

JULY 2021

# KĀLĀ

The Official Publication of the Hawaii Society of Certified Public Accountants



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# President's Message

By Ed Nakano

## Eight Reasons to Learn Something New Today

I found this article “Eight Reasons to Learn Something New Today” written by Ronelle Richards from the In The Black publication that is relevant to my life and work experiences. The author, Ms. Richards, refers to Dr. Narelle Lemon, an Associate Professor of Education at Melbourne’s Swinburne University, as a source for the Eight Reasons.

These Eight Reasons are based on Dr. Lemon’s beliefs that: “Learning something new, especially when we are using our curiosity, I think enables us to be really open to finding out new things and seeking out new information. When we engage with curiosity and see it as a strength or superpower, it really helps us to get excited about the new topic we’re investigating. We kind of figure out why it’s relevant to me, how it can help me live and apply the knowledge.” These beliefs are consistent with the AICPA’s mantra of “Lifelong Learning.” The following are Dr. Lemon’s Eight Reasons and the benefits of learning something new and how they can help us and our brains to keep evolving.

### A Catalyst

“When you have gained new knowledge, the impact you can have is motivating... inspiring others to switch that knowledge and application, that is so powerful because we’re not only learning to further ourselves but inspiring others to learn more.” “Research has found that dopamine (chemical in our brain that influences mood and feelings of reward) actually controls learning retention, and we develop an appetite for the reward that comes from ... feeling energized

when we discover something new and extract meaning of knowledge from this.”

### Inspiring Both Courage and Vulnerability

“We can change our direction when we open ourselves up to being vulnerable.” “We then can overcome those fears of the unknown to be able to shift forward and embrace the newness.”

### Creating a Sense of Adventure

“When we step out into that vulnerability of not knowing, that’s when we can really stretch ourselves and grow even further.”

### Fostering Adaptability

“When we’re adaptable and being truly tuned into that, we’re opening up that opportunity to be true to ourselves and take that little step further out to embrace change and find something new that can help us even further.”

### Forging Connection

“The ability to be able to connect with others and embrace – that is absolutely incredible, especially when you find the right people.”

### Embracing and Giving Gratitude

“If someone has shared something new or confronted you with something new, being able to acknowledge that by expressing gratitude for yourself, or that person – even a quick email or if you see them over the water

cooler, expressing ‘you said something X and really made me think’ is powerful.”

### Driving Innovation

“It’s a wonderful aspect to coming up with new ideas and different approaches and it partners really well with creativity in that we can think beyond what already exists and be quite creative and different.”

### Pushing Us to Seek Improvement

“Learning gives us a feeling of accomplishment and leads us to want that feeling again.” “If we have it as a daily intention, opening up that possibility to learn with and from each other, it really becomes ingrained in how we approach and engage the world.”

### My Personal Life Experiences

At C. S. Wo, where it has been an honor and privilege to be employed for the past

### INCREMENTAL MATURITY



“RELAX...IT’S CONSIDERED CONTINUING PROFESSIONAL EDUCATION.”

Continued on page 9



# Six Risk Management Mistakes CPA Firms Make

by Tim Huggins

Managing CPA liability risk exposures is a complex process, and it's easy to underestimate the potential for risk along the way. The following six mistakes can be avoided by being aware and taking the right steps.

## 1. Not discussing questions about the insurance application with your underwriter or agent.

Whether it's for a new or renewal policy, the more communication you have with your representative at the agency or carrier, the better your chances are for securing the appropriate coverage at the most attractive premium rate for the firm. Take time to review the questions and determine what information and data you will need for it; if you're unsure about a question or the information being asked,

give your agent or underwriter a call to have them explain it to you. As with any insurance application, you will want to answer all questions truthfully and accurately. CAMICO encourages firms to call their underwriters or agents with questions about the application and the information requested. A phone call is an easy way to address any concerns and to strengthen the relationship between you and your provider.

## 2. Not having appropriate policy limits for your firm profile.

Excessively high limits of insurance offered at a bargain prices are red flags. High limits will often put a bigger bullseye on your firm and potentially lengthen the claims process. However, you also need to carry

enough limit to be able to protect yourself in the event of a bad claim, or to fight a frivolous claim. A specialized underwriter, agent or account executive can discuss your firm's specific risk exposures, policy limits, and coverage options. Each accounting practice is unique—tax specialists have exposures that are different from those of auditors. An underwriter or agent experienced in CPA firms will work with you to create a policy that addresses your specific risk areas, with the appropriate limits and cost structure.

