

AUGUST 2016

KĀLĀ

The Official Publication of the Hawaii Society of Certified Public Accountants



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Hawaii Society of CPAs

900 Fort Street Mall, Suite 850
 P.O. Box 1754
 Honolulu, Hawaii 96806
 Tel: (808) 537-9475
 Fax: (808) 537-3520
 E-mail: info@hscpa.org
 Website: www.hscpa.org



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President's Message

By Norman N. Okimoto



For those of you who missed the 56th HSCPA Annual Conference or for those attendees who were too busy playing with their HSCPA light sabers, the following are my takeaways from the all star line up of speakers.

State of the Profession

AICPA past Chairman Bill Balhoff reported CPAs receive high satisfaction ratings, are viewed as trustworthy, and inspire confidence. The CPA credential is also in high demand (see page 18). The top three concerns for CPA firms are achieving steady growth, adapting to technologies and the changing business model. Regarding the latter, the growth in advisory services exceeds the growth in tax and audit.

Looking at the young talent getting into the profession, the AICPA is closely tracking the recent trend of less people taking the CPA exam, and more males than females graduating in accounting. Historically, more females than males major in accounting so this recent shift is interesting. Also, the top seven concerns of young CPAs are work environment, retention challenges, leadership diversity, skills gap, leadership gap, exam/pipeline numbers, and tech's impact on CPA functions.

World Economy

Neil Rose, SVP and Chief Investment Officer at Cadinha & Co. gave a fascinating presentation on the world economy and the challenges of finding the right balance between investment yields and risks. Deflationary forces in the world are very real, as there is over \$10 trillion in negative-yielding government bonds,

and there are four countries – Japan, Germany, Denmark and Switzerland, with negative long-term rates.

In the investment world, since 2008, investments in bonds are up \$1 trillion, while investments in stocks are down \$410 million. To show how complicated investing is today, Neil showed a graph where back in 1995 you could earn 7.5% by investing 100% in bonds with only a 6.0% standard deviation. In 2015, to earn that same 7.5%, you need to spread your dollars across six different investment categories, with a whopping 17.2% standard deviation!

Be Sure You Make Money!

Neil also shared how critical it is to be in positive territory when you start investing your excess funds because if you lose money in the beginning, it is very difficult to make your money back. For example, if you have a 25% initial loss, you will have to have a 33% gain to be whole again. If your initial loss is 50%, you will need a 100% gain to be whole. At the credit union, we engage Cadinha & Company to invest some of our excess funds and we are very happy with how they take care of our money!

Do the Right Thing – Always

Jason Pa made it quite clear crime does not pay and that you need to always do the right thing or the odds are very high you will go to jail. He described money laundering schemes and the lawyers and CPAs who thought they could outsmart the government. These professionals, many who are private school graduates, are now serving time in prison.

Secret Groups on Facebook

Jason enlightened the attendees on secret groups on Facebook where illegal drug transactions are taking place in Hawaii. Secret groups are not publicly accessible and you need to be invited by a member to join. Our kids are buying drugs on these sites and guess who the drug sellers are? ADULTS! He urged the attendees to monitor what their children are doing on the Internet, and watch for any changes in their behavior and/or performance in school. Drugs are very prevalent in Hawaii and because the supply is greater than the demand, drug prices have dropped considerably.

Laura Beeman, Inspirational Leader

Coach Laura shared the heartwarming story on how the Rainbow Wahine won the 2016 Big West Championship, after losing in the championship game last year. It was an amazing journey with the team having to overcome some challenging moments. You could feel the love Laura has for her players, as well as her love for Hawaii. You also could see what a great coach she is and how lucky we are to have her coaching our girls! Any parent with a talented female basketball daughter should give strong consideration for her to become a Rainbow Wahine because Laura will bring out the best in your daughter and take care of her.

Consider jumping on the Rainbow Wahine basketball team bandwagon by buying basketball tickets for the 2016/2017 season! I bought four after attending a fundraiser for the program at Hukilau's in downtown earlier this year. GO BOWS!



