

AUGUST 2019

KĀLĀ

The Official Publication of the Hawaii Society of Certified Public Accountants



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

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President's Message

By Darryl K. Nitta

What do you call a trial balance that doesn't balance?

A late night!!!



A joke that only true accountants can appreciate since we have all been there and done that. For me, the end of summer marks the beginning of the second busy season of the year. A time where unorganized clients finally bring in their information and those more complex clients finally get completed. In some ways, tax professionals are busier now than in April because there are NO MORE extensions of time ... the work MUST get done or our clients can face hefty penalties for being delinquent. It is time to get back to work after a nice summer break and hopefully, this year there will not be many late nights because of trial balances that don't balance!

I had a really nice summer doing things I haven't done before. Anyone who knows me is fully aware of my travel schedule outside of busy season. In addition to visiting Washington DC for the AICPA Council meeting, I also spent time in Chicago and Boston. Absolutely wonderful cities, especially during baseball season. A Wrigley Park tour is a must do when in Chicago. I was lucky enough to catch a game where the Cubs won while I was cheering with a beer and a famous Chicago Dog in hand! The ivy walls in the outfield is the signature of the second

oldest ballpark in America. Wrigley is great, but watching a game at the oldest baseball park at Fenway was even better. Especially when the Boston Bruins are battling for the Stanley Cup at the same time.

Boston is truly a die-hard sports town and I am convinced that professionals are allowed to wear team jerseys to work on game days just like how we wear Aloha shirts. And, in order to make it to the Green Monster at 1:00 p.m. on a Wednesday, I can't tell if people take a half-day or do Bostonians just not work?



I also spent 13 consecutive days in Vegas in July, which I do not recommend doing. Vegas is meant to be a 3- to 5-day trip, especially when it is 110 degrees outside. I always eat and drink way too much and have an inconsistent sleep schedule depending on my gambling luck. There is actually a very good reason for my extended stay in Vegas. I was helping to

coach my niece's 16U club softball team. They ended up finishing 5th out of 36 teams so they did very well.

Trying to stay hydrated in 110 degrees when they have to play 3 games a day is a challenge. This leads me to the whole point of this month's President's Message ... buy some Liquid I.V. from Costco. All you do is mix a packet of Liquid I.V. with one bottle of water and supposedly it is like drinking three bottles of water. Anyone who has kids that play sports might want to give this a try, especially on hot days here in Hawaii to prevent dehydration. Rumor is that it also helps to cure hangovers for the adults out there!



Well, summer is officially over so get back to work! Nah, I hope everyone enjoyed their summer as much I did. School is about to start again which means that traffic will be back as well. A wise friend once told me that the end of summer marks the beginning of his favorite season ... not Fall, but Football Season! Arguably the best season of all for those sports fanatics out there.

Looking ahead:

Recommend revising the HSCPA's outdated 1932 Mission Statement.

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IT Cannot Address CPA Firm Cybersecurity Alone

By Donny C. Shimamoto, CPA.CITP, CGMA



I know you're probably tired of hearing about cybersecurity already, but the fact is that despite IT's best efforts, cybersecurity incidents are increasingly being seen in small and mid-sized entities—including CPA firms. You may have noticed too that the AICPA has finally changed their nomenclature and added the word "risk" to "cybersecurity risk management program" to reinforce the fact that it is really risk that we are dealing with—and risk assessment and controls design are two core CPA skills. So accountants can play a key role in managing cybersecurity risk within their firms.

Understanding the Technical Risks from Cybersecurity

There are two technical risks that we are often trying to address when we are talking about cybersecurity: (1) Availability risk – or whether

applications are available for us when we want to use them, and (2) Confidentiality risk – only allowing data to be accessed by authorized people. One of the very common attacks now is ransomware, which locks down and encrypts your system so that you can't access your files. This is an example of an Availability attack. When malware comes into your system and sends data out of your network, then it is a Confidentiality attack—as data is moved outside of your control and potentially disclosed to unauthorized parties.

When there is Personally Identifiable Information (PII) involved, then the Confidentiality risk is escalated to Privacy risk—or what we commonly think of as a "data breach". Technically if only confidential data was stolen, that is still a data breach, but once there is PII involved, then a lot of laws, regulations, and industry standards start to come into play—including fines and penalties. Common

examples of PII include health information, social security numbers, credit card numbers, and bank account numbers.



Accountants Collaborate with IT to Mitigate Privacy Risk

While Availability risk is normally mitigated by a good backup strategy (i.e. can be mitigated by IT), Privacy risk mitigation often is dependent upon reviewing the business processes that handle private data, and implementing controls (both administrative and technical) to mitigate those risks. Often IT implements the technical controls, but these can be inadvertently circumvented to rendered ineffectual if there isn't good employee awareness of why those controls are put in place. This is the where an accountant's expertise in drafting policy and procedures, communicating those to end users, and testing the effectiveness of those controls, is a great supplement to its technical expertise.

