

MAY 2021

# KĀLĀ

The Official Publication of the Hawaii Society of Certified Public Accountants

## Bride of Frankenbill!



To find out more  
see page 13





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# THE WAY CPAs GET PAID

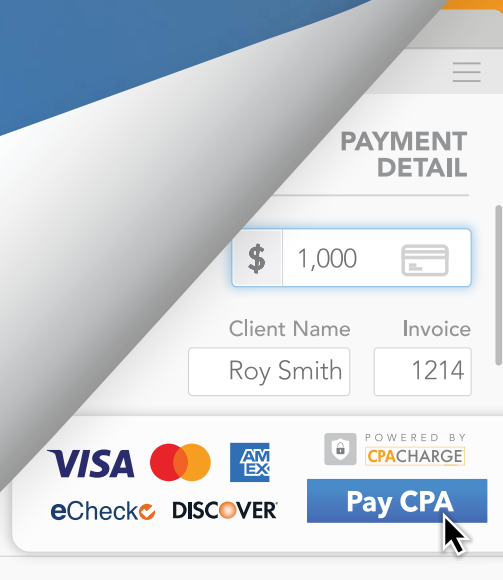
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# President's Message

By Ed Nakano

## HSCPA Extraordinary and Dedicated Leader and Volunteer – Trisha Nomura

During the past seven years while serving as a Director and Officer, I have had the privilege to work with and learn from several dedicated, long-serving and knowledgeable CPAs in the HSCPA organization. My goal is to recognize these individuals in my monthly President's Message.

Trisha Nomura is one of several HSCPA dedicated leaders and volunteers who is truly deserving of this recognition. Trisha's eleven years of service to the HSCPA organization as a Y-CPA leader, selection and participation in the coveted AICPA Leadership Academy and Council, and her diverse skills in auditing, operations and Human Resources are appreciated and worthy of recognition. She is the proud wife of eighteen years to husband Jared, a first responder in the Specialized Services Division of HPD, aka SWAT and the mother of two daughters. Trisha enjoys cooking and traveling in her spare time.

Trisha is a graduate of Castle High School ("Go KNIGHTS" per Trisha). She received a Bachelor of Science in Business Administration at Creighton University and a Master of Accountancy at the University of Hawaii at Manoa. While attending college at Creighton, Trisha was interested in business but unsure what field to major in. On one of her trips back home, Trisha consulted with a family friend Ron Toyofuku, who recommended that she major in Accounting, the "language of business", which as we accountants understand is a valued foundation for any business. She fell in love with her first

accounting course because it made sense to her and according to Trisha, "the rest is history."

Trisha began her accounting work experience as an intern at PricewaterhouseCoopers which confirmed her decision to start her career as an auditor at that firm. She then received her CPA certificate in 2003. Trisha is a firm believer in internships because it is one of the best opportunities for a student to experience



*Trisha with AICPA President Barry Melancon and AICPA Chair (2011) Greg Anton*



*Trisha with Ryan Suekawa, Gordon Tom and Darryl Nitta at AICPA Council meeting in DC*

what a future accounting career and the company's culture will be before working full time. Trisha's auditing experience transformed to work experiences in private industry and most recently in Operations and Human Resources.

Early in her work career, Trisha realized that it was important to focus her volunteer efforts into areas she was truly passionate about. As a working mom, which she felt is her hardest and yet most rewarding job, her time was limited, but she was determined to put forth 100% to any commitments she made. After much consideration, Trisha decided on the Y-CPA Squad in 2010, where she has been and continues to be a devoted and passionate leader. She believes that it has been extremely rewarding to speak to students and young professionals about the career experiences of a CPA. Letters from students who decided to major in Accounting and hearing that they passed the CPA exam has been personally fulfilling.

Trisha's recent focus in the Human Resources field stems from her belief that a company's success is from the firm's greatest assets, their **EMPLOYEES**. As a mother, she shares her concern with many parents about the ability of their children to live and afford to stay in Hawaii. Her strategic mission in Human Resources focuses on managing talent and developing leaders. Trisha says ". . . it has been rewarding to see people do very well, and to see the businesses that they work for benefit from their talents."

*Continued on page 9*



# 3 Steps to Reduce Employee Turnover

By Deanna Perkins of Boomer Consulting, Inc.