## 3. Admitting liability, assuming damages, voluntarily making any payments, or incurring claims expenses.

These are all actions a CPA firm must avoid without the prior written consent of the insurance company. Such actions will likely violate policy conditions, which may result in a denial of coverage. Policyholders should not take action without first receiving guidance from a risk adviser with the insurance company. Avoid agreements that include "hold harmless" or indemnification provisions that are one sided and not in the firm's favor. Firms that go along with clients in attempting to handle a problem internally without reporting it are sometimes surprised to find out later that the problem is much larger than it appeared to be. If the problem was not reported timely in accordance with the policy, the damages might not be covered.

## 4. Not reporting a potential claim as early as possible.

The sooner claims and potential claims

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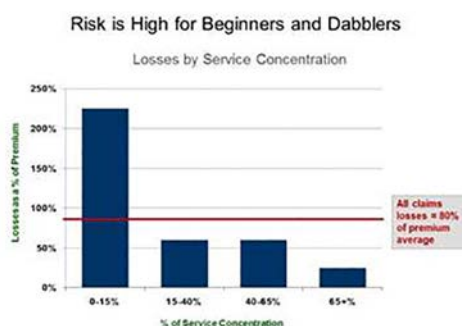
are reported, the more effective an insurer can be at achieving an early resolution. Early reporting will also help assure coverage for the potential claim. Some insurers encourage the early reporting of claims by reducing the deductible for any potential claim that is reported before a claim is made. Further, if it is determined that it is appropriate to retain legal counsel to assist with a pre-claim situation, some insurers will absorb the legal expenses, help policyholders achieve a resolution with the client, prepare a tax penalty abatement request, draft talking points for communicating the facts of the situation with the client, and provide subpoena and other services if the need arises.

CPAs are often so busy that they don't recognize or acknowledge a potential claim as it is developing. This can be particularly devastating when the damages claimed are significant and are not covered because of late reporting. It's important for CPAs to pay attention to potential issues and to report to their carriers as soon as they think there may be a problem. Also new for CPA firms is "continuity of coverage for potential claims," which helps eliminate coverage gaps for potential claims known to an insured and not timely reported by the insured, while coverage is consecutively renewed with CAMICO.

## 5. Not utilizing the insurance program's advisory, loss prevention, and risk management services.

The best way to avoid a claim is to manage the risks that lead to claims. Some of the basic risk management tools, such as client screening, engagement letters and

follow-up documentation, are crucial in managing potentially major problems into minor problems. The more tools and resources an insurance program provides its policyholders, the better those policyholders will be at avoiding or minimizing problems and disputes. A good insurance program will also advise you on how to utilize its resources to help your firm improve its practices. You can also get a good feel for a company's service and attitude toward its policyholders by using its services. If you are interested in a good partnership with your company, the company should do its best to help you minimize your losses and control your premiums.



## 6. "Dabbling" in high-risk work without doing enough to stay proficient at it.

Claims data show high loss ratios for services that comprise less than 15 percent of a firm's work. By the same token, loss ratios are low for services that comprise 65 percent or more of a firm's work. (See chart on "Risk is High for Beginners and Dabblers.")

Also, part of the client screening process includes making sure that the engagement is a good fit for the firm's expertise. Proficiency in any type of engagement

includes the ability to identify risk stress points in the engagement. CPAs are expected to possess a thorough understanding of the client's business and industry in order to identify those stress points. Establish a policy for what types of engagements the firm will avoid because of a lack of technical expertise. Firms with sound risk management practices tend to write a description of the engagements they accept and the way they conduct business and perform services, including steps for controlling liability exposures (such as engagement letters and other forms of documentation).

The CPA firm should always feel comfortable about contacting its liability carrier and asking questions about any matters, regardless of how small they may appear to be. If the company is committed to providing good services and helping CPAs solve problems, you will discover this just by reaching out with an email or phone call.