In a CPA firm, there is a large risk associated with managing the PII that is received from clients. This is particularly true with tax return information and EBP audits, both of which has PII inherent in

Want more information? Sign up for a short webinar!

When dealing with taxpayer information, the IRS has provided specific cybersecurity program guidance via IRS Publication 4557: Safeguarding Taxpayer Data, much of which involves administrative controls rather than technical controls.

See page 9.

the data that is being worked with. When dealing with taxpayer information, the IRS has provided specific cybersecurity program guidance via IRS Publication 4557: Safeguarding Taxpayer Data, much of which involves administrative controls rather than technical controls. This guidance applies to both employee data, as well as client taxpayer data, and impacts firms as well as their clients.

Audits and bookkeeping services provided to entities that contain a lot of PII also may have more risk as the client may assume that the firm is secure and that the information they provide to you is being secured appropriately. Higher risk industries include healthcare, financial services, retail, nonprofit, and others that have a high credit card transaction volume.

What is the Cost of a Data Breach?

The Ponemon Institute does an annual study and their last report showed an average cost of \$233 per compromised record. To estimate the impact of a data breach on your firm, count the number of records that you have that have PII and multiply that by \$233. Since the study includes a variety of organization sizes, I often recommend that firms multiply that estimate by two or three times, as they may not have the economies of scale to realize the average cost from the study.

Another great way that accountants can partner with IT is to do cost-benefit analysis of the cybersecurity measures that is being proposed by IT against

the cost of a data breach. However, remember that cost isn't the only factor that you should consider. One of the biggest impacts of a data breach is to a firm's reputation. If your firm's name were to be in the news for a data breach, how would your clients react? And how would it impact your ability to attract new clients?

Proper Incident Response is Important

When a breach occurs, how quickly you act and how organized you are in your response can help to reduce the damage from the data breach. Incident response requires more than just IT to take action; legal counsel, public relations, IT forensics, and your insurance carrier may all need to be involved. This is why it's important to have a well-documented incident response plan, and to have actually practiced execution of the plan on at least an annual basis. This is one of the most often missing area of a firm's

cybersecurity risk management plan.

Want to Learn More?

We'll be offering a webinar through your state society to help firms understand the requirements from IRS Publication 4557 and some of the best practices in addressing those compliance requirements. There are two dates for the webinar: September 25 and October 31, I hope you will join us to help ensure that your firm is protected.

by Donny C. Shimamoto, CPA.CITP, CGMA
Donny is the founder and managing director of IntrapriseTechKnowlogies LLC, a Hawaii-based CPA firm focused on IT advisory services for small and mid-sized businesses, and nonprofits. Donny is a recognized international thought leader in accounting, and often speaks at conferences around the US on accounting innovations, risk management, and the future of the accounting profession. Donny welcomes comments and feedback via e-mail at donny@intraprise.us or reach him by phone at (628) 222-3511.

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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



**September 24, 25
October 30, 31**

**8:30 a.m.
Hawaii time**

Webinar: Cybersecurity for Small Tax Firms

This program is designed specifically for small firms with simpler IT environments and outsourced IT services.

The growing risk of tax identity theft and increase in hackers targeting firms offering tax services makes it even more important for tax practitioners to revisit their cybersecurity/information security policies and procedures. Attend this non-technical seminar to obtain an understanding of the IRS's expectations of you in safeguarding your clients' data (Pub 4557) and practical tips to reduce your risk of a data breach.

Learning Objectives:

- Understand how tax practitioners are at risk for a data breach
- Understand key requirements from IRS Publication 4557: Safeguarding Taxpayer Data
- Learning practical tips to protect client and firm data

Planned date(s) / time(s):

September 25, 2019	8:30 am HST	CS-0919
October 31, 2019	8:30 am HST	CS-1031

**Member
\$69**

**Non-member
\$89**

Webinar: 8 Keys to Tax Automation

Tax season seems to be getting worse every year. Last minute changes to the tax code, delayed tax software updates, workload compression and a shortage of experienced tax professionals continue to exacerbate what is already a grueling season for many accounting firms. Client fee pressures are forcing firms to figure out how to get more productivity out of their existing staff while not burning staff out and while still maintaining a high level of staff engagement. Yet some firms have been showing strong growth and even increased work-life balance. We interviewed a variety of these firms to see if we could identify the secret to their success. Attend this webinar to learn how these firms are bucking the general trends and achieving growth and increased profitability.

Planned date(s) / time(s):

September 24, 2019	8:30 am HST	8K-0924
October 30, 2019	8:30 am HST	8K-1030



Donny C. Shimamoto, CPA.CITP, CGMA is the managing director of IntrapriseTechKnowlogies LLC, a Hawaii-based CPA firm focused on innovation enablement and risk management services for small and mid-sized businesses and nonprofits. Donny has been recognized as one of the Top 25 Thought Leaders in Public Accounting by CPA Practice Advisor and as a Top 100 Most Influential People by Accounting Today for numerous years.

