

JULY 2020

KALA

The Official Publication of the Hawaii Society
of Certified Public Accountants

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H S C P A

Hawaii Society of
Certified Public Accountants

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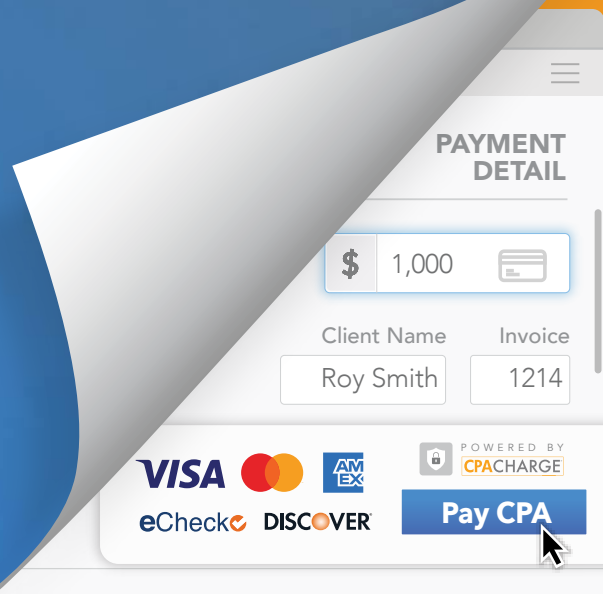
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President's Message

By Ed Nakano

My Career Journey and Giving Back to this Great Profession

Thank you, Darryl Nitta, for your past 2 years of leadership and mentorship, Kathy and Debbie for your dedicated administrative services, and the HSCPA officers and directors for creating a supportive and strong team and culture for me to assume the presidency for the next 2 years. I am truly honored and privileged to accept this role on behalf of the HSCPA membership.

My humble work career started with delivering newspapers on a bicycle at 5:00 in the morning in Hilo from the 6th grade, progressing to REAL paid work as a janitor, delivery driver, grocery bag boy, typewriter repairman, and my military career as an infantryman and small arms repairman in Vietnam. I have travelled a long and diverse journey to become a CPA, which I have been for 46 great years! From working at a national CPA firm for 6 years, 42 years in various financial and non-financial capacities at C S Wo & Son, Ltd., and serving on the HSCPA Board of Directors and as an officer for the past 6 years, I have gained immense work experiences. Serving as your President is my way of giving back to this great profession.

Learning from Disruption and Our Profession's Challenges

With the challenges from COVID-19 and the relating adverse economic conditions, I will work collaboratively as your servant leader with our committed, diverse and skilled Board and officers and the HSCPA administrative staff.

I want to share with you a couple of key lessons taken from AICPA Immediate Past Chair Bill Reeb's May 2020 AICPA Insights article, "*Learning from Disruption: Reflections from the AICPA Chair*" which are relevant to the challenges we all face and must adapt to.



Technology Use Will Only Accelerate

My 46 years in this profession has taught me that we all must change or be a victim of change. Our dynamic and forward seeking profession requires that we embrace and use technology to efficiently perform our services. As a former auditor in the 1970's, I recall documenting our work by manually preparing audit workpapers with pencil on spreadsheets, and when needed, typing them and using an adding machine to confirm the calculations. Neat handwriting was a requirement (which mine was and those that work with me now are naysayers). With technology, I/we have adapted to use computers and technology to perform our work efficiently and effectively. A recently widely-used technology during these disruptive and socially distant times is using ZOOM to conduct business remotely which is becoming the new

normal that myself and our profession has adapted to and the journey continues. For those that have not adapted to these changes, it can be disruptive, but these are the challenges we as CPAs must embrace and utilize to succeed.

Our Role as Trusted Adviser is the Foundation and the Future of the Profession

As Bill described in his article, the future is now and clients and employers will rely on our expertise, judgment, leadership and to navigate them through changes in this complex, interdependent and technology-driven world. Our profession must continue to reskill ourselves to remain relevant and be leaders to rise to these challenges.

All of these key goals are in alignment with one of the AICPA's core service – **Lifelong Learning**, which I truly believe in, and we must all embrace to meet the challenges of our profession to serve our clients and employers.

"We are in this together" and we must strive to achieve these actions in these disruptive times.

Take care and be safe.

Considerations Before Reopening Your Office

by Erin K. Carson PMP

Reopening your office isn't as simple as starting your car. Make sure to develop a comprehensive plan, take employee feedback into account and communicate all new policies to staff.

Reopening your office isn't as simple as unlocking the office door. Consider several factors before jumping to any re-opening decision, starting with a couple of questions:

- Are our employees still productive with the office closed?
- Are our clients' needs being met?

If the answer to both is "yes," then what's the rush to reopen? Understandably, you and your employees may be a little stir-crazy being at home, or maybe you're frustrated paying rent for unused office space. Neither are good reasons to rush to reopen and risk employee safety. Perhaps now is a better time to consider boosting employee morale or focus on a long-term virtual solution that keeps clients and employees safe and shows that you care. There's a session at this year's all-virtual ENGAGE2020 (July 20-24) on enabling remote workers and virtual office.