*Tim Huggins is manager of underwriting operations with CAMICO ([www.camico.com](http://www.camico.com)), responsible for underwriters and underwriting department activities.*

*The information provided is a general overview and not intended to be a complete description of all applicable terms and conditions of coverage. Actual coverages and risk management services and resources may vary and are subject to policy provisions as issued. Coverage and risk management services may vary and are provided by CAMICO and/or through its partners and subsidiaries.*



# HSCPA 61ST ANNUAL CONFERENCE VIRTUAL ANNUAL CONFERENCE NOVEMBER 19, 2021

## FEATURING ETHICS + MORE

What a year! All businesses have had to embrace changes, and for CPAs, some things will never be the same again. Adapting to digital relationships in the pandemic has also increased the risk of ethical compromise in remote working, staff size reduction, assurance services, increase in fraud, and ethics across the supply chain.



**Great  
Speakers  
and Topics!**



Join us virtually at the 61st Annual Conference to welcome **Bill Pirolli**, Chair of the American Institute of CPAs. “Mr. Storyteller”, as he’s also fondly known as, will discuss the most current professional issues and share insights on some of the major initiatives underway and on the horizon. Bill will provide insight on the forces shaping the accounting profession and how it will affect members and organizations.

Ethics – Our Guiding Principle! Hear HSCPA’s finest, **Ron Heller**, cover the basic tenets of professional ethics, and explain recent changes in the AICPA Code of Professional Conduct. Ron will teach you how to identify, analyze and

respond to conflicts of interest, how to apply independence rules in your practice, and key rules regarding client confidentiality. The presentation will also cover recent Hawaii developments and tips to avoid malpractice claims or liability.

“Local boy” from Mililani High School to New York prosecutor, then back to Hawaii after being appointed to the top spot as Hawaii U.S. Attorney, **Kenji Price** will return – virtually! Don’t miss Kenji as he shares insights on white-collar crimes and other public corruption issues. The people of Hawaii are grateful for the years he spent “giving a voice to those who have been victimized by crime”.



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## Featured Speakers



**William (Bill) Pirolli, CPA/CFF/PFS, CGMA**, is the Chair of the American Institute of CPAs (AICPA) and also serves as Chair of the Association of International Certified Professional Accountants. He is partner at DiSanto

Priest & Co, CPAs, a multi-disciplinary accounting and financial services organization in Warwick, RI. Bill maintains an active client base and focuses on trusted advisor services such as estate and succession planning, mergers and acquisitions, financing and litigation support, as well as traditional tax, accounting and advisory services.

Over his 41-year career, Bill has served in several volunteer AICPA roles: the AICPA Board of Directors, the Association of International Certified Professional Accountants (Association) Board of Directors, the AICPA MAP Committee, the AICPA Small Firm Advocacy Committee, AICPA Council, the Association Nominating Committee, the ENGAGE Planning Committee, and the AICPA Relations with the Bar Association Committee. He is a Past Chair of the AICPA/PCPS Executive Committee, serving that committee for nine years. Bill recently received the AICPA Sustained Contribution Award for 20 years of continued volunteer service to the profession.

Bill is an avid golfer, loves to cook and rides his Peloton

with passion. He lives in Rhode Island with his wife Joanne. He earned a Bachelor of Arts in business with a concentration in accounting from Bryant University.



HSCPA’s finest, **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. He is a licensed Certified

Public Accountant as well as an attorney. Ron is a Fellow of the American College of Tax Counsel, and a past Chair of the Tax Section of the Hawaii State Bar Association. He has litigated tax cases at the county, state, and federal levels.



**Kenji Price** focuses his practice on white-collar government investigations, internal investigations, compliance counseling, and complex civil litigation.

Prior to joining McDermott, Kenji served as the United States Attorney for the District of Hawaii. As the chief federal law enforcement officer in the district, Kenji led a team responsible for representing the United States in criminal and civil litigation in the district. In addition to leading the US Attorney’s Office in Hawaii, Kenji served as the Vice Chair of the Controlled Substances Subcommittee of the Attorney General’s Advisory Committee. Speakers



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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 43

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.

## ASSISTANT SECRETARY

### 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.

## DIRECTORS

### Ronald I. Heller



An attorney with Torkildson Katz Hetherington Harris & Knorek, a law corporation, Ron practices in the areas of taxation, tax litigation, busi-

ness/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 retired as 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. He is currently serving on the AICPA Financial Literacy committee.