The Avengers Team

A proper foundation of ethics

The sold-out 59th Annual Conference allowed for many to fulfill the mandatory Ethics CPE requirement in this license renewal year. It was an annual reunion for many who reconnected with colleagues from the past, and served as a great networking opportunity for their businesses.

The Annual Election and Business Meeting opened the Conference as voting members elected the 2019-2020 officers and directors. Delivering the keynote address was Iron Man – aka AICPA Chairman – Bill Reeb, the ideal person to lead our profession during this time of unprecedented changes. He kicked off the program with an engaging and energetic presentation on the forces shaping the future of accounting and the numerous AICPA initiatives to keep the profession ahead. Bill sees opportunities for CPAs to enjoy new work that will be even more valuable and satisfying than some of the responsibilities or types of engagements CPAs have historically fulfilled.

Captain America Ron Heller led the Conference with his Professional Ethics presentation and provided valuable insight on using the CPA designation, having an individual and a firm permit to practice, and Hawaii's mandatory peer review law in effect.

We went from Ethics to Ethnicity with Hawaii's beloved comedian, Frank De Lima. He brought back memories from the Noodle Shop days, shared his



m Battled in Ethics

s requires a standard of value.

famous parodies, and we all laughed – cracked up – with his humor on our ethnic differences. Frank continues to share laughter and inspiration through his Student Enrichment Program by providing guidance to Hawaii's public and private school students. Thank you to American Savings Bank for sponsoring the Annual Conference lunch!

A hard day's work deserved a nice, cool beverage and delectable treats.

Thank you to CPACHarge for their sponsorship of Happy Hour! This was a great networking opportunity for conferees and sponsors – and a welcoming for our new member benefit with CPACHarge.

Thank you to all for making the 59th Annual Conference a huge success!

We are grateful to our sponsors . . . Gabe Lee of American Savings Bank – the HSCPA thanks you for 15 years of partnership and support; ADP – Jessica Reisig and Stephen Thomas; Eric Chavez and Chance Inoshita of Ceridian; Ashton Board of CPACHarge – Happy Hour sponsor; Ross Polakoff with Mutual of America; and Barbara Howarth and Kyle Sheldon of Thomson Reuters.

Join us next year at the 60th Annual Conference on June 19, 2020. You don't want to miss the exciting program planned for you!

For more photos, go to: [HSCPA 59th Annual Conference](https://www.hscpa.org/59th-annual-conference).



Focus on the Digital Client Experience and the Revenue Will Follow

By Jim Boomer



Client acquisition and retention are two must-have goals for fueling growth in an accounting firm.

A lot of emphasis is placed on driving new business, but after you've won the client, the real work begins. You can't overlook the value of maintaining and leveraging your existing clients. To do that, you need to make sure your base is full of happy clients who want to engage you for more services and refer your firm to friends and family.

Of course, quality work, timeliness and excellent overall service go a long way towards high client satisfaction. But so does the ease with which clients can interact with you. Here are some tips for effectively leveraging technology to provide your clients with a digital client experience that makes it easy to do business with your firm

Make it easy to work with your firm

Provide clients with the tools to easily collaborate with your team and complete the tasks you request of them. Today, cloud-based applications and mobile devices give your clients an enormous amount of convenience when conducting their day to day business. Banking, communications, scheduling meetings and appointments, product research, shopping and more can be done any time, anywhere with a mobile device. Why should your firm be the outlier?

Too often, leaders focus on technologies that make their firms more operationally effective while client experience takes a back seat. If the firm doesn't experience immediate time savings, they scrap the initiative. This focus on operational efficiency is short-sighted and overlooks the fact that providing value from the client's perspective is paramount.

We can no longer base all technology decisions on what works best for operating the firm. Putting the client first needs to be at the center of your technology strategy.

What the digital client experience looks like

A digital client experience can come in all shapes and sizes. Ultimately, the goal is to limit complexity and miscommunication. Here are a few examples:

- Embed chatbots in your website to allow clients and prospects to have simple questions answered quickly or easily reach a knowledgeable and friendly member of your firm for more complex inquiries.
- Embed social media into your marketing strategy to position your firm as an authority on matters that are important to your clients. Post content frequently and interact regularly with



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E: Jack@jtchawaii.com
C: 808.306.6933

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followers. Remember, social media is about creating a dialog, not just pushing out information.