TAX FOUNDATION OF HAWAII

Hawaii's Watchdog on Taxes & Government

By Tom Yamachika, President –
Tax Foundation of Hawaii



General Excise Pitfalls in Fund Raising



We continue looking at nonprofit organizations. We spoke a little about organizations such as charities, civic leagues, trade associations, and labor unions. These organizations are treated as tax exempt both under federal income tax law, to which our state income tax law conforms in large part, and under our General Excise Tax (GET).

Because net income tax and GET are two different regimes that are driven by two different sets of lawmakers (the U.S. Congress and the Hawaii Legislature), there are differences in the kinds of organizations that are recognized as exempt. Many organizations that are tax-exempt under section 501 of the Internal Revenue Code are not recognized as exempt at all under the GET. Social clubs, such as Waialae Country Club where famous golf tournaments are played, are an example. On the flip side, there are organizations that are exempt under GET but are not federally tax-exempt. Hospitals are an example of this class. Hospitals organized as not-for-profit operations are specifically exempt under the GET but are not so under the federal code, which has prompted surviving hospitals in Hawaii to take extra steps to qualify as 501(c)(3) public charities.

There is also a significant difference in treatment on an issue near and dear to many nonprofits – fund raising. Very few nonprofits are lucky enough to have all of their needs bankrolled by sustaining donors, so many put on splashy public events to bring in some needed funds. Common examples of these events are charity golf tournaments and gala balls. When good-hearted folks buy tickets to these events, they certainly receive something in return, but the ticket price paid far exceeds the value received, so it makes sense that part of the price is a donation.

For example, say a person buys a gala ticket for \$100 for food and beverages worth \$60. Federal law requires the charity to tell the donor the worth of the ticket, here \$60, and then allows the donor to deduct the difference of \$40 as a charitable contribution. The State GET, however, is much more wooden. The GET exempts income received from gifts, but it defines gifts as money received where the donor gets nothing (except perhaps for some intangible satisfaction) in return. The GET, therefore, treats the \$100 ticket purchase as fully taxable at 4% or 4.5%. It doesn't care about the value of the ticket; it only cares that the donor got something of value for the ticket purchase.

People who aren't aware of these differences easily can get confused. Our lawmakers really should be thinking of ways to make the laws more consistent with reality. The \$100 ticket purchase is partly a donation and should be treated as such.

On the back end, what happens to the hotels or restaurants whose products and services are sold by the charities? Are they hit with GET at 4% or 4.5% again, even though the charity is fully taxable at the retail rate when they sell their tickets? Many catering providers think so, and charge accordingly. But they are probably eligible for the wholesale (0.5%) rate if the charity gives them proper documentation such as a Form G-17 resale certificate. Unfortunately, not many charities or catering providers are aware of these rules, and the Department of Taxation hasn't done a good job of explaining them. In the meantime, the Department has been raking in the retail rate GET from both the charities and the catering providers. Both charities and catering providers should be fighting against this double whammy, especially when the charities' livelihoods are at stake.

Learning by Teaching: The 4-Step Training Model!

By Arianna Campbell, Consultant



According to the AICPA's 2015 PCPS Top Issues Survey, finding and retaining qualified staff is a leading priority for CPA firms of all sizes. This surely does not come as a surprise as many firms are faced with the reality of high demand for qualified people and low supply of potential candidates. Firms are faced with increased pressure to retain and develop existing talent in order to ensure the future success of the firm. Significant opportunity can be found in challenging current training methods and taking advantage of the benefits of learning by teaching.

Challenge Current Training Methods

A frequent new hire onboarding practice is to hand out a lengthy training manual with firm information, policies, procedures and processes. This is followed by a group training session that includes a software overview and a mock return preparation tutorial.

This approach is intimidating from the beginning. The amount of information included in the training manual is typically overwhelming and documented at a level of detail that exceeds the new hire's understanding. In the group training session, information is shared at a quick pace to keep on track with the training schedule instead of the rate of comprehension. New hires are eager to appear capable and do not want to be the one to ask the "dumb" questions in front of their peers and new employer.