## 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 accounting and private industry, and was the Chief Operating Officer of HiHR and the Chief People Officer

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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.

## Norman N. Okimoto



Norman is President of Hawaiian Financial Federal Credit Union, a full-service financial institution with over \$800 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.

## Valerie Peralto



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

## Gordon M. Tom



Gordon is Vice President – Internal Audit of Hawaiian Financial Federal Credit Union, a full-service financial institution with over \$800 million in assets. Prior to joining the credit union, he was a Senior Manager in KMH LLP's Assurance and Advisory Services division and a Senior Accountant with Deloitte & Touche LLP. He also is a past president of the HSCPA and served on the governing Council of the AICPA.

## Hawaii Practices For Sale

**Gross revenues shown:** Kauai Island CPA \$100K; Big Island CPA \$270K; Kailua/Maui/Honolulu CPA \$530K; and Honolulu CPA Tax \$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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- Receive proactive claims support and guidance that encourages and rewards early potential claims reporting and intervention.

With competitive rates, industry-leading risk management resources, and superior service, CAMICO provides peace of mind, so you can continue to focus on serving your clients. Contact us for quote or to review your current policy.



### CPA PROFESSIONAL LIABILITY INSURANCE

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# Norman's Book Review

## "Take More Vacations"

by Scott Keyes

With COVID-19 travel restrictions easing and more people being vaccinated, many of us are starting to finalize our long-awaited vacation trips and restart our business travel plans. I thought this book was perfect to help us save money on airfare so we can spend more money at our destinations and hopefully take more trips.

Author Scott Keyes is the founder of Scott's Cheap Flights, "a travel platform with over 2 million members who have saved over \$500 million off normal flight prices since 2015." I found his book to be really informative as it explains why airfare changes so dramatically and provides helpful tips to save money. It is ultimately a real travel game changer and must read for anyone who likes to travel – which is practically all CPAs and most everyone. The following are a few of the many useful information in Scott's book. Visit his website and consider signing up to start saving money on your future travel adventures.

### Flight First Method vs Destination First Method

Most people, including me, when they plan their trips choose a destination first, then choose when they want to travel, then finally try to find the lowest price possible. Scott refers to this methodology as the "Destination First Method." However, if you want to find cheap flights, Scott says you have to reverse the order and "see where the cheapest flights are first, then pick one of the cheap flight destinations, and finally pick one of the cheap flight

dates." What this means is you may find yourself visiting places you never thought possible, as Scott did in 2013 when he found a \$130 roundtrip fare between Washington DC and Milan on United Airlines, a flight that normally cost \$850 roundtrip.

He's also flown roundtrip to "Osaka for \$169, Barcelona for \$222, and Brussels twice at \$225." This Flight First Method means you have to "embrace serendipity."

### Embrace Serendipity

Not knowing where your next vacation destination will be can be uncomfortable for many people. However, if you like the movie Serendipity and are willing to "embrace serendipity," you may be surprised in a good and happy way by following the flight first method to finding cheap flights. Remember, serendipity is "the occurrence and development of events by chance in a happy or beneficial way."

As for Scott, three cheap flights changed his life in an awesome way. "The \$130 Milan trip inspired him to become a flight expert, a \$200 flight to Puerto Rico allowed him to meet someone special on Condado Beach, and finally an award ticket to Hong Kong allowed him to propose in a memorable way to the person he met in Puerto Rico."



### Goldilocks Windows

Goldilocks Windows is Scott's term for when cheap flights are most likely to pop up. "For domestic travel, that window is 1 – 3 months before travel for off-peak season and 3 – 7 months before travel for peak season. For international travel, the window is 2 – 8 months before travel for off-peak season, and 4 – 10 months before travel for peak season."

### 24-Hour Rule

Per Scott, "federal regulations require airlines to let customers cancel tickets they booked directly as long as they do so within 24 hours of purchase." This is a good reason to book directly with an airline as opposed through a third-party vendor, because this allows you 24 hours to make sure your ticket is the cheapest available and that you really want to make the trip at that price.