- Take advantage of technology that replaces paper organizers and allows clients to answer questions, sign engagement letters, access PBC lists, and securely send documents using their mobile device.
- Utilize software that automates tax return assembly and delivery, e-signing Form 8879, quarterly estimated payment vouchers and electronically delivery of K-1s
- Update your firm's website to ensure the layout and content are attractive and the design is mobile friendly. Make sure the homepage includes your contact information, a simple summary of what your firm is all about and a call to action that tells potential clients what to do next (e.g., schedule an appointment, download a free resource, etc.)

Streamline your business process management

The processes you employ to do business

with your clients is equally as important as the technology tools your team uses. Leading firms leverage Lean Six Sigma principles to streamline workflow not just for compliance services like tax and assurance, but for advisory services and internal operations such as client onboarding and time and billing.

Again, it's not solely about making the accountants' job easier but about making it effortless for clients to do business with the firm. Simplify the data collection process and provide an easy-to-use system for delivering the final work product to minimize any barriers clients face when interacting with your firm.

Mindset is Key

Have the mindset that improving the client experience is a top priority, while making the firm more operationally effective is secondary.

A combination of technology and process can provide powerful tools for your team

and clients, but the overall mindset within your firm is also critical. Leaders must prioritize making clients' lives easier and focus on continuous improvement. By recognizing and rewarding team members who bring ideas to the table in support of this goal, this mindset will permeate all levels of the firm.

By adopting the strategy of always looking for innovative ways to digitize the client experience, you'll make it easier for clients to work with you and improve client satisfaction. In turn, they will reward you by engaging your firm for more services and refer you to family and friends. In the end, you'll realize the growth that everyone seeks in today's competitive environment.

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. Previously printed in CPA Practice Advisor, May 2019

HSCPA Calls On Hawaii's U.S. Senators and Representatives to Support Practitioner Services Division at IRS

This past May, at the conclusion of the AICPA's Spring Meeting of Council, several hundred CPAs from across the nation met with Members of Congress to ask them to support consolidating existing IRS units into a Practitioner Services Division so that taxpayer issues are more efficiently resolved.

Representatives from the HSCPA met with representatives from Hawaii congressional members Schatz, Hirono, Case and Gabbard to share how tax practitioners now rely on many different IRS programs, processes and tools situated throughout the organization to resolve clients' tax issues. They also discussed how the operating systems for these programs do not easily communicate with each other and do not have access to the same taxpayer information.

The Taxpayer First Act of 2019 has been signed by the President and will soon be implemented. That bill contains many provisions that help improve IRS operations and services to taxpayers, but the bill does not include the formation of a Practitioner Services Division. Our efforts on Capitol Hill to encourage the administrative creation of the Practitioners Services Division has raised awareness and we will work to keep the effort moving. The HSCPA therefore encourages Congress to take further action and support the creation of the Practitioner Services Division through administrative means.

The HSCPA believes that the development of this Division is a key component of the ongoing modernization of the IRS and can provide practitioners with the ability to help taxpayers more easily navigate the complexities

of the U.S. tax code. "The creation of the Practitioners Services Division is something that we hope all members of Congress will support," said Darryl Nitta, HSCPA President and AICPA Council member. "Recent legislation has started us on the long overdue path to modernizing the IRS and the next step in this process should be to prioritize the consolidation of existing units to create this important division."

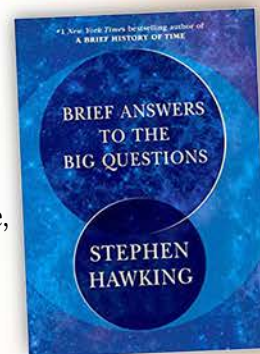
As the IRS begins to move into a new era of modernizing its practices, policies and systems, we believe that tax professionals should have the tools to aid taxpayers in successfully adhering to the updated tax code. While this bill generally moves the IRS in the right direction, there's more to be done, and the HSCPA will continue to advocate for tax preparers and IRS efficiency.



Norman's Book Review

"Brief Answers to the Big Questions"

by Stephen Hawking



Stephen Hawking was a world-famous English cosmologist who overcame much physical adversity to live a long and prosperous life. When he was 21 years old, doctors told him he had only five years to live. He was diagnosed with amyotrophic lateral sclerosis (ALS), gradually became paralyzed, and could only communicate through a computer by moving a single cheek muscle. Yet he persevered. He got married, had three children, and lived for 76 years, passing away in 2018. He made significant contributions in the world of physics and cosmology, and was a best-selling author. This book was one of the last projects he worked on before his death in 2018. The author noted he was born 300 years after the death of Galileo, and he died 139 years after Albert Einstein's birth.

I was drawn to this book because the author intrigued me and it was his last book. I was concerned it might be too technical. However, I quickly realized when I started the book that it was easy to read and the author was really funny at times. The book was really interesting and inspiring, given all the hardships the author had to overcome. The following are a few of my takeaways from the book.

The Big Questions

The author addresses the following 10 big questions with his opinion:

1. Is there a God?
2. How did it all begin?
3. Is there other intelligent life in the universe?
4. Can we predict the future?