As a result, new team members are not prepared when it is time to begin working on their own and they may not even be sure of what questions to ask. The blind start leading the blind as trainees ask each other for help as they stumble through their first several projects. Unfortunately, this is not only a problem at the new hire level. Firms also need to reconsider the lack of training that is provided for rising employees. Promotion is based on years of service or technical ability but no training class or manual is offered to assist with the transition to the next level of responsibility. The pitfalls of the new hire process are repeated at higher levels as training happens by trial and error.

These training deficiencies cause delayed development of technical skills, lack of confidence, frustration and low morale, which leads to lower performance and higher turnover. Ultimately, firm growth is directly impacted by the quality of training.

Learning By Teaching

In the book, *The Speed of Trust*, Stephen M. R. Covey says, "One way to accelerate the rate of learning, both individually and organizationally, is to learn with the intent to teach others what you learn." As Peter Drucker has observed, "Knowledge workers and services workers learn most when they teach." When leaders structure opportunities and processes so that people teach what they learn to others within the organization, it dramatically increases individual and organizational learning and knowledge transfer. Mentoring, coaching, and other training

processes can facilitate such learning, and becoming a teacher of whatever you learn becomes a new life paradigm for many individuals who have experienced the power of such a process."

The 4-Step Training Model leverages the benefits of learning through teaching. While the model originated in manufacturing, CPA firms are finding success with following this one-on-one process for training:



1. I Do, You Watch – The trainer shows/ explains the trainee how to prepare a tax return in detail from start to finish while the trainee takes notes.
2. I Do, You Help – The trainer prepares another return while prompting the trainee for the next steps to make sure the info was retained from step 1.
3. You Do, I Help – The trainer and trainee switch places. The trainee is now preparing the return and asking the trainer questions as needed. The trainer is also asking questions and offering explanations to help the trainee have a clear understanding (master)



the why behind the work they are doing.

4. You Do, I Watch – The trainee prepares a return with limited involvement from the trainer.

We worked with a mid-size firm in the northeast that lost a principal and a manager in the tax department in November / December 2014, which increased the pressure to be ready for the upcoming busy season. They hired a senior and extra interns and implemented the 4-Step Training Model. They reported that as a result, the interns were performing at level of second year staff by the end of busy season.

In addition to accelerated learning, the 4-step Training Model provides the one-on-one interaction that allows the trainee

to ask questions without the intimidation of the group setting. It also allows the trainer to make an early assessment of key characteristics about the trainee such as cultural fit, attitude, technical ability, etc. As an added benefit, trainers can easily identify people who display the skills needed to train others on the process. This creates additional qualified trainers and helps to level load training responsibilities and empower people at the intern and staff level.

This process can be applied to other areas of the firm as well. For example, new reviewers can follow these 4-steps to help learn best practices and develop consistency in the review process. Firms are also using this method for audit by having a staff person follow the 4-steps for their

first four engagements in the field.

Tremendous benefits can be found in learning by teaching. Challenging current training methods and implementing the 4-Step Training Model will help your firm train, develop and retain talent.

As a 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. She also facilitates the development and cultivation of future firm leaders in The P3 Leadership Academy™. Internally, she blends concepts from Lean Six Sigma and leadership development to drive innovation and continuous improvement within the company. Arianna also enjoys the opportunity to share knowledge through regular contributions to the Boomer Bulletin and other industry wide publications, as well as public speaking at industry conferences.



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Leveraging Leadership to Build The Best Team

By Peter A. Margaritis, CPA



The landscape of business as we know it is rapidly changing with rise of entrepreneurship. What works one year will not

be as effective as the next and certainly not five to ten years down the road. Having the best team to accomplish the fast paced demands of marketing, productivity, and customer service requires leaders that attract and embody more than just the technical and operations mindset. The elements of improvisation give your leadership leveraging power, amplifying your reach to attract the best and brightest talent.