### 21-Day Reminder

Scott sets a calendar reminder to himself every time he travels to book his trip no later than 21 days before his scheduled departure. Why? "Because the cheapest tickets regularly include a 21-day advance purchase requirement in their fare rules. After the 21 days, the fares will go up and the next cheapest fare is the 14-day advance purchase requirement ones."

### Cheapest Days to Travel

"In general, Tuesday, Wednesday, and Saturday are the cheapest days to travel, while Friday, Sunday and



Monday are usually the most expensive days.” Why? “Airlines try to gouge business travelers, who like to fly out on Sunday or Mondays, and return home on Fridays.

### Mistake Fares

I didn’t realize until reading the book that occasionally airlines make mistakes on their posted airfares. When it does happen, you have to know about it and jump on it quickly because the airlines will eventually catch their mistake and the “mistake fares” will be deleted and replaced by the market fares. You need a website like Scott’s Cheap Flights to let you know about the “mistake fares” and then it’s up to you to book it. Examples in the book included “in 2018, Hong Kong Airlines put normally \$5,000 business class flights from California to all over Southeast Asia on sale for as low as \$560 roundtrip. The mistake was fixed a few hours later. Another example was Cathay Pacific accidentally sold \$16,000 business class flights between New York and Vietnam for \$675 to kick off 2019.” Many times, Scott says the mistake is due to someone forgetting to input an extra digit before or after the “mistake fare.”

### Top Flight Search Engines

Per Scott, his top flight search engines are: “Google Flights, Kayak, Skyscanner and Momondo, with Google Flights being his personal favorite.”

### Cheapest Car Rental Site

Scott has found “Costco Travel to consistently have the lowest rates, as well as waived fees for an additional driver.”

### Southwest Airlines Is Everyone’s Friend

Thanks to Southwest Airlines, everyone not only can travel anywhere Southwest flies with two free checked baggage, no cancellation fees, and good rewards

program, but everyone can also “lock in the price of their ticket and ensure that’s the maximum price you will pay for a trip you plan to take. If you find a cheaper fare subsequently on Southwest or any other airline, you can cancel your original reservation for free and rebook at the lower fare!” Scott calls this the “Southwest Airbitrage.” Whenever Scott “receives a wedding invitation or similar inflexible event, he’ll book a flight on Southwest to lock in a fare.”



### Are There Deals Booking Last Minute?

Unfortunately, airfares don’t get cheaper the closer you get to flight time. In fact, the opposite occurs, flights get more expensive. Why? Per Scott, “airlines eventually realized last minute fliers were generally business fliers who didn’t care about the price of the ticket. So, airlines changed their thinking from maximizing the number of seats filled to maximizing the profits on each flight. That’s why airlines now raise prices the closer it gets to flight time.” As CPAs, it makes perfect sense to maximize \$\$\$.

### Best Way to Find Nonstop Routes

“Flightconnections.com is a quick and easy way to see all the nonstop flight options to or from any given airport.”

### What Is Better, Points or Miles?

Scott has found “points typically are

more valuable than miles because points are more flexible. Also paying for a flight with points is like paying with cash, so you earn flight miles and elite credit, and sometimes you are eligible for upgrades. Unfortunately, this is not true with paying for a flight with miles.”

### Should You Hoard Miles?

Scott’s opinion is you shouldn’t hoard miles because “airlines have a habit of devaluing miles over time. Alternatively, if you have lots of miles and there’s a decent-value award available for a trip you want, put those miles to work.” For those of us who lost thousands of miles when Aloha Airlines went bankrupt, you also have to make sure your miles are with a financially strong airline.

### Summary

As you can see, the book is really amazing and I learned sooo much about the volatility of airfares and the best ways to save money. These tips will allow all of us to then take more trips and/or pamper ourselves more at our travel destinations.

As noted in the “embrace serendipity” section above, flying more cheaply can be life changing ... it was for Scott and many others who were able to take dream vacations at affordable prices. As Scott notes at the end of his book, “we can’t control what the airlines charge, but we can control what we pay.” Also, as a challenge to all of us, “the question isn’t whether you can find cheap flights; it’s whether you choose to take advantage of them.”

I sincerely hope this review, Scott’s book and his [website](#) will help you save \$\$\$ when you start traveling again, and allow you to travel more and make more lasting memories. We have endured much hardship during this pandemic ... let’s celebrate safely by taking the trips we wanted to take and dreamt about!!!