If you answered "no" to either of these questions, it might be time to consider reopening the office (as long as state and local laws allow for it).

Create your plan.

While it's unrealistic to plan for every scenario, it is crucial to think through likely situations.

Over the past couple of months, "social distancing" has become part of



everyone's vocabulary, but that doesn't mean everyone interprets it the same way. Some people may only feel comfortable in spaces with everyone wearing a mask, while others may feel masks are too restrictive.

This is why you must determine the new protocols for your office. Will you require everyone to wear face masks in the building, or will it be optional? Will employees have temperature checks at work or do you expect them to manage that at home? What will happen with those high-touch surfaces such as the community coffee pot or elevators?

Each firm will have different needs and considerations, but the Centers for Disease Control and Prevention (CDC) created a decision tree to help you think through scenarios. Be sure to also

consider privacy laws for temperature checks and mandatory illness disclosure.

Gather employee input.

You've probably been thinking about reopening since your office closed, but your employees may not be comfortable with the idea. According to a PwC pulse survey, 64% of CFOs said they're "very confident" their company can create a safe workplace environment. In another survey, 70% of workers said something would prevent them from returning to the office. Each person has a unique home situation. Even small, close-knit offices or teams don't know the ins and outs of each employee's health history or family situation.

Open conversations may gather the best feedback. But, if you're in a larger office, an anonymous survey may be better. Regardless of the method, it will help morale to gather staff insights. Find out how they feel about coming back to the office, what they struggle with at home and what works well in virtual environments. This not only will help them feel heard but may enlighten you on employees who are more productive and happier working from home.

Depending on the firm size and culture, a one-size-fits-all policy for returning may not be the right approach. If some employees are happier at home and still producing quality work, it's OK to allow them to stay put while others who are eager to return do so with new in-office policies.



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The Hawaii Visitors and Convention Bureau (HVCB) has launched a new program geared toward kamaaina, offering Hawaii residents exclusive specials on accommodations, activities, attractions, shopping, dining and more throughout the Hawaiian Islands.

The "Kamaaina Special Offers Program" will be available online through August 31 at HawaiiSpecialOffers.com/kamaaina/. Residents can access unique rates and discounts offered by participating Hawaii partners, to recharge at a favorite island-getaway, reconnect with family and friends, and rejuvenate the mind, body, and spirit.

"Our communities have been vastly impacted by the COVID-19 pandemic, and as such it is important to us that we support our residents and local businesses," said John Monahan, president and CEO of the Hawaii Visitors and Convention Bureau. "With the recent lifting of the interisland quarantine, the Kamaaina Special Offers Program creates opportunities for residents to reconnect with one another, explore and enjoy our island home, as well as bolster our local economy in the process."

Communicate your plan.

Once you update policies and put a plan in place, you must communicate the information to employees to make reopening successful.

This could be a handout for them to print and pin in their cube. Maybe it's updating and distributing the employee handbook to include the new protocols. It could be a virtual town hall to allow them to ask questions. It's important to make sure everyone agrees on expectations and obligations for the policies and timeline.

Be nimble and patient.

Yes, you spent a lot of time planning for the reopening and communicating it. But there may be things that simply don't work as planned. Remember that people are people and each situation is unique. Allow open lines of communication with employees to keep morale high and instill trust.

Remember that this is the first time any of us will deal with a situation like this, so there's no one right way to reopen. Be kind with yourself and your staff as you all navigate this process together.

This article was originally published on AICPA Insights. Erin K. Carson, PMP, is Manager-Young Member Initiatives, The Association of International Certified Professional Accountants.

Hawaii Practices For Sale

Gross revenues shown: Hilo Tax & Accounting \$34K - tax work (85%) accounting services (15%); Honolulu CPA Tax \$266K - tax work (70%), bookkeeping (20%). 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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2020 Annual Election Meeting



Life and the way we conduct business has certainly changed! This year's Annual Election Meeting was held through Zoom – and we did the best we could under the circumstances. Those that signed up connected remotely, while we had a few brave souls that showed up in person at the HSCPA conference room.