Shift the Focus and Harness the Power of Vision

When the focus is emphasizing task accomplishment to get through the day, that is all you will accomplish: tasks. Your team members will get the job

done, but are they following you for long? What separates the best team from a good team is inspiration and motivation. It takes a bold leader to shift the focus in a creative direction and energize the team to see beyond the tasks to the bigger company goals and purpose.

Cultivate a Group Mindset

Have you ever watched an improvisation skit? It may take a couple lines before the group mindset forms, but when it does the skit becomes energetic and fun and productive. The same concept is at work behind interpersonal communications on the job. A group mindset is achieved through inspiration (think improv skills) by introducing new concepts into the scene. Think differently and bring in outside perspective. A group mindset can only be adapted by parking individual agendas and changing the

conversation by putting into practice the following improv skills:

- **Support**
- **Trust**
- **Respect**
- **Focus**
- **Listen**
- **Adaptability**

Everyone has seen the movie Braveheart with its famous scene in which Mel Gibson's character, William Wallace, is about to lead the rag tag army of different clans that don't always get along into battle. He delivers one of the most inspiring speeches in all of movie history in the face of a flooded field of opposition ready to wipe them out.

While you may not show up with blue face paint and a kilt next week to lever-

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age your leadership, you can shift the focus, like William Wallace did, from the task of swinging an axe or spreadsheet to creating the group mindset needed to achieve the vision. He did so using the elements of improvisation. He listened to what they were saying and was able to hear through their words to focus the conversation on what they were valuing, their lives. He respected their willingness to be there and trusted their ability to wield their 'technical skills'.

He adapted to the situation by using the [Yes, and concept](#). One fighter pointed out that going forward, they could just turn and run and live. Rather than say no, we don't do that here, Wallace acknowledged his idea as valid and then continued the conversation by pointing out that they would live, but only for a while. He renewed the vision of Scotland's freedom and everyone was motivated to fight and fight passionately. If you don't have a vision that is clear to everyone on the team, you need one quickly. You may not be fighting for your lives, but you are fighting for your place in a cut-throat market.

Approaching Your Team

You could always wear a kilt to shake things up; however, you want to get more from your team than laughs. A strong leader will not be afraid to consult with those around him to expand conversations. And if it is a bit intimidating, practice the elements of improvisation through other ways, such as regular brainstorming sessions, office surveys, and soft skill

training for all members that incorporate fun team building games.

While personality tests are a great resource it can't replace getting to know who your team members are and getting them to know one another. You don't have to necessarily like everyone in the office, but you do need a base level of respect and trust in others to set aside personality differences to promote the best team possible.

Managing Conflict

It is already getting to be that time when finance professionals are looking to have a smoother tax season and business leaders are always approaching fiscal reports. Stress increases the opportunity for conflict to derail the best of teams. Otis D. Gibson, a specialist in creative conflicts had this to say in a [recent article](#), "The crucial part of dealing with conflict is learning to deal with your emotions. Screaming something at someone doesn't make it more true."

How true is that?

The best teams come from leveraging leadership in a way that creatively confronts conflict and uses improvisation techniques to unlock the gems in every idea. Technical skills and managing the operations of the business is not enough in a competitive market flooded with Millennials who are searching for a more inspiring experience. The greater you develop your leadership, the greater your team will become.

Peter A. Margaritis, CPA is a speaker, educator, trainer, humorist, and self-proclaimed chief "edutainment" officer for The Accidental Accountant™. Partnering with the Business Learning Institute, his firm helps accountants and other business leaders to increase their profitability by strengthening their business success skills and improving morale through better communication. He is a member of the Ohio Society of CPAs, Georgia Society of CPAs, National Speakers Association, and the American Institute of CPAs. Peter is also the Author of Improv Is No Joke: Using Improvisation to Create Positive Results in Leadership and Life. www.theaccidentalaccountant.com.