# TAX FOUNDATION OF HAWAII

Hawaii's Watchdog on Taxes & Government



By Tom Yamachika

## Showdown of the Juggernauts

There is a huge fight looming on the horizon. I'm not just talking about Curtis "The Bull" Iaukea and Lord "Tally Ho" Blears versus Handsome Johnny Barend and the unforgettable Ripper Collins in "50th State Big Time Wrestling" at the Civic Auditorium. I'm talking about something much, much more epic. In one corner you have the State of Massachusetts and in the other corner its neighbor the State of New Hampshire. Their arena: the Supreme Court of the United States.

How did this fight come about? The traditional rule, which is followed by 41 states and the District of Columbia (the remaining 9 states, such as Alaska, Florida, and Nevada, don't have income tax), is that income that has its source in a state other than where you live (the "non-residence state") has the right to tax only that income. Your residence state has the right to tax you on that and any other income wherever you earn it, but it must give you a credit for tax legitimately paid to a non-residence state on income earned in that state. Before COVID-19, folks who lived in New Hampshire were commuting to work in Massachusetts. Massachusetts applied its income tax to them as non-residents. New Hampshire is one of the 9 states without an income tax. So, the only state income tax these folks paid was to Massachusetts.

Then, along came COVID-19. A number of these employees, perhaps as many as

100,000, started to work from home. They found, to their delight, that Massachusetts tax didn't seem to apply any more because they weren't commuting to Massachusetts.

Massachusetts, however, didn't really like the idea of its tax revenue being squeezed just because people stopped commuting. So, it adopted an emergency tax rule saying that the salary of any nonresident who worked for a Massachusetts company and was teleworking because of the pandemic would still be subject to Massachusetts nonresident income tax.

"You can't do that, it's unconstitutional!", New Hampshire roared, and marched to the Supreme Court to begin the epic fight. "Yes, we can!" bellowed Massachusetts. (If you're interested in the details of their arguments, you can read them here.) Most recently, the Biden administration filed its brief, arguing that it's inappropriate for the Court to stick its nose in now. It said that individual taxpayers who were hurt could file their own appeals and thus give the States' courts a chance to weigh in before the Supreme Court would need to act.

The outcome of that dispute may affect us here at home. Recently, some local folks established a "Movers and Shakas" program where they gave selected Mainlanders a free trip here in return for a commitment to stay on Oahu for 30 days and try being part of the Hawaii Ohana. The

program drew 90,000 applicants for 50 spots in the first cohort, and the program is preparing for a second cohort. One thing that Movers and Shakas might not have told the winners is that their income might be considered Hawaii source, and taxable in Hawaii, because they are physically in Hawaii when they are working.

The University of Hawaii Economic Research Organization (UHERO) put together a brief on this issue, calling it "Taxing Income in the New World of Teleworking." It observed that some have called the traditional residence state and non-residence state rules archaic and ill-equipped to deal with what our economy has become over the years. UHERO considers this COVID-19 wrinkle a great opportunity to rethink the rules that apply to individuals who live in one state but work for an employer in another.

Telework is here to stay. So are taxes. Now is a very good time for states and businesses to start thinking and talking about how the two mix.

*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.*



43 years, the three generation of owners who I have worked with, consciously applied these Eight Reasons which enabled the company to endure several major economic challenges, create positive changes and prosper for four generations and for 112 years. I was fortunate to be a part of several of these transformations and experienced best practices, innovation and changes by collaborating and establishing mutually beneficial relationships with key individuals, and in certain instances, visiting companies on the mainland and contributing to the progress.

Several of the key best practices I learned and was involved with include:

- Warehouse Operations - Purchase of foam compacting machine to minimize disposal costs and motion detecting energy saving LED warehouse lights to reduce energy, fencing of delivery lanes to minimize delivery issues.
- Retail Stores - Researched and initiated installation of LED spot lights in the retail stores to reduce energy consumption and heat; lead a diverse retail team of stakeholders to plan the implementation and training of a fully integrated computer system (for warehouse, delivery and inventory management, POS, and accounting) in one year with a one-week live conversion while retail stores remained open.
- Company Insurance - Researched and enlisted in a Captive Insurance to reduce Workers Compensation, General Liability and Auto insurance costs.