5. What is inside a black hole?
6. Is time travel possible?
7. Will we survive on Earth?
8. Should we colonise space?
9. Will artificial intelligence outsmart us?
10. How do we shape the future?

While there is not enough space in KALA to discuss the answers to these questions, the book is a quick, interesting and funny read if you are interested in his answers to these 10 questions.



"Be brave, be curious, be determined, overcome the odds. It can be done."

"One Planet, One Human Race"

He noted from space, Earth looks like "one planet, one human race," not the many countries and cultures fighting each other.

The Laws of Nature

"The laws of nature cannot be broken, unlike laws made by humans. That's why they are so powerful."

What is a Black Hole?

"A typical black hole is a star so massive that it has collapsed in on itself. It's so massive that not even light can escape its gravity, which is why it's almost perfectly black. Its gravitational pull is so powerful, it warps and distorts not only light but also time."

How Many Galaxies Are There?

Thanks to instruments such

as the Hubble space telescope, we know there are literally "billions and billions of galaxies, of various shapes and sizes. There are giant elliptical galaxies, and spiral galaxies like our own. Each galaxy contains billions and billions of stars."

The Uncertainty Principle

This is an important principle that Werner Heisenberg, a German scientist, proposed in 1927. Essentially it states, "one cannot accurately predict both the position and the speed of a particle. The more accurately the position is predicted, the less accurately you will be able to predict the speed, and vice versa."

What is the Speed of Light?

300,000 kilometers per second.

Global Warming Risk

He believes if we don't do something about global warming, eventually the Earth's climate will be like Venus, "boiling hot and raining sulphuric acid, with a temperature of 482 degrees Fahrenheit! Human life would be unsustainable."

What is the Smallest Length in Physics?

It is called the Planck length, which is a "millimeter divided by 100,000 billion billion billion." Isn't that crazy?

Moore's Law

"The speed and complexity of computers double every 18 months."

What Killed the Dinosaurs?

About 66 million years ago, a large asteroid hit Earth, devastating the global environment. This could happen again.

"While There's Life, There is Hope"

I really liked this quote from the book because it has universal meaning. He embraced this mantra after his diagnosis of a short life, and looked at "every new day as a bonus, and began to appreciate everything he had."

Was he a Genius from a Young Age?

Although his friends in elementary school nicknamed him "Einstein," he was never higher than 50th percentile in his class.

What he tried to instill in all his Children

"As a father, he would try to instill the importance of asking questions, ALWAYS. He told them never to be afraid to come up with an idea or a hypothesis, no matter how daft (his youngest son's word) it might be."

Where Is He Buried

He is interred in Westminster Abbey, between Isaac Newton and Charles Darwin.

The Importance of an Exceptional Teacher

"If you look behind every exceptional person, there is an exceptional teacher. For the author, that person was Dikran Tahta, his teacher at St Albans. Tahta showed him, at the age of 14, how to harness his energy, to think creatively and opened his eyes to math as the blueprint of the universe."

What Big Idea Would He Want Implemented?

"Fusion power. It would give us an unlimited supply of clean energy, and a switch to electric cars."

Final Words to his Daughter

As his daughter Lucy noted in the book's Afterword, his last words to her were "that she had been a lovely daughter and that she should be unafraid." Reflecting on his words, she said "I will never be as brave as him – but he showed me that I could try. And that trying might turn out to be the most important part of courage."

Hawking's Fighting Spirit

Lucy also noted "my father never gave up, he never shied away from the fight. Even at

the age of 75, completely paralyzed and able to move only a few facial muscles, he still got up every day, put on his suit and went to work. He had stuff to do and was not going to let a few trivialities get in his way."

Inspirational Message to All

The author ends his book with the following inspirational message to all of us:

"So, remember to look up at the stars and not down at your feet. Try to make sense of what you see and wonder about what makes the universe exist. Be curious. And however difficult life may seem, there is always something you can do and succeed at. It matters that you don't just give up. Unleash your imagination. Shape the future."



Investment Outlook:

A World of Low Taxes, Cheap Capital, and Growing Problems

September 24 (Tuesday)
12 noon to 1:00 p.m.
HSCPA - 900 Fort Street, Suite 850
(Public parking available at various downtown municipal lots)



A free 'brown-bag' session



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Ten years since the financial crisis, markets continue making new highs, taxes are low, and the world is flush with virtually unlimited and cheap capital. More good news ahead?

Neil Rose, CFA, President and Chief Investment Officer of Cadinha & Co., will talk about why stocks make sense today, but argues investors should be looking for looming crises. Eye-opening statistics and an update on his favorite investment ideas will be included.