Turnover is an expensive problem for businesses in accounting and other industries. According to Work Institute's [2020 Retention Report](#), employees voluntarily leaving their jobs cost U.S. companies more than \$630 billion in 2019, including the hard costs of finding a replacement, training time, and decreased efficiency while a new employee gets up to speed.

Recently, our company was feeling the impact of high turnover in a crucial position. Some companies in the same position might assume they simply hadn't found the right person to fill the role. But we take pride in hiring great people and ensuring they're a good fit before extend-

ing a job offer. Instead, we decided to take a hard look at the position itself and the process for onboarding and training employees. We did this using a tool we learned from [Strategic Coach](#), The Experience Transformer.

## The Experience Transformer

The Strategic Coach Program defines The Experience Transformer as a tool entrepreneurs can use "to capture the learning from both positive and negative experienced, so they can repeat the former and avoid the latter."

Fortunately, we have three people on our team who have been in the role before – one in the same position and two who

moved on to other areas of the company – to help us answer three important questions:

- What did you like about the role or the onboarding process?
- What didn't go well?
- What do you wish had happened?

## What we discovered

The results of the conversations were a real eye-opener for me. We learned three major lessons we intend to carry forward as we fill this role from now on.

## Onboard people slower

For the last few people that held this role, we essentially trained them on our processes, handed over all of their responsibilities, and allowed them to learn as they went along. In hindsight, it's clear that's overwhelming. Asking a new employee to take over six or seven services was simply too much, even though we made an effort to offer ongoing support and coaching.

Going forward, we plan to give our new employees responsibility for one service line and allow them to learn our processes for that service line completely before turning over other service lines. This should help them feel more confident in the role and work their way up to handling their full job responsibilities.

## Focus on the process

Another problem we've had with this role in the past is processes not being followed.

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I can attest that our processes for this role are extensive, but every step along the way is extremely important. Unfortunately, it's a lot harder to break someone of the habit of following the wrong process than it is to teach them the right way from the beginning.

Now we intend to allow our new hires to focus on one service line and ensure they're focused on doing things the right way with that one service before moving on to others. That should ensure they're familiar with every step, and we won't have to re-train later on.

### Connect with the whole team

During the onboarding process, we make a real effort to connect new employees with our whole team. This definitely takes

intentional effort with a fully remote team, and it's been especially important during the pandemic when we don't have regular opportunities for in-person meetings.

The problem is, after that initial onboarding process, it's easy for people to silo themselves to communicate almost exclusively with only the people they work with regularly.

Going forward, we're going to be intentional about ensuring people can connect across departments, so they feel like a part of the team and know how their work serves the overall organization.

We know that a longer onboarding process, more time spent on the teaching process, and greater communication

across the company will take more time and effort. In fact, some of our team members will be taking on additional job responsibilities for quite a while.

However, we hope this new initiative will get our new employees successfully onboarded and feeling confident in their roles, leading to a better fit for them and us in the long term.

*As the Solutions Manager for Boomer Consulting, Inc., Deanna works to help clients and prospective clients identify their dangers, opportunities and strengths. Once these are identified, she works to develop a personalized game plan for their firm to focus on the area, or areas, they need to improve on most. These areas are critical to a firm's success and future-readiness; Leadership, Talent, Technology, Process and Growth.*



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# UH Student Team Wins First Place in International Data Analytics Competition

By Donny Shimamoto, CPA, CITP, CGMA

For many college students, when it comes to career preparation and the inevitable job hunting process, setting yourself apart from your competition and proving to employers that you are “top talent” is important. That’s why, participating in case study competitions such as the TrueUp Student Innovation Challenge are so valuable. But you don’t have to take my word for it, ask the students from the University of Hawaii at Mānoa who were recently announced as the winner of the 2021 TrueUp Spring Student Innovation Challenge.

After presenting a solid case for measuring company performance and introducing alternative methods aimed at increasing results and overall business success, the team of **Michelle Yim, Isaiah Lopez, Camrie Kubota, and Victoria Kashiwai**, earned a \$1,000 financial award, access to innovative learning

opportunities to increase their digital skills, and will have their winning video featured online.

