

AUGUST 2021

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The Official Publication of the Hawaii Society of Certified Public Accountants



## Cultivating the CPA Pipeline





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# President's Message

By Ed Nakano

## HSCPA Year in Review

It's been almost a year and a half into the pandemic and a new fiscal year provides HSCPA with an opportunity for a fresh start with renewed energy. At the onset of the pandemic, HSCPA had to quickly align advocacy efforts to focus on how best to meet the needs of our members. With a focus on a key mission statement, **maintaining high professional standards**, HSCPA took the following actions:

1. Appealed to government leaders, both locally and nationally to include accounting as an essential service and joined the AICPA and other state CPA societies in advocating to provide tax filing relief.
2. Quickly pivoted to deliver critical announcements, continuing professional education and engaging events, all virtually. Providing quality programs with notable speakers will remain a critical component of achieving the profession's mantra of **Lifelong Learning**.
3. Through our network of Y-CPA members, HSCPA continued to encourage, support and push students to major in accounting and become CPAs. The generous contributions from HSCPA members, American Savings Bank, Wo Family Foundations and Ed and Diane Nakano helped establish the HSCPA Family Scholarship Endowment via the UH Foundation. In addition, the HSCPA continues to award various

scholarships to Hawaii's best and brightest at our local universities and community colleges. Together, we will continue to create and foster an environment that encourages candidates to complete the CPA exam.

As we move ahead to reopening Hawaii, the HSCPA will continue to deliver programs in a virtual and/or hybrid format. HSCPA activities will not go back to "normal". Instead, we will forge ahead and embrace what we learned from 2020 and build upon what is "better than normal".

The following are Key Performance Indicators (KPIs) HSCPA provided to its members and the profession the past fiscal year ending June 30, 2021:

1. **Seminars/Webinars:**  
137 (2021) vs. 42 (2020) - **326%** increase in total events from 2020 to 2021; 16 events held from

January to June 2021 vs. 2-4 in prior years, an increase of over **400%**

### 2. Y-CPA Activities:

5 virtual presentations on Preparing for the CPA Exam and Exam Strategy - 2 UH West Oahu, 2 UH Manoa, 1 Wikoff Combs & Verity CPAs; 3 Service Projects: Junior Achievement, Family Programs Hawaii, Hawaii Foodbank

A **BIG MAHALO** for the diligent and hard-working leadership efforts of Executive Director Kathy Castillo and assistant Debbie Cortes, together with the support from the HSCPA Executive Committee and Board Members for this past year's accomplishments. "We are in this together" and will continue with our best efforts to serve the HSCPA members and the profession.

**Take care and be safe.**

## 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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# Sustaining Our Future and Enhancing the CPA Pipeline

It's a great time to be a CPA . . . diverse career opportunities are endless! It's also evident that the future of the CPA designation will change. How do we provide support for what lies ahead?

Through its various scholarship programs, the HSCPA has given many awards to committed and hard-working students throughout Hawaii with financial support from HSCPA members and firms.

For the past several years, Deloitte LLP has donated funds to support HSCPA's membership and scholarship initiatives . . . and they continue to do so. With the establishment of [Making Accounting Diverse and Equitable \(MADE\)](#), Deloitte is committed to helping to generate opportunities and leadership pathways for the next generation of CPAs. Through contributions from Deloitte and HSCPA members, we will bring accounting to life for many underrepresented and underserved youth across the state.

Other important HSCPA initiatives include presentations to college student groups, firm staff/associates and high school business classes on the value of the CPA and how to get there. In addition, the HSCPA also has CPA review course and CPA Exam scholarship opportunities.

With a decline in students sitting for the CPA Exam, we need to support, push and require accounting majors to become CPAs. Let's become part of the solution and put our money where our mouths are and provide support to start the CPA process. The costs to becoming a CPA can reach almost \$5,000.

Employers, do you provide PTO or flexible work schedules for the review course or the Exam? If we're serious about the need for more CPAs, we need to provide the support for them to complete this process. Yes, it requires an investment of time and money . . . and this is time and money we can't afford not to invest.

The HSCPA has partnered with Surgent CPA Review to make the review course affordable. Interested candidates can apply through the HSCPA.

Let's keep accounting as a profession relevant for generations to come!

- Y-CPAs: Accounting Pilot and Bridge Project (APBP); CPA Exam Strategy Workshop presentations
- "Sit-4-Success" CPA Exam Review Course subsidy
  - Deloitte's MADE grant
  - CPA Exam Scholarship
  - Multiple HSCPA scholarships available!