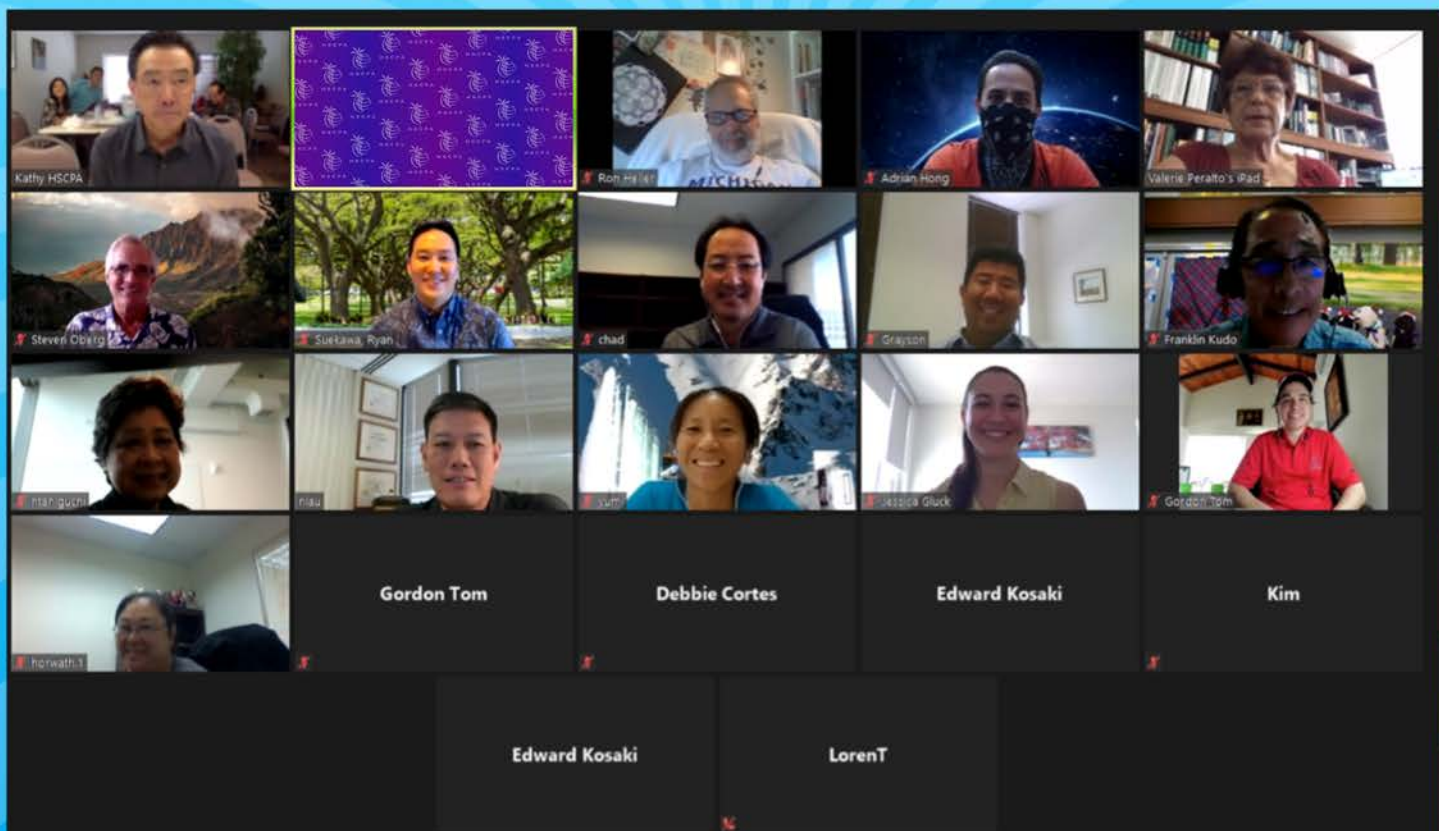


HSCPA President Darryl Nitta proudly and dutifully served from July 2018 to June 2020. Past president Norman Okimoto presented him with the President Award – a beautiful crystal gavel – for his service and commitment to the HSCPA and the profession . . . indentured service as the picture portrays . Thank you, Darryl, we truly appreciate all that you've done for the HSCPA!



Congratulations to Ed Nakano on his election to serve as HSCPA President for the next two years! Through his experience and leadership, Ed will guide us during this time of evolution as we all continue to learn and develop new skills to bring us success. Congratulations also to all officers and directors elected to serve in the coming years!

Stay in touch for details on the HSCPA 60th Annual Conference, rescheduled to November 20, 2020, pending new developments and guidelines in the hospitality industry. We hope to see you in person!



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TAX FOUNDATION OF HAWAII

Hawaii's Watchdog on Taxes & Government

By Tom Yamachika

The Giant Sucking Sound



You may remember back in the 1992 U.S. Presidential campaign, independent businessman and candidate Ross Perot argued, on live

TV: “We have got to stop sending jobs overseas. It’s pretty simple: If . . . you can move your factory South of the border, pay a dollar an hour for labor, . . . there will be a giant sucking sound going south.”

We are going to have a similar problem, and soon.

In 2016, [Pacific Business News observed](#): “Over six years, from 2010 to 2016, we lost 30,000 more people than moved here from other states. And the flight rate has been increasing . . . 2016’s out-migration rate was 10 times higher than 2010’s.”

On June 1, University of Hawaii Economic Research Organization’s Executive Director [Carl Bonham told lawmakers](#) that we’re going to lose another 30,000 people in just two years. A more pessimistic scenario assumes we are going to lose that 30,000 people in ONE year. Schlurrrrrp!