My early humble childhood was with limited resources, but I had a willingness to try new experiences since "I did not have

much to lose and more to gain." With motivation and grit, I unconsciously applied most of the Eight Reasons advocated by Dr. Lemon to achieve the following:

- Delivered newspapers on a bicycle from 5 am every morning, seven days a week during my 6th to 9th grade in Hilo.
- Worked part time in high school as a janitor, panel truck delivery driver, typewriter repairman and grocery store bagboy while maintaining good grades.
- Served active duty in the Army in Hawaii and Vietnam as an infantryman, radio telephone operator, jeep and truck driver, and small arms repairman.
  - Returned from active duty in Vietnam, used the GI Bill, switched majors from Education to Accounting (a totally new and difficult learning experience with no business background) and graduated with a 3.8 GPA in Accounting.
- Worked six years as an Auditor and Tax Specialist at Coopers & Lybrand with nonprofit, property and casualty insurance, retail, banks, checkbook to financial statement clients in Hawaii and California ... many of them challenging first year audits, clients and audit conditions.
- For the past 43 years and counting at C. S. Wo & Sons, Ltd., I started as a Controller and advanced to Executive Manager/CFO. I learned and became responsible for the Accounting Department, Human Resources and IT functions. I am also personally involved with most investments, legal, high-level customer service issues, property management, insurance

renewals, estate planning and co-trustee for certain owners.

- During my early years, played tennis, table tennis, baseball, golf, basketball, bowling (with the UH Accounting Club team that won first place in the HSCPA bowling league in 1970), and for the past 12 years, played fast pitch softball as an outfielder, infielder, pitcher and catcher.
- Learned to sing karaoke by attending adult education classes and practicing with user friendly equipment to "make me sound better and surprise myself."
- Used OJT (on-the-job training) handyman skills involving power mowing and weed whacking my home lawn, plumbing, carpentry and electrical repairs, and most recently, painted my 36-year old, 2-story home for the 6th time.



It is amazing what I learned from Google and collaborating with knowledgeable individuals and how certain tools and processes aided me in performing these handyman tasks.

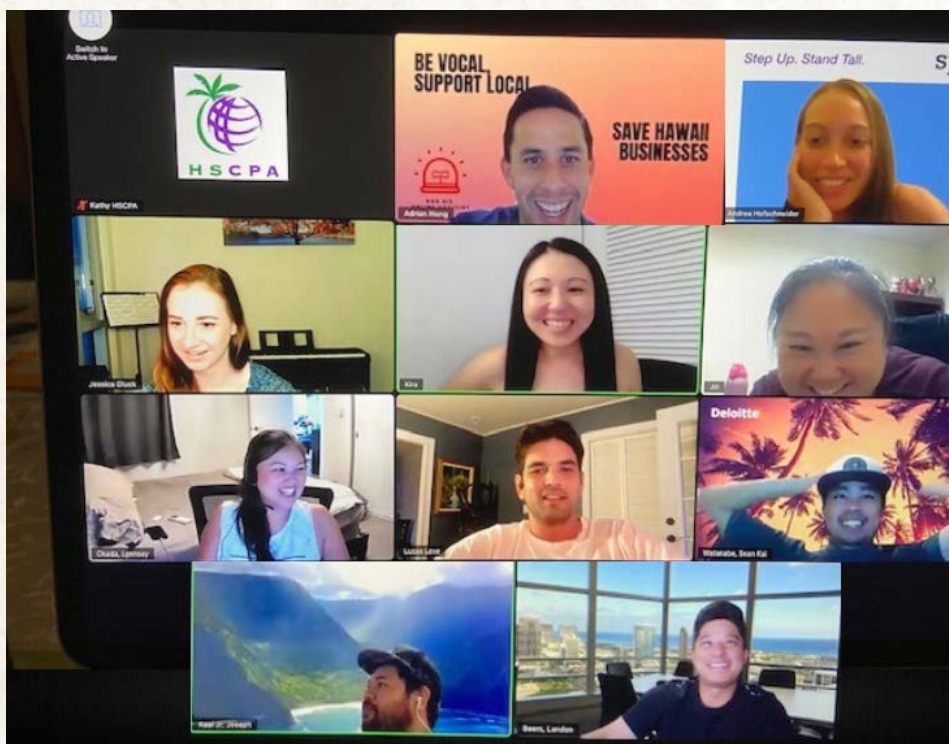
Let's all embrace these Eight Reasons, practice the CPA mantra of LIFELONG LEARNING, make a positive difference to ourselves, employers and the CPA profession, and continue to move forward in these challenging times.

