Services Division is one of the best ways to improve taxpayer services. It will help tax preparers resolve their clients' tax issues

since current programs are spread throughout the IRS and the operating systems for the programs do not easily communicate or integrate with each other.

- IRS Disaster Relief – The HSCPA and the AICPA have long worked for a set of permanent disaster relief tax provisions. We encouraged Congress to enact legislation that would give the IRS the authority to postpone deadlines when a national disaster is declared by a State's Governor rather than waiting for a Federal declaration. This will provide for more timely assistance and certainty to taxpayers in their time of crisis.

After an exhausting but productive three days, I understand that in order for us to effectively promote our profession, we must be actively involved in the legislative process. Therefore, I highly encourage everyone to contribute to the HSCPA PAC when you renew your dues later this month. Contributions to the PAC will promote the legislative initiatives that will help our profession with today's rapidly changing environment.



Looking ahead: The 2018-2019 fiscal year in review. I can't believe it has been a full year already as President of the HSCPA! One more year to go!!!

CPA FIRM MICROCOMPUTER TECHNOLOGY

By Joy Takaesu of The CPA Collective



From May 6 to May 8, 2019, Wolters Kluwer experienced an outage across its CCH tax products & cloud services

worldwide, including its support website and phone lines. Wolters Kluwer later issued a statement saying that the downtime was due to “aggressive, precautionary efforts” that Wolters Kluwer took after detecting “technical anomalies” and malware. Wolters Kluwer took systems offline as a precaution to limit any potential damage.

According to Wolters Kluwer, investigation is ongoing, however, there has been no evidence of data theft or breach of confidentiality of that data. The disruption left users without access to cloud-based files, e-filing, and support. The outage affected so many customers that Wolters Kluwer worked with the IRS to extend the May 15 deadline to May 22 for affected CCH users. Even very large companies and organizations are not immune to attacks and service disruptions, and it has been a reminder to reevaluate disaster recovery and contingency plans.

According to the SANS Institute, personalized scams are on the rise. Scammers may include personal information obtained from third party breaches to make their fraudulent requests appear more realistic. Even if you receive an e-mail or phone call that seems targeted specifically to you, it might be part of a bulk automated scam campaign. SANS offers the following recommendations:

- Be wary when receiving a “highly urgent” e-mail, message, or phone call. Scammers may use scare tactics to create a false sense of urgency in order to rush victims into making mistakes.



- Be suspicious whenever someone demands payment in Bitcoin, gift cards, or other untraceable methods.
- If you receive a suspicious e-mail, perform a search to see if others received similar emails. Scammers often use the same script or variants of the same text.

The Windows 10 May 2019 Update has been released. In addition to the previously discussed new features like Sandboxing, increased control over updates and new dashboard, Microsoft has updated its security configuration baseline settings. Windows 10 v1903 and Windows Server v1903 will no longer force password expiration by default. According to Microsoft, “periodic password expiration is a defense only against the probability that a password (or hash) will be stolen during its validity interval and will be used by an unauthorized en-

tity. If a password is never stolen, there’s no need to expire it. And, if you have evidence that a password has been stolen, you would presumably act immediately rather than wait for expiration to fix the problem.” The May update also added a new taskbar icon to indicate when your microphone is in use (this can be toggled under Start, Settings, Personalization, Taskbar, “Select which icons appear on the taskbar”). To see which apps are using or have recently used your camera or microphone, you can go to Start, Settings, Privacy, Camera / Microphone.

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

HAWAII PRACTICES FOR SALE

Gross revenues shown: Downtown Honolulu CPA-\$782K; Kailua Tax & Acctng-\$142K; Island of Kauai CPA-\$785K; Honolulu Tax & Acctng-\$345K; and available after 4/15/19, Honolulu CPA-\$798K. For more information, please call 1-800-397-0249 or to see listing details and register for free email updates visit www.APS.net.