Why is this happening? “Because tourism is such a dominant piece of the economy, many other state economies and county economies will recover, much more rapidly, and the job opportunities will simply

not exist here that will exist in the rest of the country,” he said. “Think about at the end of this year and into January when our extended unemployment benefits have expired; if you don’t have family ties in Hawaii, and you were working in tourism here and your unemployment benefits run out, there’s absolutely nothing to keep you here.”

So how are our lawmakers reacting to this?

Our public worker unions seem to have zero sympathy for the plight of our taxpayers. HSTA’s Corey Rosenlee [argued last month in Civil Beat](#) that demands for “shared sacrifice” because of budget shortfalls should be rejected. [UPW’s Dayton Nakanelua](#) wrote that his union “must vigorously and respectfully oppose however, any plan to reduce public employee pay at any level, amount or through furlough.” [HGEA’s Randy Perreira wrote](#) a similar letter opposing a furlough (or pay cut) affecting his union members. So, where is the money for public workers going to come from?

We could borrow it, but we’d eventually have to pay any loan back with interest. We could turn over rocks hoping to uncover moneys that various departments have squirreled away – but that will last only so long.

Could we get lots of money through “rev-

enue enhancement,” otherwise known as raising taxes? If we try that, we can certainly expect the giant sucking sound to get louder and deeper. In addition, the taxpayers who are left might not be able to pony up increased taxes because they simply aren’t able to afford it in addition to rent, utilities, and other costs of doing business.

If anything, we need to make it easier to do business. If we in the private sector are allowed to do business and with fewer nonessential restraints, we don’t mind sharing some of the profits with government.

We also need to think seriously about cutting costs. Just as there are obscure special funds we are currently finding, there are obscure programs and services that no longer can be justified. These need to get out of the way so the tax dollars the government does get can be more efficiently utilized.

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.

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PRESIDENT

Edmund N. Nakano



Ed is the Corporate Secretary & Treasurer and serves on the Executive Team of C.S. Wo & Sons, Ltd., where he has been employed for 42 years.

His responsibilities include oversight of the Wo Family's non retail activities including legal and tax issues, procurement of major equipment and capital expenditures, investments, property management and estate and financial planning for certain owners. Ed is a Vietnam Veteran who utilized his GI Bill to continue his education at UH Manoa where he switched majors, received his Accounting degree and was employed as an Auditor and Tax Specialist at Coopers & Lybrand for 6 years. An Honorary member of the AICPA, Ed maintains his PTP to hold the CPA and CGMA designations. Ed's family includes 2 daughters who are accountants with MBAs, one who is also a CPA.

PRESIDENT-ELECT

Ryan K. Suekawa



Ryan is a Managing Director with Deloitte & Touche LLP. He has experience serving audit clients in various industries including telecommunications, real estate, state government, hospitality, insurance, construction, and not-for-profit. Ryan has a Master of Business Administration degree and Bachelor of Business Administration degrees in accounting, and management information systems from the University of Hawaii Manoa. He is a certified public accountant, chartered global management accountant, and accredited in business valuation. Ryan is currently a member on the AICPA Governing Council.

VICE PRESIDENT

Franklin T. Kudo



Frank Kudo is the Chairman, CEO, and majority shareholder of New City Nissan, the largest Nissan franchised retailer in the State of Hawaii.

He is also a full-time professor of accounting at the University of Hawaii - West O`ahu. Frank teaches intermediate financial, advanced accounting and the Senior Case Study courses. In addition, he is the lead faculty advisor and founder of the UH-WO FAFSA (Free Application for Financial Student Aid) project serving ten Title 1 high schools in the underserved West Oahu and the Leeward coast regions of Oahu. Frank has over forty-six years of practitioner experience in a variety of business areas. His public accounting experience was with KPMG where he was a senior auditor specializing in fire and casualty and life insurance audits, retail, schools, and other commercial engagements. He received his doctorate from the Weatherhead School of Management, Case Western Reserve University in Cleveland, Ohio and is a member of Beta Alpha Psi and Beta Gamma Sigma.

SECRETARY/TREASURER

Chad K. Funasaki



After graduating with a Bachelor of Business Administration degree in Accounting from the University of Hawaii at

Manoa, Chad joined N&K in 1995 and became a principal in 2014. He is responsible for overseeing the operations of the Assurance Services Division of the firm. Chad's industry expertise includes construction, nonprofit, government and commercial industries. He is also a Chartered Global Management Accountant and a member of the AICPA.

DIRECTORS

Ronald I. Heller



A director of Torkildson Katz Hetherington Harris & 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 Board since 1988 and was the Society's president for 1994-95. An active member of the Society, Ron also served as a member of the AICPA Council in 1994-96, 2002-04, 2011-13, and 2015-17. He also served on the AICPA Accountant's Legal Liability Committee.

Adrian K. Hong



Adrian is president of Island Plastic Bags, Inc., a local, family-owned company that manufactures plastic bags. He is a CPA, not in public

practice, with previous experience in auditing, teaching, and XBRL taxonomy development at the Financial Accounting Standards Board. Adrian is a member of the Y-CPA Squad and the Y-CPA committee. Both the Squad and committee are actively involved in outreach programs with college and high school students to promote the HSCPA and accounting profession.