This competition, in partnership with the Center for Accounting Transformation, TrueUp, and Northern Illinois University, as well as sponsors AICPA and Crowe, brought together nearly 70 students making up more than 20 collegiate teams spanning the globe and tested their data analytics, accounting and management skills. Teams were challenged to analyze raw data sets for a client, dig for insights, discover alternative metrics, and decide on new ways to measure the company’s performance. Submissions were evaluated by a panel of academic and industry judges and scoring was compiled from two different components of the competition; each teams’ Data Mine virtual game score as well as their presentation score.

*“The team from the University of Hawaii – Mānoa achieved 92% of the total possible points to secure their win.”*

## Well Designed Case Studies Showcase Integrated Professional Skillsets

Team case competitions allow students to showcase their professional skills through collaboration and a video presentation. They offer a unique opportunity to practice how to integrate knowledge from the various classes students take, while building on their problem solving, critical thinking, and technology skills.

For the TrueUp Student Innovation Challenge, data analytics was the center focus. An increasingly critical skill for business success, no longer is data analysis an “IT thing”. The real-world scenario presented through this competition





showed how accountants can upskill and collaborate with other professionals to provide insights that help identify business improvement opportunities beyond just finance. Teams were given practical application problems with which to assess their technical knowledge, problem-solving skills, and communications skills in an effort to demonstrate their understanding and ability to do more with their classroom learning by implementing it into a real-world scenario.

*"I was impressed by the level of thought and variety of analyses that we saw from the teams. These students rose to the challenge and are setting themselves on the path for success."*

### Student Competitions Benefit Students and Judges

Many students shy away from compet-

ing in case competitions because of the sense of grueling work, endless hours of research, and challenging team dynamics that sit in the background when considering the opportunity. But the fact is, while some of these may be present at times, it fails in comparison to all of the positive aspects that students can take away from being involved in such a large undertaking. And students aren't the only ones who gain value from participating in case competitions. As current business professionals, we have the opportunity to connect with top talent and future business leaders while serving as competition judges. As experienced members of business and industry, we can serve as a bridge between professionals currently in the workforce and those who will one day inherit our roles and responsibilities; all by just volunteering a few hours of our time to serve as a competition judge.

As a committed member of the ac-

counting profession, I believe that it is important to unlock the power of the profession and collaborate with the next generation of leaders in firms, in businesses and in our associations.

The students of the University of Hawaii at Mānoa have now gained a 'resume builder' by participating in the 2021 TrueUp Student Innovation Challenge. But more than that, business and industry professionals like myself, have been given a look at what the future of our profession could hold. I for one am inspired!

To learn more competition, judges and winning teams, visit:

[www.improvetheworld.net](http://www.improvetheworld.net).

Watch the video of the final results from this year's data analytics competition online at: [www.youtube.com](http://www.youtube.com).

*Continued from page 5*

Trisha feels that she was fortunate to have been offered many amazing opportunities during her work career, including the HSCPA's recommendation to the AICPA's Leadership Academy in 2012, which is offered to only a few top national candidates. She felt that this was transformational to her career and has played a significant role in her commitment to building a succession plan for the HSCPA. Serving on the AICPA Council, and most recently on The Association Board, has been an honor for Trisha. She remembers being a little girl growing up in Kaneohe who had dreams that there was a really big world and now, to represent

the CPA profession in a global way is a source of her appreciation for the opportunities that were given to her.

Trisha's grandma taught her that it was important to give back to others, especially those that helped her along the way. She lives by those words of wisdom daily and inspires others to do the same. Trisha believes that life is much bigger than an individual's own accomplishments. It is really about what one can do to move forward and make a difference. She also advocates that every experience one encounters, positive or negative, is a learning process. One does not have any control about what others say and do or

what happens. The only thing a person can do is control their own reaction to the things that happen in their life. Trisha takes this approach to all events she experiences professionally and personally which has navigated her life. *"The glass is always half full!"*

A sincere **MAHALO** to Trisha Nomura for her dedication to the Accounting and CPA profession, and of her words of wisdom, especially to the future accountants, CPAs and the Y-CPA Squad. We wish you continued success!

**Take care and be safe.**

# Upcoming Webinars

**MAY 6**

## Recent Compilation and Review Issues

This 2-hour webinar not only covers all the changes made to AR-C Sections 60, 70, 80 and 90 by the issuance of SSARS 25, it also includes Case Studies throughout to illustrate concepts.

**MAY 14**

## Governmental Update - What's New for 2021

This webinar will cover a discussion of frequently missed auditing, accounting, disclosure, and compliance issues related to government entities.