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Hawaii Society of CPAs' Members Visit Lawmakers in Washington, D.C. To Discuss Issues Important to the Accounting Profession



Members of the Hawaii Society of CPAs visited Hawaii lawmakers in Washington, D.C. to discuss the accounting profession's advocacy agenda. HSCPA members were attending the American Institute of CPAs (AICPA) Spring Meeting of Council and Annual Members' Meeting from May 19-21. The visits to Capitol Hill were a highlight of the AICPA meeting. Attendees included AICPA Council members Darryl Nitta, Trisha Nomura, Gordon Tom and Ryan Suekawa; HSCPA Tax Committee Chair Kurt Kawafuchi; past president Norman Okimoto; and Executive Director Kathy Castillo.

"We think making these personal visits

with our elected officials on Capitol Hill is one of the best ways to educate them about the issues important to the accounting profession and the taxpayers they represent," said Darryl Nitta, HSCPA president and AICPA Council member.

At the top of the profession's list of issues are modernizing the Internal Revenue Service's (IRS) taxpayer services, changing the trigger that allows the IRS to grant deadline extensions when natural disasters occur, the growing importance of taxation of the digital economy and a Congressional resolution relating to the fiscal state of the nation.

A Practitioner Services Division within the IRS is one of the best ways to improve taxpayers services, the CPAs told lawmakers. It would help tax preparers solve their clients' tax issues by consolidating existing IRS units in the new division. Currently, the programs are spread throughout the IRS and the operating systems for the programs do not easily communicate or integrate or even have access to the same taxpayer information.

Congress can also help taxpayers by enacting legislation that would give the IRS the authority to postpone deadlines when a national disaster is declared by a state's governor, which often occurs days before the disaster occurs, rather than



waiting for a federal disaster declaration, the CPAs said. The HSCPA and the AICPA have long worked for a set of permanent disaster relief tax provisions, but enactment of this new legislation would provide more timely assistance and certainty to tax preparers and taxpayers.

The CPAs also asked their lawmakers to support a Congressional fiscal state of the nation resolution calling for the Government Accountability Office Comptroller General (GAO) to make a presentation to a joint session of the House and Senate Budget Committees on the GAO's auditor's report of the U.S. government's financial statements.

In addition, the CPAs advocated for sound tax policy as they discussed with lawmakers the complex and unique tax challenges presented to governments and tax authorities around the world by the advancement of technology and the digital economy.

We were pleased to have met with legislative tax policy staff members of Senators Schatz and Hirono, and Representatives Case and Gabbard.

The HSCPA delegation also found time to do some sightseeing of museums,

historical monuments and memorials. One of our highlights was meeting up with familiar friend of Hawaii, Commissioner Chuck Rettig and his wife Tam. Many are pleased that the IRS has made many improvements under the leadership of Commissioner Rettig – way to go, Chuck!



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, **ADP**, **Ceridian**, **CPA Charge**, **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.



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.



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

AN ETHICAL AFFAIR PROGRAM



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	\$ _____
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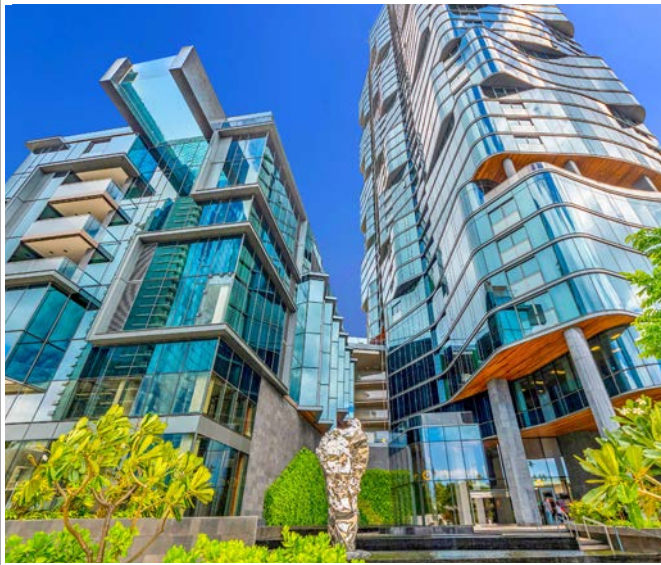
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Mahalo, HSCPA Members, for changing lives through education!