## Deloitte.



*Pictured below, the Y-CPA Squad*



*CPA Exam Strategy Presentation*



# You Can Help Make a Difference

Encourage. Support. Mentor.



## A presentation especially for those interested in pursuing the CPA Exam.

Neighbor Island Candidates: We've got you covered, too!  
Presentation will be conducted virtually.

Presentation length: approx. 60 minutes  
Delivery: Virtually or in-person

---

The HSCPA and its partners are committed to growing the CPA pipeline. Let us help you support your staff in preparing for the exam.

The Importance of a Strategy - Preparing for the Uniform CPA Examination and How it Will Evolve is a presentation by the Y-CPAs developed to help students and associates get into the right mindset - and sticking to it!

Contact the HSCPA to schedule a presentation!

**Yes, we're interested!**







# 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”.

## Entertainment!

Dance – and sing – like nobody’s watching! How long has it been since you’ve kicked off your shoes and danced? Here’s your opportunity! Enjoy happy hour with **The Flying Ivories**, a dueling piano live performance. Join us for a fun and entertaining time as we start the weekend. You’ll get to choose songs and shake your groove, so grab your favorite fun beverage and have fun.

Timely updates, useful information, and fun stories for 7 hours of CPE, “lunch” yes, even in a virtual environment, SWAG!, and hella fun! Don’t miss this event and [Register now!](#)



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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

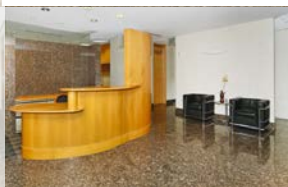
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# Top 5 Ways a CPA Can Invite a Malpractice Lawsuit

After 35 years of malpractice claims experience, CAMICO has developed a wealth of information about what causes disputes between CPAs and their clients, what leads to litigation, and how to avoid or minimize the damages from such conflicts. There are basic risk management steps that every firm can take to lower their exposure to risk, such as client and engagement screening, due diligence, documentation, due care, exercising skepticism, and being aware of the public standards for CPA services.

**For additional information regarding the CAMICO program and/or to receive a free, no-obligation premium estimate, contact Harris Hauptman, Senior Account Executive: Tel: 800.652.1772 extn. 6727 Direct: 650.378.6727 Email: hhauptman@camico.com**

The following five pitfalls are especially prone to litigation but are avoidable when risk management principles and techniques are applied effectively:

## 5 Following standards instead of “getting it right”

Juries often don’t care as much about CPA professional standards, rules or disclaimers as they do about the CPA getting it right. When you are preparing tax returns, or you are engaged in a review or compilation of financial statements, you are not required to verify certain types of information. But think twice. If something looks irregular, it probably is. Investigate it, document it, communicate it, and get it right.

## 4 Failing to communicate in writing

Failing to document important information is a common mistake that often leads to lawsuits. If it is not in writing, it may be presumed later in a court of law that it didn’t happen. Juries expect CPAs to document important events, advice, and client decisions. The client rarely remembers that the CPA told them to stop spending beyond their means, to use the cash they have now to pay estimated tax and avoid penalties in the future, or that they shouldn’t give their bookkeeper signed blank checks. Documentation is needed from beginning to end. It begins with the engagement letter stating what the firm is going to do, the limitations of the engagement, and what the client’s responsibilities are. Document the advice you give, the information you receive, and the decisions made by the client. Document a disengagement by sending the client a professional, objective and rational letter that lets the client know that the engagement is ending at a specific date, and makes it clear that no further services will be performed after that date.

## 3 Participating in business deals with clients

Investing in business deals with clients is often a mistake, especially when the CPA also provides professional services to the business. Everyone is usually happy as long as the deal performs well. The CPA is perceived by the client as a competent advisor with the client’s best interests at heart. If the deal falls apart or takes a severe downturn, however, the client’s perception of the CPA may change. The CPA appears to no longer have the client’s best interests at heart, and juries tend to sympathize with clients, especially

with the benefit of hindsight and all the facts laid out by a skilled attorney. The CPA is portrayed as the financial expert who sacrificed the best interests of his client to benefit himself. Also, disclosing a conflict of interest to the client, while helpful, doesn’t solve the problem, even if the client signs the disclosure. It can be later argued that the client’s consent was not “informed” by a third party (such as an attorney). Don’t get too comfortable with disclosure as a form of protection. In the end, the question is whether there is a perception that the CPA no longer has unfettered loyalty to the client. Finally, and probably most importantly, is coverage precluded by your insurance policy if you enter into a business deal with a client and something goes wrong?