**MAY 21**

## Balancing the Hawaii Budget Cost Cuts or Revenue Enhancements?

Now that the Legislative Session is over, we'll let you know how taxpayers fared this year.

**JUNE 17**

## Tax-Exempt Organizations - Planning and Compliance for Tax Matters

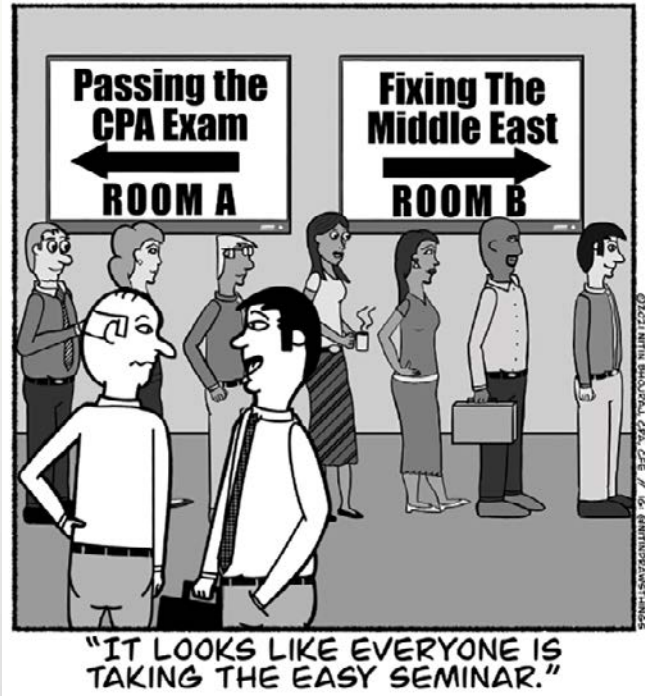
This program addresses, from a transaction planning and compliance perspective, the major tax issues exempt organizations face.

**JUNE 23**

## Professional Ethics for Hawaii CPAs

2021 is a reporting year! Clear your Ethics CPE requirement and register for this updated course.

## INCREMENTAL MATURITY



## Hawaii Practices For Sale

**Gross revenues shown:** Kauai Island PCA \$100K - tax (72%), bkkpng (28%); Kailua Kona CPA \$485K - acctng/payroll 82%, tax 18%; Kauai/Maui/Honolulu CPA \$530K - tax (77%), acctng (23%). Also available after 4/15/21 - Honolulu CPATax \$266K. For more information, please call 1-800-397-0249 or to see listing details and register for free email updates visit [www.APS.net](http://www.APS.net).

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In order to help provide more transparency into exam-readiness, HSCPA and Surgent CPA Review have partnered to offer a **FREE simulated CPA Exam section of your choice**.

The goal is to simulate the format of taking the CPA Exam, using actual multiple-choice questions and simulations. Questions are laid out according to the [Uniform CPA Examination Blueprints](#).

This live 4-hour session is a unique opportunity. Not only will you be able to experience a simulated exam section from the comfort of your own home, but you will also be able to view your exam results in real-time, giving you a better understanding of how prepared you are to sit for the actual exam.

Candidates will receive their ReadySCORE™ along with a diagnostic report showing areas of strength and weakness which are aligned with the CPA Exam Blueprints.

To register, click on Register Here tab below. **Deadline to register is June 17, 2021.**

***The email address that you use to register for this event will be used by Surgent to set up simulation. Links are unique to individual and cannot be shared.***

Prior to the day of the mock exam, you will receive a registration email from "[cpareview@surgent.com](mailto:cpareview@surgent.com)", this will be your day-of access for the mock exam. CHECK YOUR SPAM/ JUNK FOLDERS. Additionally, you will need to register for a proctor webinar [HERE](#).

Register today - Deadline is June 17, 2021!

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# TAX FOUNDATION OF HAWAII

Hawaii's Watchdog on Taxes & Government

By Tom Yamachika

## Bride of Frankenbill!



We wrote last month about [House Bill 58](#), a “Frankenbill” made from bits and pieces of other bills. By putting those pieces into a bill that is still alive at the Legislature, those pieces are given new life.

It turns out that our lawmakers are not stopping at just one Frankenbill. Let's look at [House Bill 468](#).