**LIMITED SEATS
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CERTIFICATE OF ATTENDANCE
One (1)
CPE credit hour

UPCOMING EVENTS

Hawaii Tax Legislative Update: Which Bills Made It to Law? **August 6 (Tuesday)**

In the 2019 legislative session, Hawaii enacted tax laws impacting the general excise (GE) and use, transient accommodations, income and estate tax laws. Included were follow-up legislation to the Wayfair nexus standard, new GE tax withholding obligations, a new estate tax bracket, revised apportionment of income rules, a new withholding regime on estates, trusts, and partnerships, and more. Additionally, if time permits, we will cover the 2 new county surcharge rates on GE taxes, and pending court cases with significant tax implications.

SSARS: A Nuts-n-Bolts Update **August 8 (Thursday)**

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

This session will:

- 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

[KAUAI] Professional Ethics for Hawaii CPAs **August 19 (Monday)**

This course will cover the basic tenets of professional ethics, and explain recent changes in the AICPA Code of Professional Conduct. You will learn to identify, analyze and respond to conflicts of interest, how to apply independence rules in your practice, and the key rules regarding client confidentiality. The presentation will also cover recent Hawaii developments and tips to avoid malpractice claims or liability.

What's In, What's Out, and What's Coming Down the Pike in Retirement Plans **August 20 (Tuesday)**

Experts from Cades Schutte, Roger Fonseca and Cheryl Itagaki, will survey the state of pension law and present the latest developments for you and your clients. The discussion will include:

- Brief history of how we got here - from ERISA to 2019
- 17 types of retirement plans and how to tell which is best for your clients
- Bestiary of odd designs to maximize owner benefits, minimize employee costs and reduce economic risk
- When all else fails: IRS and DOL correction programs
- Pension component in estate and divorce planning
- IRS in Trumpland
- Effect of the Tax Cuts and Jobs Act on retirement plans
- Predictions for the future

The Complete Guide to the Preparation of Form 1041 **August 21 (Wednesday)**

Tax compliance issues for fiduciary entities are sometimes confusing to practitioners since many lack experience in this area. This course provides the practitioner with a practical understanding of the issues involved in preparing the U.S. Income Tax Return for Estates and Trusts (Form 1041).

The Complete Guide to Hawaii Death Taxation **August 22 (Thursday)**

Tax compliance issues at death are sometimes confusing to practitioners because many lack experience in this area. This course provides you with a practical understanding of the issues involved in preparing the Hawaii Estate Tax Return. Learn more about Hawaii death taxation – The Law, and much more.

2019 Mid-Year Federal Business Income Tax Update

August 23 (Friday)

This course is essential for the tax practitioner who wants to update their tax planning knowledge of business income taxation. Many clients seek sophisticated tax planning ideas that will reduce their year-end tax obligations. This course will provide a comprehensive planning update for federal business and individual income tax legislation along with many important topics that impact clients.

This Year's Best Income Tax, Estate Tax, and Financial Planning Ideas

August 27 (Tuesday)

With different tax rates for individuals and trusts, tax planning takes on more importance. New ideas for financial planning for retirement must be considered. The purpose of this course is to explore practical tax-planning ideas that practitioners can use to assist clients with their needs. This course is crucial for CPAs who are looking for good ideas that can save clients money! Continually updated for legislative developments.

Handbook for Mastering Basis, Distributions, and Loss Limitation Issues for S Corporations, LLCs and Partnerships

August 28 (Wednesday)

The most difficult concepts to master when dealing with flow-through business entities are the basis and distribution concepts. Major error and malpractice issues occur if the CPA does not fully understand the impact of these rules. This course is designed to focus on the practical applications of these rules.

Advanced Critical Tax Issues for Limited Liability Companies and Partnerships

August 29 (Thursday)

The purpose of this course is to provide an in-depth discussion of selected advanced-level issues affecting LLCs and LLPs. Designed for CPAs with clients using the LLC or LLP structure who need to understand advanced issues, problems, and planning strategies.

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CPA FIRM



MICROCOMPUTER TECHNOLOGY

By Joy Takaesu of The CPA Collective



iNSYNQ, a company that provides cloud services including QuickBooks and Sage hosting, experienced a ransomware attack on July 16, 2019. iNSYNQ reportedly stopped the spread of the malicious file encryption early on, but the resulting outage left customers without access to mission-critical data. Many of their customers are accountants, and they were unable to provide accounting services to their own clients. As of July 23, according to iNSYNQ's website, they are still working to manually restore data and services to customers, but so far "there is no evidence that customer data has been accessed."

The U.S. Department of Homeland Security (DHS) had issued an alert last year warning that attackers have been using advanced persistent threat (APT) tools to target cloud service providers (CSPs) and their customers. For some families of ransomware, the decryption keys are available for free, but for other

or newer strains, the best option is to restore from an existing backup. The FBI, in conjunction with other international law enforcement agencies, released a free decryption tool for certain versions of the GandCrab ransomware, available at www.nomoreransom.org.