## 2 Advising both parties to a transaction or dispute

CPAs are often asked to help clients resolve disputes. Friendly divorcing couples don’t always stay friendly, and guess who they blame when things don’t work out the way they had hoped: the CPA. The same is true with business disputes. Disputes between owners or partners often result in advice that is perceived by one or more of them as favoring one partner to the detriment of another. This in turn results in malpractice claims.

## 1 Suing your client for fees

This will very often prompt a counterclaim for malpractice, escalating the situation from a simple fee dispute to a malpractice lawsuit. More importantly, your insurance policy might not cover a counter suit to your suit for fees. Think twice, and call your attorney and/or risk advisor for guidance.

For more information, visit CAMICO’s website at [www.camico.com](http://www.camico.com).



# Choosing The Right Insurance Program Should Be As Simple As Taking A Walk On The Beach.

## And It Can Be With CAMICO.



When choosing CPA Professional Liability Insurance, trust the company that was founded by CPAs and has served the accounting profession for 35 years.

As the nation's largest CPA-owned and directed program of insurance products and risk management solutions for the accounting profession, CAMICO offers feature-rich insurance coverages to address the range of CPA professional services and practice exposures.

### Key benefits include:

- Consult directly with in-house loss prevention specialists who provide risk management and technical guidance via advice hotlines.
- Access to free CPE via webcasts on a variety of loss prevention topics, including ethics, fraud, documentation, and cyber security.
- 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.



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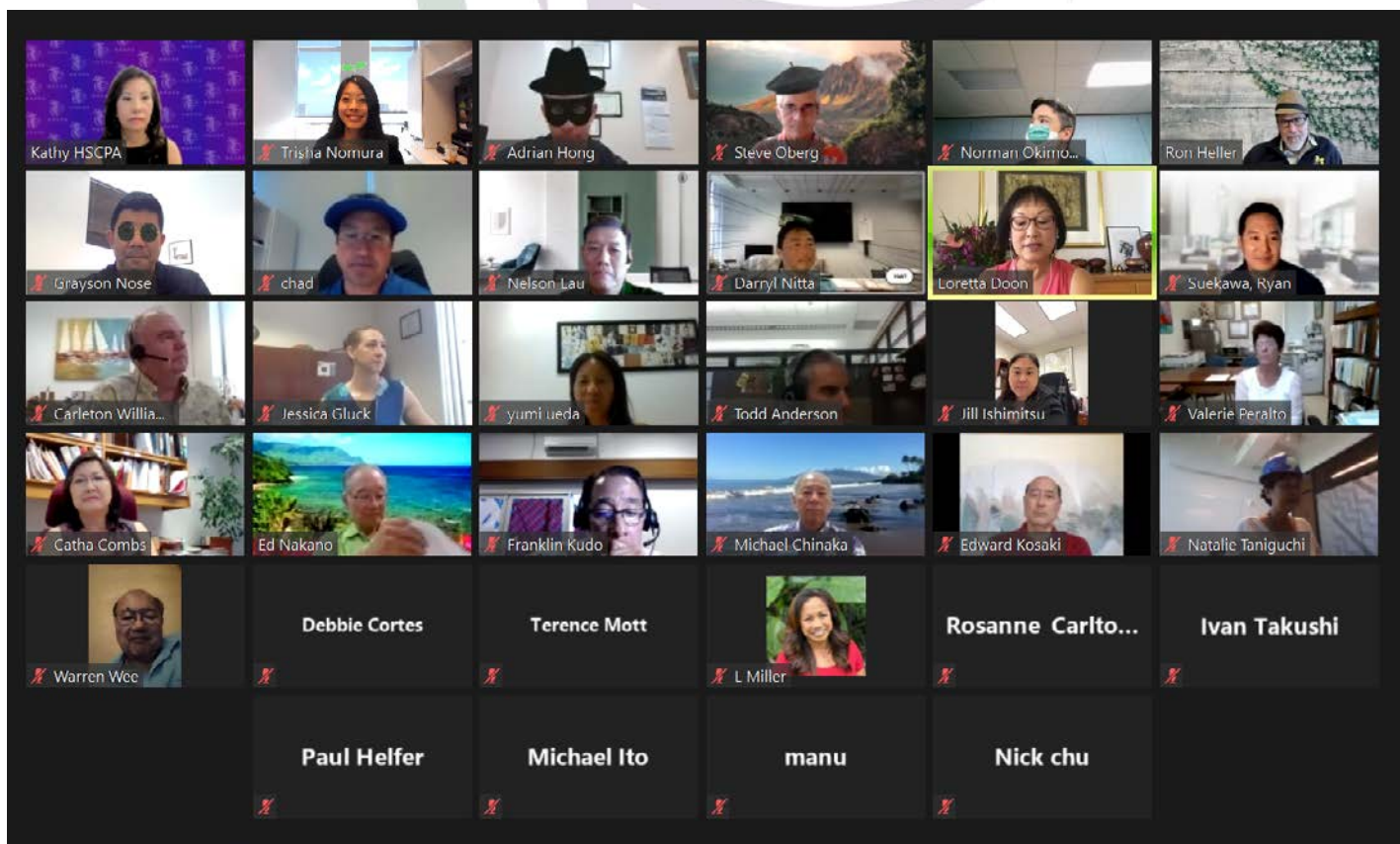
## 2021 Annual Election / Business Meeting Highlights