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It was an ‘awakening’ moment with a visit from Darth Vader and Chewbacca at the recent 56th Annual Conference on June 24, 2016. Attendees went on an EPIC adventure with great speakers, informative topics, networking, camaraderie and fun. CPAs representing all segments of the Oprofession were in attendance at this annual CPE ‘social’.

Thank you to all who attended, wonderful speakers, and to our valuable sponsors: Corporate Lunch Sponsor – American Savings Bank; Conference Partners – Ceridian Hawaii and Thomson Reuters.

As is the tradition of the HSCPA, the Conference opened with our own Hawaiian-style welcome . . . the blowing of the pu, oli and hula. A “maile lei of royalty” was

presented to our special guest and keynote speaker, Bill Balhoff, past chairman of the American Institute of CPAs.

Fulfilling his last official duty, President Gordon Tom presided over the Annual Election/Members’ Meeting as voting members elected the new officers and directors for the 2016-2017 year and approved amendments to the Bylaws for Faculty and Associate membership. President-elect Norman Okimoto did a great job emceeing the Conference program and kept us on schedule.

Always a treat to hear an up-to-date presentation on national issues, AICPA past chairman Bill Balhoff had a wealth of information and resources to share, albeit limited time. Neil Rose of Cadinha & Co. delivered a

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real – and scary – economic outlook. He noted that while risks have risen, we should continue to preserve capital and anticipate opportunities.

The Annual Conference luncheon traditionally marks the installation of the newly-elected officers and directors as Bill Balhoff served us this honor. After two years as president, Gordon Tom passed the gavel on to Norman Okimoto – with delight! We were then treated to an inspirational presentation from Coach Laura Beeman, University of Hawaii’s women’s basketball head coach. She shared the ‘good, bad and ugly’ and how she and her team coped with challenges – and the ultimate rewards of winning the championship.

Jason Pa, now consultant and former Special Agent/

Criminal Investigator, once again preceded happy hour. He did so with ease as he shared many of his frightening experiences in the “dark world”.

Thank you very much to our valuable sponsors . . . Gabe Lee of American Savings Bank, Peggy Maxwell-Luke of Ceridian Hawaii, and Barbara Howath of Thomson Reuters. Special thanks to the great staff at the Hawaii Prince Hotel and to Richard Ma of Presentation Resources for A/V and photography services.

Mark your calendars and save the date for next year’s 57th Annual Conference on June 23, 2017!

To view the complete photo album of the 56th Annual Conference, go to www.hscpa.org.





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4. Carol Lee Owens, President 5. Eric Salassa, Account Executive 6. Randi Tsushima, their Banker 7. Micah Aiu, Warehouse/Receiving



10 Principles for a Happy Life and Career

Principle 5: Humor

By Michael A. Crawford, CPA



Editor's Note: Mike Crawford has, even by his own accounts, had a successful and happy career as a CPA in Oklahoma. He says 10

basic principles have guided him through a joyful life and a fulfilling career. In this and future issues of KALA, Crawford shares that idea and those principles.

“The day without laughter is a day wasted.”

– Charlie Chaplin

Good humor isn't synonymous with the ability to tell funny jokes. Humor is an attitude and is evident in the face and voice of anyone who possesses it. Those who truly love life can easily recognize the many humorous aspects of everyday life. They are aware of the endless sources of humor around them and seize the opportunity to make others laugh at them or with them when the time is right.

For the past few years, my wonderfully nutty mother, Virginia, has been a constant source of daily humor in my life. Following my father's passing in 2011, I've taken on a caregiver role that involves daily contact and significant time spent in her company. To help ease our pain and grief over the loss of Dad and to do our best to be happy, we use humor at every opportunity. Thankfully for me, my mom is unintentionally the best comedic sidekick a person could request. Her ongoing tendencies to talk before thinking, to endlessly misuse the English language and

her endearing small town vocabulary make for a limitless supply of opportunities for humorous one-liners. Lucky for me, she also possesses a good sense of humor and is more than willing to laugh at herself and occasionally offer up a funny comeback in return.