Nelson K. Lau



Nelson is the Managing Partner of the Honolulu office of KPMG LLP. He has over 30 years of experience in providing financial statement audit, audit of internal controls, compliance and performance improvement

advisory, and due diligence services. His audit experience includes SEC filings, financial statement audits of nonpublic entities and employee benefit plans. He has a thorough knowledge of SEC rules and regulations and has been involved in numerous debt and equity offerings. Nelson has provided professional services to clients in the financial services, public utilities, airlines, state and local governments, educational institutions, and not-for-profit sectors.

Immediate Past President

Darryl K. Nitta



Darryl is a Principal with Accuity LLP (former PricewaterhouseCoopers LLP Honolulu Office) and the Managing Director of C&Y

CPAs LLC, a locally owned subsidiary of Accuity LLP. C&Y CPAs specializes in servicing small business clients in various industries with bookkeeping, compilation, consulting, and tax compliance services. From 2010-2012, Darryl was appointed by the Governor to serve on the Hawaii Tax Review Commission. On a national level, Darryl is proud to be the second participant from Hawaii selected to the AICPA Leadership Academy.

Trisha N. Nomura



Trisha owns a consulting firm, Ascend Consulting, LLC. She is a graduate of Creighton University, where she obtained her Bachelor of

Science in Business Administration in accounting, and of the University of Hawaii at Manoa, where she earned her Master of Accountancy degree. Prior to opening her own firm, Trisha worked in both public ac-

counting and private industry, and was the Chief Operating Officer of HiHR and the Chief People Officer of ProService Hawaii. Trisha began volunteering with the HSCPA since 2010 through the YCPA Squad, has been the Treasurer of Kaneohe Little League since 2013, and is a member of the AICPA, where she was selected to attend the Leadership Academy, has served as an at-large Council member and is now proudly serving on the Association Board of Directors. Trisha is a CPA, not in public practice, and a CGMA.

Grayson Y. Nose



Grayson is a Principal with CW Associates, CPAs and has 13 years of public accounting experience, including nine years with Ernst & Young in

Honolulu. In his 13 years, he has audited many large for-profit and nonprofit entities, including those requiring single audits, and employee benefit plan audits. Prior to joining CW Associates, CPAs in 2016, Grayson served as the Controller for two

years at an accounting services company. He has a Master's of Accounting degree and a Bachelor's degree in Accounting from the University of Hawaii.

Steven R. Oberg



Steve has worked in public accounting on Kauai since 1976 and has been a principal in Oberg & Free CPAs in Lihue since he and his wife, Gale

Free, established their firm in 1999. In November, 2018 Oberg & Free merged with MUN CPAs, now with 5 offices including Lihue. The firm provides tax, accounting and financial reporting services to individuals and small businesses. Steve has been a member of the AICPA and HSCPA since 1985. He also served on the Hawaii Board of Public Accountancy from May 2009 to June 2014. In addition, Steve has been a member of the Kauai Community College Business Education Advisory Board for many years. His personal interests are surfing, golf, travel, and reading.

Assistant Controller

Assists with the management of the Accounting department to ensure that financial transactions and records are processed and maintained accurately and efficiently within regulatory compliance. Bachelor's degree from a four year college or university or higher; minimum of two to three years related work or practical experience and/ or training in accounting or auditing, minimum of one year supervisory experience; or equivalent combination of education/experience required. Certified Public Accountant (CPA) license is preferred. Excellent communication and analytical skills are a must. Working knowledge of Microsoft applications is required. Candidate should be capable of assisting with the preparation of financial statements and review of regulatory reports; understanding financial and regulatory requirements pertaining to department operations and reporting.

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Norman N. Okimoto



Norman is President of Hawaiian Financial Federal Credit Union, a full-service financial institution with over \$700 million in assets. Prior to joining the credit union, he was Capital Budget Manager at GTE Hawaiian Tel and a senior auditor at Coopers & Lybrand. Norman is a past president (2002 and 2016) of the HSCPA and is the official HSCPA book reviewer for KALA. He also served on the governing Council of the AICPA.

ing and tax preparation to small businesses located on the Big Island of Hawaii for the past 40 years. Valerie began her career in public accounting after graduating college and has also worked in private industry as an accountant and controller prior to starting their accounting practice. She graduated from Gonzaga University with a Bachelors of Business Administration in Public Accounting. Valerie is an active volunteer in the Hilo community for the past 36 years serving on various non-profit boards and more recently for the Hui Malama I Ke Ala Ulili as board member and treasurer.

Valerie Peralto



Valerie is President of Peralto & Co. CPAs Inc. which she jointly owns with her husband Joel Peralto. Their practice provides full-service account-

Natalie M.H. Taniguchi



Natalie joined American Savings Bank in January, 2002 and is Executive Vice President – Enterprise Risk and Regulatory Relations.