We continued to be socially distant again for this year's Annual Election/Business Meeting on June 30th. Thank you to the many HSCPA members who we got to 'see' and network with virtually. It was nice reconnecting and seeing friendly faces that we haven't seen in a long time!

Members voted on the slate as published in *KALA* and on the HSCPA website, and we were honored to have Loretta Doon, HSCPA member and retired CEO of the California Society of CPAs, conduct the installation of the newly elected 2021-2022 officers and directors. Hawaii's AICPA Council representatives provided a snapshot of the accounting profession from a national perspective. Thank you to Darryl Nitta, Trisha Nomura and Ryan Suekawa for the informative presentation.

Hope to see you at the upcoming virtual HSCPA 61st Annual Conference on November 19, 2021. You will earn 7 hours of CPE while having fun! Ron Heller will lead you to earn the required 4 hours of Ethics CPE; AICPA Chair Bill Pirolli will provide the most recent developments affecting the profession; and former Hawaii District U.S. Attorney Kenji Price will discuss intriguing white-collar crime issues.

The Conference will include lunch, SWAG, happy hour and entertainment! Thank you to our great sponsors: American Savings Bank – Corporate Lunch Sponsor, CPACharge – Happy Hour Sponsor, and Conference Partners ADP, CAMICO and Mutual of America!





# Upcoming Events



**Data Analytics for CPAs**

**August 6, 2021**  
8:30 a.m. - 12:30 p.m.  
Hawaii time

More electronic transaction documentation and less paper . . . clients want more data analysis and conclusions on the data . . . How do we stay ahead?

The illustration shows a laptop with a bar chart, a smartphone, a tablet, and various data icons like a magnifying glass, a bar chart, and a line graph. The background is dark blue with white and yellow icons.

**Employee Benefit Plans**

**Auditing Significant Areas**

The diagram shows a central word 'AUDIT' in red. Around it are several icons: a magnifying glass over 'Scope', a gear over 'System', a checklist over 'Priorities', a handshake over 'Communication', a risk icon over 'Risk', and a document over 'Procedure'.

**August 16, 2021**  
8:30 a.m. to 12 noon - Hawaii Time

**Expanding Estate Planning Techniques and Asset Protection Planning In A Client's Estate Plan**



**August 24, 2021**  
8:30 a.m. to 12 noon - Hawaii Time

**August 25, 2021**  
8:30 a.m. to 12 noon

**Planning Considerations Based Upon Potential Biden Proposals**



**Mid-Year Tax and Planning Update: An Up-to-Date Review of Legislative Changes**

The illustration shows a large, 3D dollar sign with a green glow. In the background, there is a dark screen with white text, possibly representing a computer monitor or a presentation slide.

**August 26, 2021**  
8:30 a.m. to 12 noon



**Coronavirus: Potential Financial Reporting Impacts and Consequences**

**August 12, 2021**

8:30 a.m. to 10:30 a.m. - Hawaii Time



# Norman's Book Review

## "Age-Proof"

by Chatzky, Roizen and Spiker

There are thousands of books on improving your health, and thousands more on improving your financial well being, but there are very few books that combine both topics. "Age-Proof" is one such book, and although it is over 300 pages, it is very easy reading and made me want to finish it as soon as possible. The authors are top notch in their fields and their collaboration on this book is really awesome. Jean Chatzky is the financial guru on NBC's the Today Show, Dr. Mike Roizen is the chief wellness officer at the Cleveland Clinic, and Ted Spiker is a professor and chair of the Journalism Department at the University of Florida.