I lovingly refer to her frequent verbal missteps as “Virginia-isms.” For example:

“It takes me about an hour to walk 60 minutes.” (Her intended communication was that it takes her about one hour to walk three miles.)

“I'm going out with my son this afternoon to get some pot.” (This was her explanation to a neighbor about accompanying me to pick up a piece of free cookware at a local giveaway.)

“I can tell you which way is south, it just depends on which way I am standing.” (She was explaining her mastery of direction to me.)

Of course, this is the same mother that had me celebrating the wrong birthday for 36 years. I grew up celebrating my birthday on March 13. It wasn't until I was 36 years old

and applied for a passport that I discovered my birthday is actually March 14. I mean really, how do you get the birthdate of your first born child wrong? But that's just my mom—always a great source of daily humor!

“Against the assault of laughter, nothing can stand.”

- Mark Twain

Mike Crawford, CPA, is the retired chairman of Crawford & Associates, P.C., an Oklahoma City-based CPA firm dedicated to state and local government accounting and consulting. Crawford is a past president of the Oklahoma Society of CPAs, an inductee into the Oklahoma Accounting Hall of Fame, the 2011 recipient of the OSCPA Public Service Award and is past vice chairman of the Governmental Accounting Standards Advisory Council. Over the past 30 years, he has authored a number of professional guides, practice aids and articles on governmental accounting, auditing and ethics. Crawford is also the founder of [Living a Life Worth Living](#), which provides free resources to encourage readers to achieve high morals and recognizes others who do the same.

*In Memory Of
Robert H. Fukuhara, Jr.
1950 - 2016*

Our sincere regret at the loss of a colleague, friend and member of the HSCPA since 1980. We wish to express our deepest sympathy to his family and friends.



Norman's Book Review

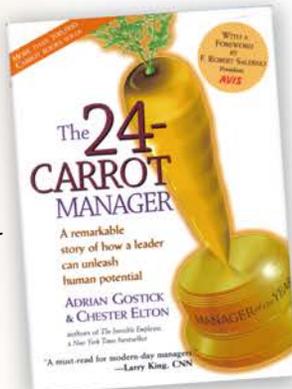
“The 24-Carrot Manager”

by Adrian Gostick and Chester Elton

In these very competitive and disruptive times, we spend many hours strategizing and working hard to stay ahead of our competitors and simply thrive. One of the keys to success is having a high performing, highly motivated team. “The 24-Carrot Manager” is a simple and wonderful book which captures the essence of how to create and maintain such a team. Special thanks to a very good HSCPA friend and his wife for giving me this book. They are long time readers of my book reviews and thought other HSCPA members would enjoy it.

Authors Adrian Gostick and Chester Elton are noted speakers, trainers, authors and consultants in the leadership and human resources fields. They are managing partners of the firm “The Culture Works,” whose mission statement is “to create cultures where people are ALL IN.” Their books, training material, coaching, consulting and speaker engagements are backed by an 850,000 person study of workplace satisfaction and their over 40 years of combined experience in their field. While reading their book, I realized I needed to acknowledge and reward (provide carrots to) some of my dedicated staff immediately, which I did by the end of the week. That convinced me to move this book to the top of the book review list! If it worked for me, it should help you too! The following are some concepts and quotes I found most useful for me.

What are Carrots?



The authors use “carrots” as a metaphor for effective rewards and recognition that works in your company or firm. Giving out carrots is critical to keeping your

best employees. If you look closely at companies with high turnover and low morale, you will probably find these companies have “carrot deficiency,” where employees are rarely recognized and employees accept the status quo. Carrots are keys to success!

Which Employees Leave First?

If a company doesn't take care of their employees, who are the first to leave, the complainers or the superstars? The superstars leave first, because they have more options. So if your company rarely gives out carrots, you eventually end up with a company full of complainers and a low performing team.

“Employees starved for recognition fall easy prey to competitors offering all-you-can-eat carrots.”

Does the 80/20 Rule Apply to Carrot Giving?