She oversees the bank's Information Security Program, Third Party Relationships Program and Enterprise Risk Management Program, which provides a framework to identify, manage, mitigate & report on key risks impacting the bank's business. Previously, she served as Financial Vice President and Treasurer for HEI Power Corp., a subsidiary of Hawaiian Electric Industries, Inc. (HEI), as the Corporate Finance and Investments Director for HEI and as Senior Auditor at what is now known as PricewaterhouseCoopers. Natalie holds a Bachelor's of Business Administration in Accounting from the University of Hawaii at Manoa and is a member of the American Institute of Certified Public Accountants and the Hawaii Society of Certified Public Accountants and is the Co-Chair of the Pa'ani Challenge.

Gordon M. Tom



Gordon is a Senior Manager in KMH LLP's Assurance and Advisory Services division and has over nineteen years of experience in providing assurance, advisory and consulting services to a variety of industries, including health care, hospitality, insurance, government, real estate, retail and not-for-profit organizations. His primary responsibility is managing audit engagements relating to insurance, hospitality, and non-profit organizations. Prior to joining KMH, Gordon was a Senior Accountant with Deloitte & Touche LLP. Gordon is currently serving as a designated member on the AICPA Council.

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August 4 - Understanding State Law - Compliance Guide Hawaii Death Taxation

(8:30 a.m. - 12 noon) This course outlines the details surrounding Estate and Inheritance taxes and the differences pertaining to Hawaii. This course will highlight Hawaii's death tax: Hawaii estate tax exemptions; IRC sections 2031-2058; estate tax exemption portability; tax return Form 706.

August 25 - Individual Tax Planning Ideas (8:30 a.m. - 12 noon)

With the far-reaching changes brought about by recent tax reform, careful planning takes on new importance. This course presents the most important income tax planning ideas wealthy clients and close-held business owners need to consider this year to take advantage of the present and plan for the future. It highlights areas in the income tax return that suggest future opportunities for the individual client.

August 25 - Required Minimum Distributions: Compliance and Planning (12:30 - 4:00 p.m.)

Required minimum distributions (RMDs) from employer requirement plans and IRAs must be made or steep penalties will be incurred. Planning opportunities exist in certain situations to minimize distributions. Also, special rules exist for inherited retirement funds. Your clients depend on you to help them navigate the rules regarding RMDs and the taxation of distributions.

August 26 - Key Partnership and S Corporation Tax Planning Strategies

(8:30 a.m. - 12 noon) Most of our clients are pass-through entities for which many of the general business strategies are subject to additional limitations. To provide the tax planning strategies for closely-held business clients that will bring more revenue, this course focuses on the special concerns and techniques the practitioner needs to thrive in this market.

August 26 - Buying and Selling a Business: Tax and Structuring Overview

(12:30 - 4:00 p.m.) One of the major transactions CPA clients enter into is a purchase or disposition of a business. This course offers a comprehensive analysis of the business and tax aspects of buying and selling a business. All CPAs, including controllers and executives in the industry, should understand how difficult the process of buying and selling a business has become.

August 27 - Section 199A: Applications and Challenges (8:30 a.m. - 12 noon)

Section 199A continues to challenge tax practitioners because of its complexity and its interactions with other provisions of the Internal Revenue Code. This program incorporates the experiences of tax practitioners regarding this provision, including relating to the preparation of the Forms 8995 and 8995-A, and will include any recent IRS guidance regarding Section 199A.

August 27 - Section 199A: Schedule K-1 Reporting by Relevant Passthrough Entities

(12:30 to 4:00 p.m.) Section 199A is the hottest tax topic related to the Tax Cuts and Jobs Act of 2017. The IRS has added disclosure lines to Schedules K-1 for S corporations, partnerships, and trusts. This course will cover the new reporting requirements on those forms and discuss uncertainties that still exist related to the reporting requirements.

[Click on the course title above to register!](#)



Norman's Book Review

"Talking To Strangers"

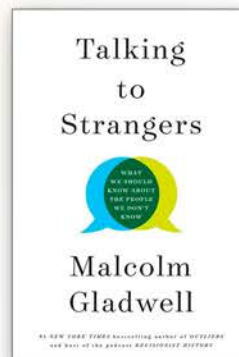
by Malcolm Gladwell

Malcolm is one of my favorite authors, and has five New York Times bestsellers, *The Tipping Point*, *Blink*, *Outliers*, *What the Dogs Saw*, and *David and Goliath*. I was drawn to this book because of the title and because for many of us, it is a challenge to talk with strangers and know if they are honest, sincere and good hearted. With the pandemic and people wearing masks, the task is that much harder.

The book is really captivating and forces you to look at how you interact with people. It was sobering because it essentially is a 50 / 50 proposition if we read a stranger correctly. It will have you look at your personal biases and hopefully help you understand people better. You will also get a history lesson and "post mortem" of key moments in history, such as Cortes and Montezuma, Cuban double agents who infiltrated the CIA, Chamberlain and Hitler, Bernie Madoff, Penn State and Jerry Sandusky, Larry Nassar, Amanda Knox, 2015 Stanford frat party case, poet Sylvia Platt, and the Sandra Bland case. The following are some of the interesting points made in the book. Thanks to the pandemic and having to stay home, I quickly read this 300+ page book over one weekend. It was so interesting I couldn't put it down.