By Wendell Lee, CPA

I often entertained the thought of a position in education during my 30-year tenure in public accounting. And in the fall of 2017, I was provided with the opportunity to enter the world of academia as an instructor at the University of Hawaii – West O'ahu campus.

My first teaching semester consisted of three accounting courses and for the first time in my working career...no timesheets! I was very fortunate as my colleagues instantly took a 'youth- and technology-challenged' instructor under their wings and taught me how to prepare a syllabus, assign homework via online portals, and provided much needed guidance on how to engage students in a modern-day classroom.

In today's academic world, you operate very independently. Instructors are entrusted to educate and mentor students and are personally charged with opening their minds to various concepts and developing exercises that best prepares them for their careers.

Each semester since my very first has been full of wonderful opportunities. I have been able to teach a variety of accounting subjects like Introduction to Financial & Managerial Accounting, Strategic Management and others covering individual, corporate, partnership, estate and gift tax. These courses allow me to interact with 80-100 students (each semester) in both in-class and online instruction. Students have been so open, accepting and amazing that it fills me with confidence that our future is in great hands.

About Our Students at UHWO

Many of our UHWO students come with additional responsibilities on the onset as many are working 20-30 hours a week while maintaining a full course load. A large percentage of them utilize student loans and Pell grants to afford tuition, and many are the first in their family to attend college. I see myself in these students - 35 years ago, filled with the hunger, desire and aspiration to change their lives through education.

UHWO's accounting program, like the community that surrounds it, came from very humble beginnings. It began in Leeward Community College's wooden portable classrooms with professors working out of their vehicles as they had no offices to use. Fueled by the staunch belief, perseverance and guidance, the program has grown and continues to flourish within its beautiful campus in Kapolei. UHWO's accounting program is one of the largest programs at the campus with over 280 students enrolled and its leaders are well respected and recognized by their peers, faculty and students.

The program Chair is Dr. Frank Kudo, CEO of a local business, who has dedicated over 13 years in building and developing UHWO's accounting program. Under Dr. Kudo's leadership and with the support of the accounting faculty of Katie Landgraf, Dr. Eric Wen and Dr. Susan McMahon, they have built UHWO's accounting program into a major conduit for new hires at accounting firms throughout our state. The team is dedicated to increasing the caliber of the accounting program and to develop the highest quality accounting graduates who are ready, willing and enabled to contribute to the progression of our industry.

Dr. Eric Wen has received approval from the curriculum committee for students to earn a Certificate in Data Analytics. This certificate is composed of five courses targeted for students and working individuals who want to improve their knowledge and skills in analyzing data.



Pictured with CPA Exam review students are HSCPA members and faculty, Katie Landgraf (bottom right) and Wendell Lee (top right)

Students will learn how technology drives the audit process, how to extract data and understand the technology risks during the audit.

Professor Katie Landgraf has developed a summer program to prepare students for taking the Uniform CPA Exam. The students who take her class have a 60% passing rate for each part of the exam they take!

Our Challenges

Hawaii has one of the lowest passing rates in the nation and her course curriculum, along with Becker's CPA prep class, will assist students in navigating the certification process within the National Testing Service while providing a study structure to keep students on track to pass each section of the Exam.

One of the difficulties encountered at UHWO is the cost of the Becker's CPA software which retails for \$3,800. Professor Landgraf successfully negotiated a 50% discount with Becker's lowering the cost of the course to \$1,900. However, even at the discounted rate it is still difficult for our students to afford.

Paying it Forward

A proposal was submitted to the HSCPA requesting funding to help defray the Becker's cost to students, and they generously responded with a grant of \$5,000. **Adrian Hong**, HSCPA board member and president of Island Plastic Bags personally added to the pot bringing the total contribution to \$7,500. Mahalo

Nui Loa to the **HSCPA** for the generosity and for recognizing the importance of supporting this program and growing the CPA pipeline.

UHWO has also been blessed recently with the support of many other groups.