This book could very well be the most important book you will ever read as it will help you achieve a "winning life." Dr. Mehmet Oz defines a "winning life" in the book's foreword as "living strong, living healthy, living with low stress and high passion, living with security, and living with the people you love."

I hope the following will give you a good feel of the book and help you age-proof your life too.

### Sharecare.com

The book briefly covers the free "Sharecare App which the authors – in conjunction with Sharecare.com, developed to help people stay in the "green zone of health," where you are getting enough exercise, eating smart, and keeping stress low (via voice technology)." It calculates your "RealAge" as compared to your actual age. Per the website, over 43 million people have

used the app to calculate their "Real-Age." It notes "Dr. Oz's "RealAge" is 49, versus his actual age of 58."

### The Most Important Tape Test

Measure your waist around your belly button (it's OK to suck in your stomach) and compare that number to your height in inches. The goal is your waist size must be less than half your height. "So, if your height is 64 inches, your waist size sucked in should be no larger than 32 inches." Why? "Abdominal fat. It's the most dangerous kind of fat because it secretes chemicals that cause inflammation, and because it's so close to your vital organs."

If you meet this test and are doing several other items noted in the book, "you have only a 10 – 20% risk of contracting any chronic diseases, which will reduce your lifetime healthcare cost by more than 50%. You will also have 33% fewer years of disability, and live 33% longer.



### Choose Food That Love You Back

Would anyone want to be in a one-way relationship where you love someone who doesn't love you back? Of course not. The book takes

this analogy to food, where "you should find food you love to eat that loves your body back." I started to humor myself by asking if the food I was about to eat will love my body back ... I'm at 50% ... grilled fish and vegetables were showing me the love ... I loved the cheeseburger and fries, but they didn't love me back!

### 15% Savings Rate

The authors emphasized for financial security, we must " earmark 15% of our income for savings. Only one in seven people actually save more than 15%, so our goal should be to become one of those people."

### Main Cause of Personal Bankruptcy

Not sure if you were aware but the "main cause of personal bankruptcy is medical bills. That's why health and wealth are as intertwined as interlocking fingers, and a lot harder to separate."

### Four Substitutions To Improve Your Overall Health

Changing habits, especially bad habits, is extremely difficult to do on a consistent basis. The authors recommend "if you can start making the following four substitutions over the next few weeks, you will find that you can bury your bad habits and embrace healthy ones."

Swap 30 minutes of sitting for ... 30 minutes of moving. Swap your American way of eating for ... the Mediterranean way of eating. Swap drink number two for ... a piece of dark chocolate. Swap your Facebook surfing for ... more sleep.



## Humans Can't Be Trusted

One of the interesting comments in the book was the authors noting “one of the things we’ve learned from our collective 75 plus years studying health and wealth is: humans can’t be trusted to do the right thing. You can’t outsmart your basic biology with will-power. You have to do it with structure, technology and with automation.” CPAs are wired to do this successfully.

## Which Is Better ... Wooden or Plastic Cutting Boards?

“Wooden cutting boards are safer than plastic ones in terms of reducing the growth of bacteria.”

## Are You An Ostrich or Anti-Ostrich?

“Ostriches are people who look at their portfolios less when the market is down and are less likely to trade in down markets. Anti-ostriches do the opposite ... they see bad news and act on it.” Which are you?

Hopefully you are an ostrich. Why? “Wealthier investors are more likely to be ostriches. Interestingly enough, men and older investors also tend to be more like an ostrich.”

Also, always remember “losing too much as you get closer to retirement is harder to recover from – you simply don’t have the time.”

## Harvard Study On 13,000 Women Who Were “Super-Healthy”

“One of the authors’ favorite studies is a Harvard study which looked at more than 13,000 women 70 years or older who were “super-healthy” (no cancer, diabetes, heart attacks, cognitive impairment, or other limitations). Their commonality: they all did physical activity. Additionally, those who were the most active were twice as likely to be healthy 18 years later as the ones who did the least.”

## Choose Your Friends Carefully

The authors note “humans have mirror neurons that make you act like those around you. Research into this phenomenon shows that good (and bad) health habits can spread almost like a virus among social communities.”

The takeaway is “surround yourself with friends who have good health, financial and personal habits.”



## How Much Red Meat Can We Eat?

Ideally, we shouldn’t have any red meat in our diet. Per the authors, “less than four ounces of red meat a week is recommended.” Why? “Just eating more than four ounces of red meat a week changes the bacteria in your gut to produce TMA and BB (don’t bother learning what it stands for), which causes inflammation and a greater likelihood of brain rot, heart attacks, strokes, kidney failure, and probably cancer.”