**Take care and be safe.**



# Zooming Through the Year

By Kira Kaneshiro



As summer begins, the Y-CPAs are wrapping up a year of virtual activity. Through the Covid-19 pandemic, individuals, schools, and workplaces modified their activities to safely operate within the new world and the Y-CPAs were no exception.

## Networking

We began the year getting to know new members at our first virtual happy hour last October.

## Student Outreach

Adjusting to the pandemic environment, we moved to hosting events online to reach students in new ways. Working with the Accounting Clubs and Beta Alpha Psi at the University of Hawaii's Manoa and West Oahu campuses, Y-CPAs educated students on upcoming changes to the CPA exam and spoke to their personal experiences preparing for the exam. At the high school level, the committee reached out to schools across Oahu to coordinate presentations exposing students to a myriad of accounting career paths and the benefits of majoring in accounting and becoming a CPA.





## Community Service

Returning to Ma'ema'e Elementary School, Y-CPAs volunteered with Junior Achievement USA to teach work readiness and financial literacy skills to second grade students. The program included an introduction to communities and jobs, government, taxation, and how voting contributes to a community's success.

After months of seeing each other in boxes on a computer screen, the committee welcomed an occasion to meet in person and give back to the community through events with Family Program Hawaii and the Hawaii Food Bank where we wrapped gifts for keiki in foster care and helped pack 2,124 boxes for the Senior Food Box Program to help feed low-income kupuna.



## Join Us!

If you're interested in joining the Y-CPA Committee – either virtually or in person – and getting to know fellow young professionals, a link can be found at the HSCPA [website](https://www.hscpa.org) or by e-mailing [info@hscpa.org](mailto:info@hscpa.org).

# CPA FIRM MICROCOMPUTER TECHNOLOGY

## By Joy Takaesu of The CPA Collective



Microsoft announced that the next major version of Windows will be Windows 11. Windows 11 will be available as a free upgrade for existing Windows 10 users, and is expected to be released later this year. Windows 11 has some new system requirements, including a 64-bit processor, 4GB RAM, 64GB storage, and a TPM 2.0 (Trusted Platform Module), which is a chip that helps provide encryption. Microsoft has a Windows PC Health Check tool that can check for Windows 11 compatibility.

If your system is recent, it may already have TPM 2.0, but it might be disabled by default and may need to be manually enabled in BIOS.

Windows 11 will have a refreshed Start Menu & taskbar design, and improved multi-monitor and touchscreen support. By default, the Windows 11 taskbar icons will be centered at the bottom of the screen. Users will have the option to move the Start menu and other taskbar icons back to the corner if desired, but the taskbar itself can only be docked at the bottom of the screen, not the sides or top. The taskbar will include a widget button with quick-view widgets including a to-do list, weather, traffic, & calendar. Instead of Internet Explorer, Windows 11 will come with Microsoft Edge with "IE Mode" which

can be used to load legacy websites.

Windows 11 will have improved windows management. Windows 11 will use Snap Layouts to help automatically resize windows. If you hover over the maximize button of a window, a popup will show several layout options to automatically resize and tile the windows next to each other. If you dock your Windows 11



laptop to a monitor, if you temporarily unplug the monitor, any open windows will minimize and remember their place. When you plug the monitor back in, the windows will

return to where they were.

Windows 11 will seek to make future updates smoother, with only one major "feature" update per year. The more frequent minor updates and fixes will be smaller than they are currently, and will happen in the background. Home editions of Windows 11 will require internet access and signing into a Microsoft account during the initial setup. Microsoft will continue to develop and release updates for Windows 10 (support for Windows 10 ends Oct 14, 2025).

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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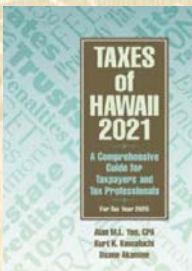
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