- This past semester, the **Sukanto Foundation** provided the UHWO school of accounting with a \$10,000 grant enabling us to purchase the CCH Intelliconnect tax research database. Students enrolled in a tax course are required to prepare a research paper and can utilize the database for their weekly research assignments.
- **Deloitte** has held seminars on campus in CPA exam preparation and uncovering the varied opportunities in accounting. Thanks to Paul Higo and Val Shintaku, Deloitte Honolulu just awarded UHWO's accounting school an annual \$1,500 scholarship to the Outstanding Deloitte Accounting Scholar to be presented each year at our Student Accounting Night!
- **HSCPA's Y-CPA Squad** have sponsored seminars for our students, providing them with learning opportunities on resume preparation and honing their interviewing skills.
- **CW Associates**, CPAs provided etiquette classes to our seniors at Oahu Country Club. This simple yet grossly overlooked lesson prepares our graduates on how a business lunch is conducted.

- UHWO's Student Accounting Night is an opportunity for our accounting students to meet with professionals from public accounting firms, private industry, and government. In 2017, over 80 students and professionals attended. Last year a record number of 142 participants crowded into multipurpose room. It is one of the largest student events on campus! Thank you to all the organizations that participated in this event.

Please join me in saying Mahalo to these wonderful groups for supporting and contributing to the successful future of our profession. In our accounting practices, we constantly tell our employees that training is an investment. Thank you for investing in our future employees!

If you would like to support our program such as our Student Accounting Night and Accounting Club, we welcome the opportunity to 'talk story'. Please contact Professor Katie Landgraf at katiebl@hawaii.edu.

Wendell is a lecturer at the University of Hawaii - West Oahu instructing courses in accounting and taxation. He is also a Partner with Trustee Administrative Services Hawaii, LLC, that assist trustees and personal representative navigate the trust and estate administration process. Wendell is a former founding partner of Accuity LLP and tax partner with the international accounting firm of PricewaterhouseCoopers and has over thirty years of experience in the industry. Wendell is a past President of the HSCPA (2009-2010).



Norman's Book Review

"The Algorithmic Leader"

by Mike Walsh

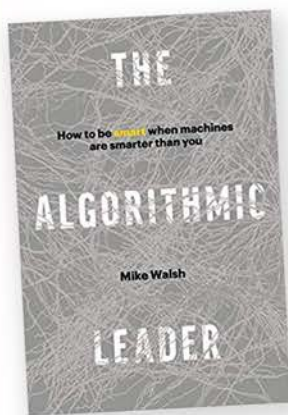
Simply put, this might be the most important book you will read if you want to be a successful leader today and in the future. There are many leaders who "get it," and there are more who see it. It is not too late for you.

The author is the CEO of Tomorrow, a global consultancy firm that focuses on designing companies for the 21st century. He travels over 300 days a year worldwide, talking to business leaders, researching trends, and sharing his knowledge. I had the pleasure of listening and talking with him at a credit union conference, and it was an eye opener for me. He provided clarity on how business is today and probably will be in the future, and what kind of leadership skills are necessary to be successful. As the book title suggests, he believes you have to be an "Algorithmic Leader, one who is smart when machines are smarter than you."

The following are some of the interesting concepts and people discussed in the book, in my opinion. The author has a clear writing style, has a bullet point summary and thought provoking question at the end of each chapter, and highlights business leaders you may have not heard of but are very fascinating. Most of all, he gives hope that machines will not replace humans, and to the contrary, the world needs algorithmic leaders more than ever now. I highly suggest either getting his book, and/or watching his videos online to get to know him.

Algorithmic Leader

Per the author, "an algorithmic leader is someone who has successfully adapted their decision making, management style, and creative output to the complexities of the machine age."



To be successful now, a leader must "take different approaches, have different skill sets, and possess different ways of thinking." The real power of a leader is "not how many people are reporting to you, but how successful you have been in connecting people, partners, and platforms."

10 Principles of an Algorithmic Leader

The book is organized by the author's 10 principles of an algorithmic leader, and categorized into three stages of a leader's transformation journey. These are listed below.