## Don't Go Crazy

Many of us get tempted to go nuts over the latest diet or start extreme exercising to get really healthy. The authors’ advice to us is simply to “have reasonable expectations and don’t go crazy.” Why? “Aside from reducing the risk of injury, ideal health isn’t about the most exercise and the least food. In fact, more than two hours of exercise in a row causes you to exceed the free radical-buffering capacity of your cells and end up aging yourself.”

## Eat “LUV-U Foods” and Avoid “SSSSnake Oil Foods”

To keep nutritional tips simple, the authors noted “the vital rule of nutrition is this: the best foods you can eat have the fewest ingredients. If you eat the good

foods 90% of the time, you’ve tipped the scale in your favor.” They also included two easy acronyms to remember what to eat (“LUV-U Foods”) and what to avoid (“SSSSnake Oil Foods”).

## LUV-U Foods

**L**ean protein, with an emphasis on plant-based protein (even non-lean seeds and nuts)

**U**nsaturated fats (especially odd omega-3 and extra-virgin olive oil (omega-9))

**V**egetables and fruits

**U**nprocessed grains

## SSSSnake Oil Foods

**S**aturated and trans fats

**S**imple sugars

**S**imple syrups

**S**tripped carbs (that is, processed carbs stripped of their whole grains)

## Summary

I truly believe this book can significantly improve our lives and maximize our life span. There is no better time to start than now. As the authors noted, “it’s never, never too late to start, and gave this example of people in Jerusalem who started walking regularly at age 75. Those who did so had a 50% decrease in disability by the time they turned 88, and 50% more were still alive at 88 than those who didn’t walk regularly.”

Lastly, the authors also pointed out “it’s not necessary to achieve perfection. We are after small steps that lead to big changes. We’re after comfort, security, happiness, joy, energy – all of it.”

Good luck and may you live a healthier and happier life, with enough wealth to live very comfortably.





# TAX FOUNDATION OF HAWAII

Hawaii's Watchdog on Taxes & Government



By Tom Yamachika

## Special Land and Development Fund, Revisited

Some time ago, we devoted some of this space to discuss the State Auditor's findings regarding the Department of Land and Natural Resources' Special Land and Development Fund (SLDF). That fund is the repository of all land rents the State receives for land that is either leased or used under a revocable permit (such as those used by airport or harbor-based businesses), and it also is funded by earmarks off two taxes: HRS section 248-8 gives it 0.3% of the highway fuel tax up to \$250,000, and HRS section 237D-6.5(b) (4) gives it \$3 million of the transient accommodations tax, each year. (This TAT earmark was not affected by House Bill 862, which became law by veto override.)

In 2019, the State Auditor's Report No. 19-12 had some unflattering things to say about management of the fund:

- In our audit, we found that the Land Division is not fulfilling its mission. It has neither a strategic plan for the long-term management of its public lands, nor an asset management plan to identify and fulfill its obligations and goals related to the administration of these lands. . . .
- We also found that the Land Division lacks clear and consistent policies and procedures necessary to guide day-to-day operations. Without them, the Land Division does not adequately perform two of its four core lease management functions: (1) it has significant difficulties collecting

delinquent rent; and (2) it does not perform field inspections to ensure compliance with lease terms, including lessees' obligation to upkeep and maintain leased premises.

DLNR's management responded with a scathing rebuke of the Auditor's findings, and we thought many of those comments were hollow excuses.

The Legislature is now poised to do something about it. The House formed a special investigative committee, chaired by House Majority Leader Rep. Belatti, which had its initial meeting on July 15th. Under House Resolution 164, the committee is to investigate the Auditor's findings and report by the beginning of the 2022 legislative session.

In the meantime, we have heard from people, some that are or were in DLNR. They describe some policies or practices that have us shaking our head.

- The marketing strategy for offering leases of vacant lands consisted of posting a "For Lease" sign on the property and waiting for the phone to ring.
- There was no way of figuring out whether leases were priced at fair market rent, or of dealing with cases where the rent was obviously below market. For example, what happens when the rent for the property was \$100,000 while subleases of the same

property brought in \$300,000? Instead, leases were routinely extended on the same terms.