With the increased frequency of security flaws being discovered and exploited, it's important to keep all systems updated. Microsoft regularly issues updates on the second, and sometimes fourth, Tuesday of the month. The most recent "Patch Tuesday" included patches for two zero-day vulnerabilities that were actively being exploited in the wild.

It's also important to keep up with software and firmware updates for peripherals like keyboards, mice,

printers, etc. Here are a couple vulnerabilities that were recently disclosed for products that are widely used both in homes and in businesses:

As reported by ZDNet, security researcher Marcus Mengs found new vulnerabilities in Logitech's USB receiver "dongles" used for their wireless keyboards, mice, and presentation clickers. According to Mengs, an attacker could potentially capture the key used to pair the USB dongle with a keyboard, mouse, or clicker, and use the key to "inject arbitrary keystrokes, as well as to eavesdrop and live decrypt keyboard input remotely." All USB dongles using Logitech's "Unifying" radio technology are impacted. You can identify a vulnerable device by checking the USB receiver, and looking for a black and orange star (indicating the "Unifying" technology). Logitech plans to release a patch for the newest vulnerabilities in August 2019.

SafeBreach Labs researchers found a vulnerability in Dell's SupportAssist utility, which comes pre-installed on most Dell systems. An attacker could exploit the vulnerability to replace the diagnostic scan DLL files with malicious ones. Dell has already released updates to address this vulnerability, they are available on Dell's support website.

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: Kailua Tax & Accounting-\$142K; Island of Kauai CPA-\$785K; Downtown Honolulu CPA \$781K; 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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TAX FOUNDATION OF HAWAII

Hawaii's Watchdog on Taxes & Government

By Tom Yamachika

Do We Have a Legitimate Government?



Every so often, the news reports on people who deny the legitimacy of the government we have here in Hawaii. “We’re not subject to those laws,” they say, “so we don’t have to follow rules or pay taxes.” It pains me to read [stories of people who lost their homes](#) after being told that they didn’t have to pay back their mortgages because the laws under which they were made were invalid in Hawaii.

It’s true that the path from Kingdom of Hawaii to Territory of Hawaii was peppered with events that were morally questionable... of course depending on your morality. Some people value strength—“Might makes right!” Some have ideas of a moral objective, and the path to get there isn’t important—“The ends justified the means.”

What is legitimacy? I’ll start with the first clause of the first article of the Hawaii Constitution: “All political power of this State is inherent in the people and the responsibility for the exercise thereof rests with the people. All government is founded on this authority.” That sounds a lot like “The will of the people shall be the basis of the authority of government,” Article 21(3) of the United Nations’ [1948 Universal Declaration of Human Rights](#), or “Governments are instituted among Men, deriving their just powers from the consent of the governed,” from the 1776 document that the United States celebrates this month. So I propose that legitimacy of a government comes from the consent of those governed.

There are, of course, those in the “Haole go home!” camp who may say that the only voices who matter in Hawaii government are those of the kanaka maoli, perhaps meaning “any descendant of not less than one-half part of the blood of the races inhabiting the Hawaiian Islands previous to 1778,” as section 201 of the Hawaiian Homes Commission Act defines “Native Hawaiian.” Are we talking about a favored race here? They are entitled to their opinions, but they appear to be in the minority.

In 1959, the U.S. Congress passed our Admission Act. One unusual thing about this act was that it wasn’t a declaration like most laws are. Rather, it was an offer. If the people of Hawaii, at a referendum election, accepted statehood, then the United States of America would welcome us in. That’s what section 7 of the Admission Act says. The Act specified three questions to be put before the voters, and if any one of them were not approved by a majority of the voters the Admission Act would have no effect.

On [each of the three ballot questions](#), more than 132,000 people voted in favor while fewer than 8,000 voted against. There were 155,000 registered voters then, and the voter turnout was the [largest we have ever had](#). When we became a state, sirens blared, horns honked, bells rang, fireworks were launched, and there was literally [dancing in the streets](#).

We accepted statehood and all that came with it, including submission to the federal government of the United States. We ac-

cepted it even though our history with the United States included an unprovoked attack on the Queen of Hawaii, Japanese internment, and sixty years of being an “insular possession” (a second-class status that no one should have to endure for that long). The acceptance was not unanimous, but it was decisive. It was a clear expression of the will of the people. That’s why I conclude that our government is legitimate.

In no organized society can everyone do what they want, when they want, and where they want all the time. We have a set of rules that all of us must follow. We can’t just walk into a random person’s property and pick their mango tree bare because we happened to be hungry. We can’t expect to borrow money from a bank and then forget about repaying it. We can’t just accept the benefits of government and force the rest of us who pay taxes to pay more to make up for those who refuse to pony up. Those who have a different opinion can have it, but acting upon it may land them in the hoosegow. Instead of having that happen, let’s work together, even with our differing opinions, to make the best out of our civilized society.