Change Your Mind

1. Work Backward From The Future
2. Aim For 10x, not 10%
3. Think Computationally
4. Embrace Uncertainty

Change Your Work

5. Make Culture Your Operating System
6. Don't Work, Design Work
7. Automate and Elevate

Change The World

8. If The Answer is X, ask Y
9. When In Doubt, Ask A Human
10. Solve for Purpose, Not Just Profit

The author notes you can read the book from start to finish, or skip around based on what you find interesting.

Aim For 10X, Not 10%

The author firmly believes leaders must think in multiples because it is a "winner takes all" era now. "Twenty-first century industries based on data and algorithms tend to operate in a "winner takes all" market." Think Google, Amazon, Uber and Lyft, etc.

How many startup companies will be able to compete with these and similar companies in their business space? These established companies have tremendous scale, market share, data, technology infrastructure, machine learning algorithms, cash reserves, etc.

At the end of this chapter the author provides the following words of wisdom:

"If you think there is a chance that algorithms could transform your part of the business, it is always better to lead the charge, rather than wait for marching orders."

Masayoshi Son

Masayoshi Son is founder and CEO of Japanese holding conglomerate SoftBank, Japan's leading broadband provider, and an early investor in Alibaba. He is also the richest man in Japan. "He made a \$20 million bet on Alibaba, then a fledging Chinese e-commerce company in 2000, that turned into \$50 billion when the company went public in 2014."

What is Son's secret? "He doesn't just invest in companies that he thinks might someday be successful or profitable; instead, he forms a very personal view of what the

future might look like and works backward from there.”

Google’s Project Aristotle

Calling it Project Aristotle, Google spent two years studying 180 of its teams to see the secrets of its high performing teams. “The study’s most famous finding was that the most significant attribute of a successful team was not the number of geniuses in it, but the degree of emotional safety. That is the degree to which people feel safe to propose new ideas, take risks, share divergent opinions, and ask judgement-free questions. Also, the researchers discovered that the best teams exhibited the following “group norms”: equality, generosity, curiosity about teammates’ ideas, empathy, and emotional intelligence.” How do your project teams compare to Google’s top teams?

Amazon’s Unique Data-Driven Meeting Format

If you want to run your meetings like Amazon, you need to first ban slide decks. “The presenter then needs to bring a memo, no more than six pages long, structured in a logical way, with supporting data in the appendices. The meeting begins with 15 minutes of silent reading time, followed by the attendees making high-level comments about an idea before going through the memo page by page, providing feedback.”

Amazon’s Two-Pizza Team Size

If you want your project teams to be the size of Amazon’s teams, they can be no larger than what two pizzas can feed, or about three to eight people. “Jeff Bezos is famous for having said that a team should never be so big that it couldn’t be fed by two pizzas. Bezo’s rationale was that once you have big teams, people waste time on chasing consensus rather than focusing on creating disruptive ideas.”

“Amazon values speed and agility, rather than collaboration and consensus. In fact, there can often be multiple small teams working on the same issue – almost competitively – to see who can solve the problem first.”
How many pizzas do you have to buy to feed your project teams?



Norman with author Mike Walsh

Continuous Experimentation

Did you know that many large and successful algorithmic companies are continuously performing experiments to run their businesses better? AI allows such experiments to be performed on a mind-boggling scale. Per the author, “Facebook conducts tens of thousands of experiments at any given time, Airbnb claims to run over 700 experiments a week, and if you count randomized A/B testing, then pretty much every digital company from Netflix to Google is running millions of experiments concurrently.”

Put Principles Before Processes

What comforted me when I listened to the author and reading his book was that people will always be important in the 21st century, and will not be replaced by machines. As he notes in his book, “even as AI improves, there will always be tasks, decisions, and activities that machines can’t accomplish and that humans must take on. As everything else becomes automated, the human-reliant tasks

increase in importance. Technology may have changed the hardware of your business, but culture is your true operating system.”

“Company culture is like the culture of a country. Paris, Texas, will never be Paris, France.”