- When leases were priced with a percentage rent component (where a shopping center or hotel was on the property, for example), there was no process or procedure in place for verifying whether the reported sales (on which the rent was based) were reported accurately.
- One person, a civil servant, was given the authority to transfer any ceded lands revenues to the SLDF. Those funds could then be used for the purposes authorized for that fund, which seems to ignore the requirement of section 5(f) of the Hawaii Admission Act that ceded land revenues be used to benefit Native Hawaiians.

We wish the House Special Investigative Committee the best of luck in carrying out their work. They are going to need it if they aim to take the policies and practices that are broken and try to fix them.

*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.*



# 3 Steps to Helping People Embrace Change

By Arianna Campbell of Boomer Consulting, Inc.



Navigating the dynamics of change can be a challenge for accounting firms.

Employees may become anxious or resistant or

even actively oppose new processes and technologies. Yet change is not optional. In CPA firms today, remaining stagnant is a recipe for extinction.

So how can you help your team embrace change?

## Understand that change is a process, not an event

Firmwide change doesn't happen simply because you made an announcement, invited people to a training session or scheduled a go-live date.

According to the [Project Management Institute](#), when people experience change, they move through a three-step process:

- Current state. What they currently know and do, including processes, tools, behaviors, technologies, organizational structures and roles. All of these elements might not be working great, but they're familiar and comfortable.
- Transition state. This can be an emotionally charged time, and people

may feel fear, anxiety and even anger. Productivity declines as people learn new processes, technologies and behaviors.

- Future state. At this point, people achieve a new way of performing their work.

Think about this the next time you undergo a process improvement and technology initiative in your firm and address how you will bridge the gap between the current state (where you are) and the future state (where you want to be).

## Listen to people and get their input

People feel more excited about change if they have a say in it.

According to [Gallup](#), only three in 10 U.S. employees strongly agree that their opinions count at work, and organizational change is one area in particular where people feel left out.

Your people are a goldmine of information. Ask for feedback frequently, listen to what they have to say, and take action based on their input. People tend to be more open to change when they've participated in the decision-making process.

## Connect change to individual goals

Getting buy-in for change requires an answer to the question "Why?" When you answer this question, people are better prepared to fight their natural instinct to resist change.

What individual goals do the changes you're making help people work toward? Will new processes improve efficiency, reduce overtime during busy season and provide better work/life balance? Will new technologies and automation create people's capacity to work on higher-level work and help them level up in their careers?

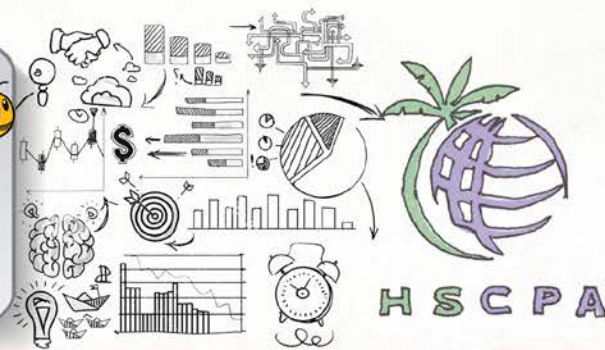
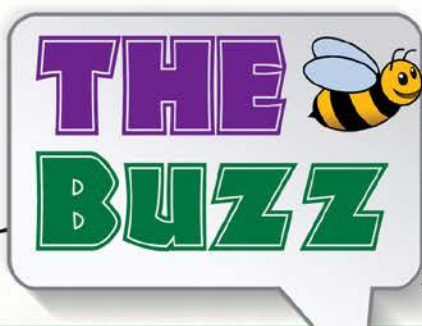
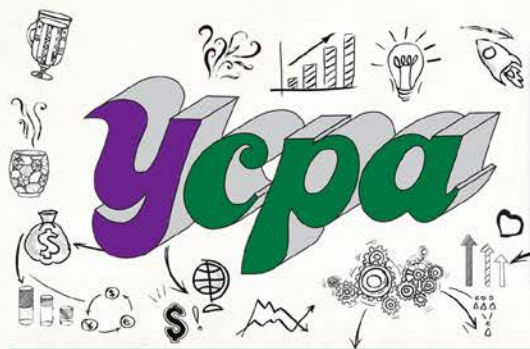
In a [TED talk](#), organizational change expert Jim Hemerling explains that people usually think positively about personal transformation and are more driven to accomplish personal goals. Instead of focusing on the firm's bottom line, show them how meeting the firm's goals will help them achieve their personal and professional goals. This will put more energy behind the initiative.

Firm leaders have a responsibility to lead others through change. Employ these three steps, and you'll enjoy more emotional buy-in and cooperation for the changes you want and need to make in your firm.