This bill is called “Relating to the Hawaii Employer-Union Health Benefits Trust Fund.” In its present form (House Draft 1), it would take away Medicare Part B reimbursement for employee spouses for employees hired on or after July 1, 2021. At least one of the public worker unions testified against it. So, although it passed the House, the bill languished in the Senate.

At the same time, an Administration bill from the Department of Budget and Finance, [Senate Bill 1087](#) / [House Bill 933](#), would have suspended existing laws calling for annual required contributions to the Employer-Union Trust Fund for fiscal years 2024 and 2025. House Bill 933 received no hearing in the House and died relatively early in the session. The Senate bill sailed through the Senate and crossed over to the House, where it received no hearing and died.

Now, the Senate has published a proposed Senate Draft 1 of House Bill 468

that looks a whole lot like Senate Bill 1087 without any of the material that House Bill 468 used to have. By the time this article goes to press, the Senate Committees on Labor, Culture and the Arts and Ways and Means would have heard the bill and made the switcheroo. [The switch did happen, and the new material, with some amendments, now appears in Conference Draft 1, the final version of the bill.]

Some of you may have heard the term “gut and replace.” That term is used to describe how a bill's contents are entirely replaced with material bearing little if any resemblance to what the bill used to say. It is one form of Frankenbill, and that is indeed what we have here.

Why is this bill so critical? Imagine what would happen if you had a mortgage and then stopped making payments on it for a couple of years. When you finally got around to making payments again, the debt would still be there and the interest would have racked up. Paying off the mortgage would probably take quite a bit longer than the two years that were deferred. If, for example, you had a \$500,000 mortgage at a 30-year fixed rate of 4%, you would be making principal and interest payments of \$2,387. If you stopped making payments after year 5 and took a break for 2 years, your balance due would grow from \$451,000 to \$487,000, after which you would need

340 more monthly payments at the same amount, or 28-1/3 years, to pay off the loan. That would mean you would have to make 3 years and 3 months of extra monthly payments.

What is EUTF? The State of Hawaii has promised to provide health benefits to its long-time employees for the rest of their lives. EUTF is a fund set up to fulfill that promise. According to the [most recent actuarial report](#) from EUTF's website, the present value of the benefits the State has promised to its eligible retirees exceeds the expected value of the plan's assets by \$11.5 billion. The \$11.5 billion is like a debt that the State and its taxpayers must pay.

The Medicare Part B benefits, which House Bill 468 addressed before being turned into Bride of Frankenbill, accounted for \$3.23 billion out of the \$15.4 billion in actuarial accrued liability.

Lawmakers, we ask again – what can we afford to do, or not do?

*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.*





# Balancing the Hawaii Budget

## Cost Cuts or Revenue Enhancement?

**May 21, 2021  
8:30 to 11:00 a.m.**

The State (and the counties) are facing huge and unprecedented budget shortfalls. In the 2021 Legislative session (and the county budgeting process), there will be substantial incentives to “enhance revenue” – i.e., enact tax increases.

While we don’t know yet where we’ll end up, we do know that 2021 could be a complex and dangerous year for taxpayers.

Sign up for this informative webinar for an update that will give you the information you need at the end of the Legislative Session!



Ron Heller has been practicing law in Hawaii for over 30 years, concentrating on tax litigation, tax law, and business disputes, primarily dealing with accounting and financial issues.



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.

**[REGISTER HERE](#)**



# Norman's Book Review

## "Manners Begin at Breakfast"

by Princess Marie-Chantal of Greece

Princess Marie-Chantal of Greece is the wife of Pavlos, Crown Prince of Greece. Together they have five children, four boys and one girl. She has her own childrenswear brand called Marie-Chantal, and has a popular parenting blog. You can visit her website at "[www.mariechantal.com](http://www.mariechantal.com)" "*Manners Begin at Breakfast*" is her first book and I was intrigued by the title, author's background and delightful graphics.

This book is great to have for anyone with children or grandchildren, especially younger kids. It is informative, very easy to follow, well illustrated and a wonderful reference guide for good family etiquette. It covers the following ten items, with a chapter devoted to each topic.



- At the Table
- Let's Talk about Technology
- To Wear or Not to Wear
- Travel Tips
- Play Dates
- Party Essentials
- Being a Good Sport
- Why Family Matters
- Negotiating Holiday Celebrations
- Baby Etiquette

Each chapter starts with a brief discus-

sion on the importance of the topic, followed by some "House Rules" conversation, "The Basics" coverage, a "Q & A" section, and finally, a checklist page and a page to put your notes.