Be A Humble Gardener Rather Than A Prison Guard

Daniel Hulme is CEO of Satalia, a London-based company that provides AI solutions. He also studied his company to understand what motivated people and made them happy. “He believes that the key to success in a decentralized organization is for leaders to act as humble gardeners rather than prison guards. The job of a leader is not to enforce their views and ensure compliance, but rather to provide nutrients and the space to allow things to grow.”

Ali Parsa, founder of Babylon Health, one of the world’s leading AI healthcare providers, held a similar view for practical reasons. “He explained if you are growing at over 100% per year, it is impossible for any human being to keep everything in their head. So then the job is not being the puppet master but the gardener. You need to create an environment in which every plant can grow on its own.”

Summary

Mike Walsh does an excellent job at giving us a glimpse at how the world is changing and how proactive and successful leaders are transforming and have transformed themselves into algorithmic leaders. They are also changing the people around them and their companies to be competitive and successful in the future. As he notes at the end of his book:

“They are not the leaders we grew up with, or even the ones we may have hoped for, but they are the ones we need, the ones who will lead us in an age of smart machines.”



TAX FOUNDATION OF HAWAII

Hawaii's Watchdog on Taxes & Government

By Tom Yamachika

The “Rail Skim” Suit: We Lost the Battle, Taxpayers



A long time ago, in October 2015 to be more precise, the Tax Foundation of Hawaii sued the State. Why?

Because at the time, the State was skimming 10 cents off every dollar that was being collected for rail, and it plopped the money into the state's general fund, where it was spent on everything but rail. Its justification for pocketing the money was that there were various costs associated with administering and collecting the rail tax, and those needed to be reimbursed.

But the State was hauling in \$25 million a year – a sum comparable in size to the entire budget of the state Department of Taxation. We thought the State was not only reimbursing itself, but was making a killing in the process, all at the expense of Oahu taxpayers.

When we initially filed our complaint, the State's response was more about “jurisdiction” and “standing” rather than the meat of the dispute. In other words, they were saying, “And what right do you pipsqueaks have to be telling we the State how we should be spending our money? If anyone has a complaint, it should be the City government and not you runts.”

Our response was simple. Governments don't pay taxes; taxpayers pay taxes. If taxpayer dollars are skimmed from rail, fewer dollars are available to build rail. To build the train, the City would then have to tax Honolulu taxpayers for a longer period. And indeed, the City got the Legislature to move the sunset date of the

surcharge from 2022 to 2027 to 2030.

The Circuit Court tossed out the case. It reasoned that if the Foundation wasn't seeking a tax refund (we weren't), then the Foundation would be seeking a “declaratory judgment” which, under statute, cannot be obtained in tax cases; game over.

We appealed.

On March 21, the Supreme Court of Hawaii released three opinions, totaling 125 pages, saying that the Foundation loses. The great bulk of all three opinions addressed the issue of standing. They reviewed the tortuous history of attempts by many nonprofit groups, from Life of the Land to Hawaii Insurers Council to Hawaii's Thousand Friends, to get the courts to act in cases where they thought governmental power was being misused or abused. Rules were made, rules were bent, and rules were bent some more, depending on which version of the history you found more persuasive. Ultimately, four of the five Justices concluded that the Foundation did have standing. This means that we, or similar taxpayers, who feel that our tax dollars are being distributed unlawfully can go to the courts to get something done about it.

The merits of the suit are only addressed in the last ten pages of the principal opinion. There, four Justices were satisfied that the Legislature didn't cross the line when it enacted the 10% skim. There would be “costs of assessment, collection, disposition, and oversight” of the new tax, people had no idea how extensive these costs would be; so 10%

was a reasonable estimate. Also, it wasn't discriminatory as compared with the other counties because if any of the other counties enacted a surcharge, they would have been skimmed as well. Game over.

We, of course, didn't think the estimate was reasonable at all. How could the costs for assessing, collecting, and overseeing a mere 3% of the total revenues taken in by the tax system be around 100% of the costs to run the whole Department of Taxation?

In the end, however, we need to focus on the real issue, namely The Skim. What happened to that law that allowed the state to skim 10% of the county's surcharge?