Strangers Are Not Easy

This is the one thing the author wanted us to get from his book; strangers are not easy to figure out. Many people think they are good at it, others think they have to just meet someone face to face, and still others feel they just have to look someone in the eye, to know everything about that person.



The author covers case study data and actual events in history to show how supposed "experts" get strangers wrong. In one study comparing the over 400,000

defendants New York judges released from 2008 – 2013 versus a computer model that evaluated the same information judges had (man vs. machine), the computer model's defendant selections were 25% less likely to commit a crime while awaiting trial than the defendants the judges released!

In psychology studies where you have to guess who is telling the truth and who is lying, the average percentage correct is 54%! "Just about everyone is terrible: police officers, judges, therapists – even CIA officers running big spy networks overseas. Everyone."

Truth-Default Theory (TDT)

Why are we so bad at reading strangers? According to psychologist Tim Levine, the reason why we are so bad is "we have a default to truth: our operating assumption is that the people we are dealing with are honest. He calls this TDT." In the studies mentioned above, people were pretty good at guessing who was telling the truth, but not very good at guessing who was lying. Levine and the author state "defaulting to the truth is being human...if you don't begin in a state of trust, you can't have meaningful social encounters."

Mismatched People Are The Hardest

In his studies, Levine also points out that mismatched people are the hardest to figure out. Who are mismatched people? "A mismatch occurs when a liar acts like an honest person, or when an honest person acts like a liar." Implicitly we believe honest people act a certain way, and liars act another way. According to the author, "Bernie Madoff was mismatched, because he was a liar with the demeanor of an honest person. Hitler was a dishonest person who acted honest to the people who met him. On the other hand, Amanda Knox was the innocent person who acted guilty."

In Levine's study of matched and mismatched people with seasoned law enforcement agents (15 or more years of interrogation experience), "they identified matched people 100%, but only identified mismatched people 20%!"

In Vino Veritas: "In Wine There Is Truth"

For those of you who like to have a few drinks, the book covers some interesting items on what happens to you when you've had a few too many. First of all, there is Myopia Theory, "where alcohol's principal effect is to narrow our emotional and mental fields of vision.

Short-term considerations loom large, and more cognitively demanding,

longer-term considerations fade away." Second is in vino veritas. "When you are drunk, your understanding of your true self changes, and people get to see the real you." Lastly, when "your blood-alcohol level reaches 0.15, your hippocampus shuts down entirely and you experience blackout, where you don't remember anything." The scary thing is "you can do anything in a blackout state that you can do when you're drunk, you just will not remember what you did."

Who are at greater risk of having a blackout, men or women? "It's women because women of average weight will blackout quicker than men of average weight if they have the same number of

drinks. Additionally, women are drinking more wine and spirits, which raise blood alcohol levels much faster than beer, and women are more likely to skip meals when they drink than men."

How Should We Deal With Strangers?

In closing, the author recommends we "acknowledge our limitations in dealing with strangers, and asks that we exhibit restraint and humility. To have a positive experience with strangers requires care and attention. Unfortunately, if we don't do this and things don't go well with a stranger, guess what ... we blame the stranger."

Reimagining the profession.

Now more than ever, the accounting profession needs to reimagine. That means looking beyond chaos to find opportunity in a new and better normal.

View this video clip from the virtual 2020 AICPA Spring Council Meeting.



REIMAGINE

CPA FIRM MICROCOMPUTER TECHNOLOGY

By Joy Takaesu of The CPA Collective



The Federal Trade Commission (FTC) and the Hawaii Department of Labor and Industrial Relations warn that

impostors are filing for unemployment benefits using other people's personal information. Victims may not realize until they receive a claims notice from their state unemployment benefits office, or their employers ask about it. If this happens, the FTC recommends reporting the fraud to your employer, your state unemployment agency, and the FTC (via <https://identitytheft.gov>), and monitor your credit reports.

For Hawaii, Unemployment Insurance fraud can be reported via phone at

(808) 586-8947 (<https://labor.hawaii.gov/ui/contact/>), or for Pandemic Unemployment Assistance (PUA) fraud, go to pua.hawaii.gov.



The FTC also warns that in some cases, if the money was deposited into the victim's bank account instead of an account controlled by the impostor, the impostor may pose as the state agency and attempt to trick the victim into sending the money

to the scammer. Red flags include any requests to send money via wire transfers, cash, or gift cards.

Security researchers at Intego reported seeing new malware in the wild targeting Macs. Researchers found the malware when searching Google for exact titles of YouTube videos. If clicked, the search results redirected through multiple sites, then led to a malicious website designed to look like an Adobe Flash Player installer update. The new malware appears detailed and convincing, and instructs users to install the fake update in a way that bypasses the Mac's built-in protections, by right-clicking the malicious installer file to open it.