The following are some of the book takeaways I thought were interesting and would give you a feel of the book. Enjoy!

### Manners Begin at Breakfast

The author believes "carving out a few minutes each morning to have breakfast with our family creates a structure that is both nurturing and stabilizing." She also notes "the mere act of eating together has been scientifically proven to promote greater happiness within the family unit, manage portion control, and possibly boost grades."

### Importance of Routines

The author is a big believer of routines and traditions, especially since the world is changing constantly. These routines provide structure and a sense of stability for her family. For example, "she serves dinner at about 6:00 pm every evening, then it's bath time, followed by a story or finishing their homework before bed."

### Fork as a Friend

I thought it was interesting when Princess Marie-Chantal noted "you should never use a spoon on its own unless it's for soup, ice cream, or a soft dessert.

According to her mother-in-law, if you do use a spoon, then a fork has to go along with it as a friend. This is usually the case for dessert."

### Imagine What Grandmother Would Think

The author believes in addition to preparing our children for the real world, we have to also spend time preparing them for the online world. We need to "teach them about cyber bullying, emphasizing the need to think about how they communicate with others and to avoid hurting someone else's feelings."

She always tells her children "to imagine what grandmother would think before they post a message or picture."

### Which Sports are Best for Your Child

Per the author's friend who was an athlete, he recommended "choosing both a team sport and a martial art when picking sports for a young child. The team sport teaches a child to be a good team player, while the martial art





*"Being considerate of others will take your children further in life than any college degree."*

--Marian Wright Edelman

*"Good manners reflect something from inside – an innate sense of consideration for others and respect for self."* --Emily Post

fosters personal discipline."

### The Basics for Being a Good Sport

"Being a good sport not only applies to athletic activities, but is a principle that applies to every aspect of life. The basics for being a good sport are as follows:

- No screaming or cursing.
- Don't gossip or tell lies.
- Accept your losses.
- Lead by example – and no cheating!
- Never brag.
- Be a problem solver, not a problem maker.
- Address extreme behavior.

Always remember parents are their child's coach in life, so parents need to conduct themselves properly and be a role model for their child."

### House Rules for Being Kind To Each Other

"The following are some house rules the author's family try to follow so they are kind to each other when they are at home or traveling.

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*"Whoever one is, and wherever one is, one is always in the wrong if one is rude."*

--Maurice Baring

**Family Time** – Do whatever it takes to spend time together.

**Family Calendar** – Keep a calendar of family members birthdays and special occasions.

**Family Group Chat** – Create a family group chat forum to keep in touch with everyone.

**Be Nice!** – Be kind to your family members because words can sting, and the impact they make can be long-lasting.

**Spend Time With Grandparents** – It is a wonderful and life-enhancing intergenerational connection."

### The Benefits of Blended and Ex-Families

The challenges of dealing with blended and ex-families due to divorce or other life situations are well chronicled. The author believes communication and manners are crucial for good planning, minimal surprises, and less drama. In looking at the glass half full, the author

also believes "one of the positive sides to a blended family is that the family grows and there are more people to care about your kids – and also for your kids to care about. The key is to be forward-looking and do your best to make it a smooth transition."

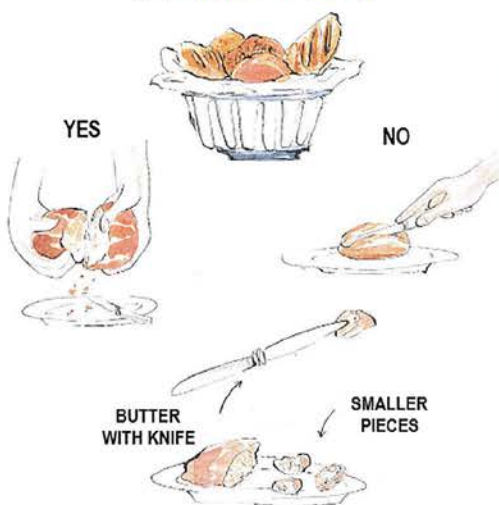
### Closing Thoughts

The book is a very helpful guide on modern etiquette in all situations. It also shows "you don't need a formal upbringing in order to live a life replete with good manners."