*In Memory Of  
Eugene Ho  
1942 - 2021*

Our sincere regret at the loss of a colleague, friend and member of the HSCPA since 1974. We wish to express our deepest sympathy to his family and friends

*As Shareholder and Consultant for Boomer Consulting, Inc., Arianna Campbell helps accounting firms challenge the status quo by leading process improvement initiatives that result in increased profitability and client satisfaction.*



# Communication

By Yumi Ueda



Over the course of my career, many of the soft skills trainings I have attended are about communication. These

trainings reiterate the same ideas of how to be a better communicator:

- Listen
- Be clear
- Be concise
- Keep it simple
- Stay calm
- Understand the situation

I have learned that being an effective communicator is relevant not only at work; it is also very important in everyday life, especially with family and friends. One of the hardest things I find about being a parent is teaching my kids how to communicate. Teaching them how to express their feelings (in a calm manner), how to listen

(communication is a two-way street), and how to think about how others feel (understand the other person's point of view).

Some ways of practicing how to communicate effectively is to have short discussions without distractions (no phone or screen nearby). Pass around a ball so only the person holding the ball is allowed to speak. Everyone else will practice listening. Have a topic that will generate thinking and asking questions. I have used this one with my kids before (see picture below):

Is the girl in this picture being naughty or nice? My daughter immediately said "nice! because she is sharing her ice cream." My son took his time answering and finally said "naughty." When I asked him why his response was "COVID – no sharing food."

One other thing we all need to remember – some people are naturally better at communicating than others. My kids are also prime examples of this. My daughter has no trouble telling me "Mommy, can you put away your phone and pay attention to me!". My son on the other hand, is like a ticking time bomb. He doesn't speak up when things bother him, but will suddenly explode for no reason, and we have to back up to figure out what is really bothering him.

Like anything else in life, we will not master communication after one lesson; even the ones who are naturally better at communicating still need practice. So, remember to use constant reminders, tips on improvement, and continuously practice our skills so good communication becomes more natural. Ganbatte!





# CPA FIRM MICROCOMPUTER TECHNOLOGY

By Joy Takaesu of The CPA Collective



The Security Summit partners – including the IRS, state tax agencies, and the tax community – are working on a cam-

paign to raise awareness about the rising number of data thefts reported by tax professionals to the IRS. The Security Summit asks for tax professionals to help protect client data, and offers suggestions such as:

- Taking steps to implement multi-factor authentication in tax software and other accounts, in addition to using strong password phrases, anti-virus software, and virtual private networks when connecting between the office network and other locations.
- Asking clients to sign up for Identity Protection PINs (IP PINs) – Any taxpayer may now request an IP PIN, either online (using the Get an IP PIN tool), on the phone with an IRS employee after filing a Form 15227, or in-person. After verifying their identities with the IRS, eligible taxpayers will receive a six-digit IP PIN annually, to be entered when signing and submitting a return. The IP PIN is meant to help prevent an identity thief from filing a fraudulent return on behalf of the taxpayer. Note: The IRS will never ask for your IP PIN. Phone calls, email or texts asking for your IP PIN are scams.
- Helping clients fight unemployment compensation fraud – According to the IRS, one of the larger scams of 2020 involved unemployment compensation fraud. Identity thieves used stolen or previously breached

information to file unemployment claims on behalf of victims without their knowledge. Victims may receive mail about an unemployment claim or payment, or unexpected 1099-G tax forms showing unemployment benefits that were not received. Fraudulent unemployment claims may have been made even in states where the victims did not live, or even if they were employed.



To report unemployment insurance fraud in Hawaii, please call (808) 762-5751 or (808) 762-5752 and select Option #4. For more details, or to file a report online, please visit the State of Hawaii Department of Labor and Industrial Relations website on Unemployment Insurance & Assistance Fraud Info.

- Avoiding spear phishing scams – The Security Summit warns that “for 2020, tax pros were especially vulnerable to spear phishing scams from thieves posing as potential clients. Thieves might

carry on an email conversation with their target for several days before sending the email containing a (malicious) link or attachment.”

- Knowing the signs of identity theft – According to the Security Summit, warning signs “include multiple clients suddenly receiving IRS letters requesting confirmation that they filed a tax return deemed suspicious. Tax professionals may see e-file acknowledgements for far more tax returns than they filed. Computer cursors may move seemingly on their own.”

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).

INCREMENTAL MATURITY BY NITIN BHOJRAJ, CPA, CFE





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