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.



Busyness - Not Just For Busy Season

By MJ Saguid



This article for KALA was due to the HSCPA the first week of July. However, I found myself at 10 p.m. on the 26th of July with a blank Word file glaring back at me. How had I let this happen? Doing things last minute is not my style, late is unheard of. Looking back at my calendar, it turns out I over committed myself in July. Between hula and basketball practices for my daughter, gym sessions for myself, work dinners, and meetings for various committees I belonged to, it's no wonder that I forgot to write the article. Even as I pondered what to write, an internal dialogue ran through my head, "Doesn't my son's soccer season start soon? Did I call the restaurant to order lunch for my meeting next week? My bloodwork for my doctor, when am I going to get that done?"

When I ask my colleagues in public practice how they are doing, many say, "So busy!" I always respond with, "That's a good thing right!?" But is it? How busy is too busy? When your busy lifestyle starts to interfere with your relationships and your health, it may be time slow down. Here are few signs that you may be stretching yourself too thin and some suggestions on what you can try to win time back.

You don't take time off. You missed your cousin's wedding in Seattle because you "couldn't take the time off." You skip birthday celebrations and goodbye dinners because you were "given a last-minute project at work." You won't take time off because you worry about your work piling up while you're gone.

What you can try: It is OK to not always be working. Designate a time to stop working, set an alarm, and make it a point to stop all work-related activities at that point. Needless to say, take the vacation.

You don't see your family or friends. Your kids are sleeping when you leave for work, and you get home just in time to tuck them into bed. Your best friend is dying for you to meet her new boyfriend, they've been dating for the last six months.

What you can try: Schedule a family activity during the week and a monthly date with your friends. Treat these appointments as you would a meeting or dinner with your boss. No rescheduling, no cancelling. Coordinate with your work teams so that you can leave work to make these appointments. Speaking of appointments...

You miss appointments with your health care providers.

You can't remember the last time you got your teeth cleaned. You forgot to schedule your annual exam, in fact, it's been 18 months. Your doctor's office is leaving multiple voicemail messages to rebook your appointment.

What you can try: Like your appointments with your family and friends, no rescheduling, no cancelling. Schedule your next appointment while you are still at your doctor's office and get in on your calendar before you leave.

You're exhausted all the time. An obvious sign. You can't make it through the day without multiple cups of coffee. You get home each day and collapse on the couch.

What you can try: Don't overcommit. Wait 24 hours before saying yes to anything. Delegate tasks when possible. There are work events that can be avoided. Meetings can take up a lot of time. Ask yourself, "Do I really need to be there?" Can you teleconference in to a meeting that is across town? Can your spouse attend Parent Night at school for one child and you'll attend the next day for your second child?

If you find yourself overwhelmed, write down all your commitments and think about each one. Which ones are bringing value to your life? If it's not, it's time to cut it loose. Remember, although it is normal to get busy from time to time, a constant state of busyness is not.

RETIREMENT



PENSION

What's IN, What's OUT, and What's COMING down the pike in Retirement Plans

August 20, 2019 (Tuesday)

Plaza Club - 20th Floor

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

(11:30 - Buffet lunch; 12:00 Presentation)

Our experts from Cades Schutte, Roger Fonseca and Cheryl Itagaki, will survey the state of pension law and present the latest developments for you and your clients. The discussion will include:

- ◆ Brief history of how we got here - from ERISA to 2019
- ◆ 17 types of retirement plans and how to tell which is best for your clients
- ◆ Bestiary of odd designs to maximize owner benefits, minimize employee costs and reduce economic risk
- ◆ When all else fails: IRS and DOL correction programs
- ◆ Pension component in estate and divorce planning
- ◆ IRS in Trumpland
- ◆ Effect of the Tax Cuts and Jobs Act on retirement plans
- ◆ Predictions for the future



Roger W. Fonseca, Of Counsel, joined Cades Schutte in 2007. He has more than 40 years of experience concentrating in pension plans, employee benefits and closely-held business organizations.



Cheryl L.M.T. Itagaki is an Associate with Cades Schutte and advises and counsels clients in employee benefits, ERISA, and executive compensation. Her experience in public accounting and employee benefits provides her with invaluable insight for her clients' legal issues. Cheryl is a licensed CPA in Hawaii (not in public practice).

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**Includes buffet lunch
and 1.5 CPE credits**

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COME TOGETHER 2019

Happy 87th, HSCPA!

October 3, 2019 (Thursday)
6:00 to 8:00 p.m.
Prince Waikiki

The HSCPA Board of Directors and Deloitte cordially invite you to join us for cocktails and hors d'oeuvres while enjoying fellowship with HSCPA members.

Thank you for your membership and support of the profession throughout the year!

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Registration deadline: September 26
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