The author hopes her book "helps all of us to remember to be kind and to treat each other with respect and compassion. When we spend each day listening to one another, we will always have elegance of heart, no matter the occasion."

Her book accomplishes this and gives hope for a better future and world.

Breaking Bread  
(especially at a restaurant)



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*"Saying thank you is more than good manners. It is good spirituality."*

--Alfred Painter

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*"Dressing well is a form of good manners."*

--Tom Ford

# RECENT COMPILATION AND REVIEW ISSUES



**MAY 6, 2021**  
**8:30 to 10:30 a.m. (Hawaii time)**

This course not only covers all the changes made to AR-C Sections 60, 70, 80 and 90 by the issuance of SSARS 25, it also includes Case Studies throughout to illustrate concepts.

The effective date for SSARS 25 is December 15, 2021, with early implementation permitted, so now is the time to gain an understanding of the new guidance!

The recent updates to Statements on Standards for Accounting and Review (SSARS) have changed how SSARS engagements are conducted.

In addition to compilation and review services, practitioners can now offer preparation services that allow them to offer financial statement services in streamlined and more flexible procedures.

This program addresses these issues, as well as SSARS 25.

- Identify the changes that have taken place in compilation and review engagements
- Perform the services related to SSARS standards

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# Governmental Update What's New for 2021

**May 14, 2021**  
**8:30 a.m. to 12 noon**  
**Hawaii time**

This webinar provides an update to GASB literature. It will discuss the newest pronouncements issued from June 2020 through March 2021. It will also discuss previously issued standards that are required to be implemented in 2020-2021.

This program contains a discussion of frequently missed auditing, accounting, disclosure, and compliance issues related to government entities including a discussion of the GAO's newly issued Yellow Book and other single audit developments.

- Apply new GASB pronouncements
- Understand the changes to Government Auditing Standards
- Identify risk areas identified by peer reviewers and agency reviewers related to audits of government, including single audits

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## Are You Taking Advantage of the Employee Retention Tax Credit?

By Michelle Kaneshiro

With so many small businesses struggling to stay afloat during the COVID-19 pandemic, it is helpful to know that the US government has created or extended various programs to assist business owners. However, managing the day-to-day struggles of operating a business in addition to trying to stay on top of the various governmental programs can be difficult.

One of the wider reaching government assistance programs for 2021 is the Employee Retention Tax Credit ("ERTC"). ERTC is available from March 2020 through December 2021. This article will focus on the rules for the ERTC for January 2021 - June 2021, but a table at the end summarizes some of the larger differences between the 2020 and 2021 regulations.

In short, if your business has been partially suspended or your quarterly gross revenue has decreased by 20% as compared to 2019, you may be eligible to receive a refundable federal employment tax credit of up to \$7,000 per employee. To apply for the ERTC, eligible employers will report their total qualified wages for the ERTC on their federal employment tax return, which for most employers is the quarterly form 941, Employer's Quarterly Federal Tax Return. If the credit exceeds the employment taxes for that quarter, the

excess is treated as an overpayment and refunded to the employer.

An eligible employer is a trade or business (including non-profit organizations) in operation from March 12, 2020 and with respect to any calendar quarter (1) operations were fully or partial suspended due to government orders, or, (2) the employer experienced a significant decline in gross receipts. If you own more than one company, you will need to analyze whether or not the businesses are combined via a Control Group.

IRS Notice 2021-20 defines a Control Group as a group of corporations or trades or businesses under common control under sections 52(a) or (b) of the Code, members of an affiliated service group under section 414(m) of the Code, or otherwise aggregated under section 414(o) of the Code. A Control Group's gross receipts are analyzed based on the Control Group and not at an individual company level.

Gross receipts are analyzed utilizing the same method (cash or accrual) as the method that the company uses when it files its income tax return. A significant decline in gross receipts is a 20% decline in gross receipts for the quarter as compared to the same quarter in 2019. If the business was not in existence in 2019, you can utilize the same quarter in 2020. Alternatively, you can also analyze the significant decline in gross receipts based on the prior quarters gross receipts as compared to that same quarter's gross receipts in 2019.