In the 2017 special session, the Legislature slashed the skim from 10% to 1%. It snipped out one zero, and the result was a huge victory for taxpayers. Would they have done it without the Foundation's lawsuit hanging over their heads? We doubt it; the law contains an explicit reference to our lawsuit, so it's clear that lawmakers were very much aware of it.

The Foundation may have lost the court battle. But all of us won the war.

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 Accuity LLP where he managed the tax consulting practice, including quality and risk management and practice development.

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

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

ETHICS EDUCATION FOR CPAs?

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

Yes. For every biennial license renewal (odd year), you are required to complete 4 hours of continuing professional education (CPE) in Ethics or Professional Conduct, pursuant to Hawaii Administrative Rules section 16-71-2.

This is a MANDATORY REQUIREMENT for ALL Hawaii-licensed CPAs, not only for those who renew a permit to practice. You must obtain the CPE hours from a CPE sponsor that is approved by the Hawaii Board, or by the NASBA National Registry, or by another state board of accountancy.

Failure to do so will result in the forfeiture of your license.

USING THE “CPA” DESIGNATION

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

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

People in different positions use the title

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

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

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

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

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

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

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

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

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

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

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

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

One of the most “confusing” provisions of the Hawaii accountancy law . . . using the CPA designation. Attend one of several Ethics presentations throughout the year. Check the [HSCPA website](#) for continued updates.

Get your Ethics CPE now at the [59th Annual Conference](#) – it’ll be fun and entertaining!

Leading the Pack

By Jessica Gluck



As CPAs, we spend a fair amount of time learning our professional trade and keeping up with our license requirements.

While accountants often joke that we're not doctors ("no one is going to die if this project isn't perfect"), our state still holds us to a higher continuing education standard than doctors. It may surprise you to learn that required continuing education for CPAs is among the highest professional requirements in Hawaii.

CPAs – 80 hours in 2 years
 Doctor – 40 hours in 2 years
 Dentist – 38 hours in 2 years
 (plus 6 ethics credits)
 Real Estate – 20 hours in 2 years
 Lawyers – 6 hours in 2 years
 (3 hours each year)

Even with all the time we spend honing our accounting skills, we shouldn't lose sight of the skills we need to effectively manage and lead within our company or practice. We stress to students, at the high school and college levels, that soft skills are important and that they should take every opportunity they can to learn them early. Just because we may have missed that "early" boat doesn't mean we can't keep developing our own management skills.

There are several great programs right here in Hawaii that work to help individuals do exactly that.

Pacific Century Fellows –

- Course Length: 9-15 months (offered every other year)
- Founded: In 1997 by Mufi Hanneman, former Honolulu Mayor
- Cost: \$4,000 (Company sponsorship)
- Goal: Strives to develop leaders with a great awareness and sensitivity to the people and institutions of Hawaii
- Additional Information: <https://www.pacificcenturyfellows.com/>
- Next Program: Applications due June 14, 2019; starts September 13, 2019
- Providing: Direct engagement with senior community, social and government leaders, through learning excursions; networking with fellows; aspiration to give back to Hawaii

Patsy T. Mink Leadership Alliance –

- Course Length: 10 months (offered once a year)
- Founded by: Patsy T. Mink Center for Business & Leadership at YWCA Oahu
- Cost: \$3,500 (Typically company sponsorship)
- Goal: To develop management and leadership skills of professional women leaders and entrepreneurs in an effort to increase representation of women executives in Hawaii
- Additional Information: <https://www.mcbhlhawaii.org/minkleaders>
- Next Program: Applications due June 7, 2019; starts August 23, 2019
- Providing: About 2 events per month including scheduled trainings with local facilitators covering leadership skills ranging from Change Leadership, Emotional Intelligence, Design Thinking, etc.; networking



with fellow members; a cohort community service project; closing graduation

Chamber of Commerce Young Professions Mentorship Program –

- Course Length: 6 months (offered once a year)
- Founded by: Chamber of Commerce Hawaii
- Cost: \$300 (for Chamber of Commerce Young Professional Group Members; one-year membership available for \$75 or \$150, if your company is not an existing Chamber member)
- Goal: Provide one-on-one career development for mentees by providing access to resources, expertise, values, and perspectives of Hawaii leaders
- Additional Information: <https://www.cochawaii.org/young-professionals-mentor-hawaii-program-fourth-cohort/>
- Next Program: Applications likely in late 2019 for Spring 2020 cohort
- Providing: 5 scheduled meetings with a paired mentor to cover suggested discussion topics or other information); networking with fellow mentees; a cohort community service project; closing celebration