Adobe Flash Player has a history of security vulnerabilities; the recommendation is to uninstall Flash, for all operating systems. Adobe Flash has been deprecated and very few websites use it anymore. Adobe has scheduled End-Of-Life (EOL) for Flash Player on December 31, 2020, and plans to prompt users to uninstall it before then. Adobe also plans to stop offering Flash downloads, and will block flash-based content from running after the EOL date.

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

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For the Love of Libraries

By Kira Kaneshiro



If you're looking for a break from the 24-hour news cycle or are running low on content to watch on Netflix, allow me to

suggest enjoying a book from the library. The Hawaii State Public Library System has nearly 3 million books, 70,000 e-books, and 17,500 audiobooks, and its collection includes many titles covered in Norman's monthly book reviews. If you need more convincing, here are a few things you may not have known about our library system.

It's more convenient than you think.

While the state's public libraries remain closed, the library is offering a Library Take Out program. Beginning June 8th, individuals may register for a virtual library card at librarieshawaii.org. The virtual card is valid for 45 days until providing the local library with proof of residency to receive a full-service card. There are 51 branches throughout the islands of Hawaii, Kauai, Lanai, Maui, Molokai, and Oahu.

For those who enjoy holding a physical book, titles that are checked-in can be placed on hold using the online catalog, through the Libraries Hawaii app, or by calling the applicable branch. When the

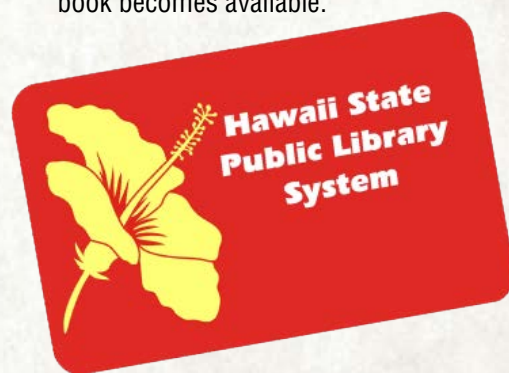
items are ready, cardholders may schedule an appointment to pick up materials at picktime.com/hspls. If using the Libraries Hawaii app, users will receive reminders as due dates near and have the ability to renew items.

For those who prefer the convenience of e-books and audiobooks, there's the OverDrive app. After downloading the application to a phone or tablet, users add the Hawaii State Public Library System to their saved libraries and login with their library card number and PIN. Cardholders may borrow up to 10 titles at a time and place holds on another 15 titles. When a hold becomes available, users will receive a notification with the option to borrow the hold or have it delivered later if they're not ready to read it yet. Not to mention, the ability to browse 24/7 from the comfort and safety of home.

Its catalog is diverse and growing.

The library is constantly adding to its collection including new releases for kids, teens, and adults. Last month, 150 e-books and audiobooks were added to the OverDrive app. If the library doesn't have a book you were looking for, you can recommend it. If the library buys the book, you'll automatically be added to the

wait list and receive an email when the book becomes available.



It's free.

The current economic environment has put a strain on many household budgets and individuals may be searching for inexpensive alternatives to keep themselves occupied. Initial library cards are free or replacement cards are \$5 if it's been some time since your last visit. Additionally, when borrowing books electronically, items are automatically "returned" after 21 days so there are no late fees – even if you forget about it.

It's safe.

To ensure the health and safety of library staff and the community, all returned items are placed into quarantine for a minimum of four days.

Hope this helps you find some adventure amid canceled travel plans this summer. Happy reading!



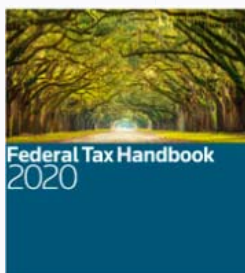
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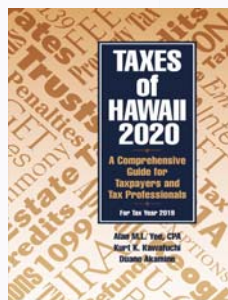
2020 CCH U.S. Master Tax Guide – \$78.00 / \$98.00

The nation's top federal tax resource, the **U.S. Master Tax Guide® (2020)**, has been updated to provide complete and reliable guidance on the historic Tax Cuts and Jobs Act, as well as pertinent federal taxation changes that affect 2018 returns. Virtually all taxpayers are impacted by the changes to the U.S. tax structure, with individual taxpayers and businesses witnessing the most significant changes.



2020 RIA Federal Tax Handbook – \$65.00 / \$85.00

You'll get specific guidance on key tax topics, including individual, trust, partnership and corporate taxation, deductions, credits, capital gains, IRAs, SIMPLE and pension plans, education incentives, passive activity losses, the Code Sec. 199A "pass-through" deduction for qualified business income, employee benefits, estate and gift taxes, and more.



2020 Taxes of Hawaii – \$27.00 / \$36.00

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

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