For example, to qualify for the ERTC in the first quarter of 2021 you can either have a 20% decline in gross receipts when comparing (1) first quarter 2021 to first quarter 2019, or (2) fourth quarter 2020 to fourth quarter 2019. Therefore, if your company has a 20% decline in gross receipts when comparing the first quarter 2021 and the first quarter 2019, you will be eligible for the ERTC for both the first and second quarter in 2021.

	2020	2021
Significant decline in gross receipts	50%	20%
Credit is a % of the first \$10,000 in wages & healthcare costs per employee	50% of qualified wages	70% of qualified wages
Large eligible employer	Averaged more than 100 employees during 2019	Averaged more than 500 employees during 2019



Once you have analyzed if you are an eligible employer, you need to analyze if your business is a large employer. In 2021, a large eligible employer is defined as an employer who averaged more than 500 full-time employees in 2019. It is important to analyze whether or not you are a large employer, as large employers have a different definition for qualified wages. For large employers, qualified wages may be limited to only those wages paid to an employee who is not working. Qualified Wages are limited to \$10,000 per employee per quarter, but may be limited for owners or owner's relatives. Qualified Wages include some healthcare costs.

If you received any funds from the Paycheck Protection Program, "PPP", you are still eligible for the ERTC, but you cannot utilize the same wages for PPP forgiveness and the ERTC. Additionally, you cannot use ERTC wages for any benefits from the Families First Coronavirus Response Act, "FFCRA".

Once you have gone through to figure out that you are an eligible employer and you have qualified wages for the ERTC, it is time to apply for the ERTC on the eligible employer's form 941. (Companies utilizing a professional employer organization, "PEO", are still eligible to apply for the ERTC based on their own analysis.) Upon receipt of the tax credit, the funds should be booked as a decrease to gross wages or employer taxes.

For more information on the ERTC you can reference the IRS Notice 2021-20 ([www.irs.gov/pub/...](http://www.irs.gov/pub/...)) and the IRS Notice 2021-23 ([www.irs.gov/pub/...](http://www.irs.gov/pub/...)).

The table on page 18 summarizes some of the differences in regulations for the ERTC between the year 2020 and 2021.

# CPA FIRM MICROCOMPUTER TECHNOLOGY

By Joy Takaesu of The CPA Collective



Microsoft released another set of security updates for its Exchange Server, following the U.S. National Security Agency (NSA)'s

disclosure of more vulnerabilities. These are in addition to the critical vulnerabilities discovered in March. For more information on the April 2021 Exchange Server Security updates, please visit Microsoft's Exchange Team Blog.

Microsoft is working on new versions of its "perpetual" license (non-subscription) Office for Windows and Mac. Microsoft is also working on a new Office product for commercial customers called Office LTSC (Long-Term Servicing Channel), designed for organizations who are unable to install updates regularly due to regulatory restrictions or lack of internet connection. Microsoft is in the process of releasing previews for Office 2021 Mac and LTSC. The Office 2021 perpetual versions are scheduled to be available later this year, and will be supported for five years (compared to 7-10 years support for previous perpetual versions).

Honolulu police and CrimeStoppers issued a statement warning of an email scam targeting Hawaiian Telcom customers. The email claims to be from a Hawaiian Telcom employee, saying that the customer's online account needs to be reset, and asks for the username and password. If credentials are provided, the scammer emails the victim's contacts requesting money. Police warn the public not to give out login information to anyone. To report information on this incident, you can call CrimeStoppers at



808-955-8300, send tips via [honolulu-crimestoppers.org](http://honolulu-crimestoppers.org), or use the P3 Tips mobile app.

Per CrimeStoppers and the Honolulu Police Department, "local utility companies offer the following tips to avoid telephone and email scams:

- If someone calls from a utility demanding immediate payment over the phone, via money transfer, prepaid debit cards, or by Bitcoin, it is a scam.
- If the caller asks to meet the customer in person to pick up a payment, it is a scam.
- If you receive an email from your utility company urging you to click on an embedded link or attachment to resolve a utility issue or pay a bill, think before you click. It is likely a scam.
- If a utility worker shows up at your house or place of business, ensure that person is wearing official attire with a logo, driving a properly labeled vehicle, and carrying company identification. When in doubt, call the utility company's customer service center."

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





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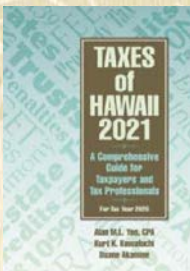
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