And for those of us who like to go the online route:

- Stanford Continuing Studies offers courses such as an 8-week course titled “The Exceptional Leader: A Framework for Successful, Fulfilling, and Impactful Leadership” for \$605. While all Spring 2019 courses are now closed, please visit their Professional & Personal Development course catalog for more information

on the types of classes offered (<https://continuingstudies.stanford.edu/courses/professional-personal-development>).

- The AICPA offers an online mentoring program open to all AICPA members. You can join online at <https://www.aicpa.org/career/mentoring.html> and be matched with mentors from other companies. Sign up to be a mentee or a mentor! (Mentors are required to have a minimum of 5 years of experience.)

This is certainly not an exhaustive list

and there may be many other great opportunities directly with your employer, within our community, or online. Don’t just wait for someone to tell you what classes or programs to sign up for, get out there and discover some chances to grow and learn! CPAs don’t just need good math and accounting skills; we need to be great leaders in our business and our community.

Jessica Gluck

Patsy T. Mink Leadership Alliance

Cohort 3 Member

Graduating May 30, 2019

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

A graphic for the HSCPA Find A CPA directory. It features a central magnifying glass with the text "Find a CPA" and "Certified Professional Accountant / Advisor" inside. The HSCPA logo is below the magnifying glass. Surrounding the magnifying glass are several circular icons: a heart, a house with a dollar sign, a shield, a building, a calendar, and a fingerprint. The text "MEMBERS ONLY" is at the bottom of the magnifying glass handle.

Featuring Hawaii’s Best & Brightest

Meet Alyssa Silva, the 2019 recipient of HSCPA’s Outstanding Graduate in Accounting award. Alyssa graduated from Kauai High School in 2017, and graduated with an Associate’s Degree in Accounting from Kauai Community College in May 2019. She is currently employed at KCC’s library, and in her free time, she plays the French horn in the school’s concert band. Alyssa will be transferring to the University of Hawaii at Manoa to attain a bachelor’s degree in Accounting. Congratulations, Alyssa! Thank you to HSCPA Members for your continued support and contributions to the HSCPA Scholarship Fund!



HSCPA Kauai board member with Alyssa

SSARS: A Nuts-n-Bolts Update

August 8, 2019 (Thursday) ♦ 8:30 a.m. to 12 noon

Prince Waikiki

New engagement letter
(must be signed)

Accountant Can Still
Issue Financial Statements
with a Compilation Report
(but only when engaged
to do so)

Communicate to client
matters of
significant importance
on a timely basis

One of THE most common deficiencies found in accounting, auditing, review, compilations and financial statements preparation engagements . . . issues with SSARS!

- address practice issues related to preparations, compilation and review engagement requirements
- what is authoritative GAAP for entities and other financial reporting frameworks (and where to find resources)
- identify factors that may or may not suggest there is a potential going concern problem in a compilation or review engagement
- discussion of fraud documentation, materiality, unrecorded adjustments, supplemental information, international reporting, and convergence with international standards

New requirement to add a
summary of
uncorrected *immaterial*
adjustments
to the representation letter

New explicit requirement
that
financial statements
must reconcile with
accounting records

An
engagement letter
is required when you are
engaged to perform a
compilation



Dustin currently serves on the Oregon Society of CPAs Peer Review Report Acceptance Body, the AICPA Accounting and Review Services Committee and Accounting Research Advisory Group. He is a former member of the HSCPA Peer Review Executive Committee. Dustin has also served as a member of the AICPA

Technical Issues Committee and a Lecturer at the Shidler School of Business.

Member	\$155
Non-member	\$225

- * 4 CPE credit hours
- * Local-style breakfast
- * Hosted parking