Do we need to just make sure we give

carrots to the top 20% of the company who usually generate 80% of our profits? According to Jack Welch, we need to take care of the top 70%, not just the top 20%, if we want to be highly successful!

What Do Employees Value the Most in a Job?

Most managers think money and job security are the most important things to employees. In actuality, “feeling appreciated” and “feeling “in” on things” are the top two items workers value the most!

Who are the Most Effective Builders of a “Carrot Culture?”

CEO? Senior Management? Corporate Culture Gurus? Managers/Supervisors? If you chose the latter, you are correct! Research consistently shows an employee's direct supervisor has the greatest impact on whether or not that employee likes his/her job and stays with the company, or leaves. Carrots mean the most when it comes from an employee's direct supervisor. Why? An employee interacts daily with his/her supervisor, while they only occasionally see the CEO and senior management.

“People don't leave companies; they leave managers.”

What Qualities Do Successful Managers Have?

Research shows “to effectively manage

people, you must give a piece of yourself. You must truly listen, encourage, and be an important part of their work experience. You must truly care about them and be attentive to their needs. Also, real leaders do what their title implies: **THEY LEAD!**" These are common sense things, but how many people actually do it every day?

First Law of Leadership

The first law of leadership is the "Leader Must Be Credible." Why? "If you don't believe the messenger, you won't believe the message."

Get Out of Your Office!

The authors insist you must get out of your office often, get in your car and visit your staff if they are in multiple locations, and get to know them. Learn what they are working on, what is important to them, what rewards they like, and give instant carrots if you notice something great. "Carrots don't keep well and carrots improve your eyesight!"

Make Sure You Reward the Right Thing

When giving out carrots, you have to make sure you reward and recognize the right things if you want your people to work harder and smarter. "A carrot culture without defined goals or worse yet, with misdefined goals, will never succeed at juicing the best efforts from employees."

The Carrot Must Match the Employee's Effort and Contribution

To be effective, the carrot's value must match the accomplishment, and the carrot must be tangible and memorable. A thoughtless reward can be devastating and cause irreparable damage. The authors gave two examples of bad carrots where two different companies gave only a coffee mug to employees to recognize a huge company accomplishment. On the opposite end of the spectrum, after an employee brought over \$1 million in additional sales to a publishing company, the CEO found out from the employee's wife that he always wanted a Breitling watch. The CEO surprised him one day by presenting him with a Breitling that had a special engraved message.

How Much Carrots Are Needed?

The authors believe you must "serve up one thoughtful reward (or verbal praise) a week to keep employee morale and motivation strong. It will keep your workforce in peak condition."

Leaders Must Walk the Talk

"Employees lose trust in a leader when they see a disconnect between what their manager says are his/her values and what he/she really does. The most admired leaders live their values and if

you do that, your employees will work harder for you and their trust level will skyrocket."

Summary

The authors do a great job of explaining the value of giving carrots by also telling a fable-like story to reinforce key points. Because the book is elegantly simple and clearly written, it is really easy to understand and can be referred to easily. I highly recommend this book if you want to make sure you are doing all you can to build a high performance team.

In closing, I wanted to share a story Chester told about his father which captures the essence of the book. When Chester was eight years old, he was horrified his father decided to help a homeless woman who dropped an item, and also told her something which made her laugh. When Chester commented to his Dad that he shouldn't do that, his father smiled and said, "Chester, be kind to everyone – everyone's having a hard day."




CPA FIRM

MICROCOMPUTER TECHNOLOGY

By Ron Gouveia CPA.CITP and Joy Takaesu of Carr, Gouveia + Associates, CPAs, Inc.



Malware that encrypts files on your system continues to grow in sophistication. It is more important than ever to know who is doing your backup and what tools and policies are in place to ensure that the backup system works and is protected from encryption malware. One strategy to use in this regard is to encrypt the backup so that malware can't damage it. Also, make sure your backup system

includes multiple complete backup sets which should include as a minimum Monday through Thursday, five Fridays, and 12 monthly backup sets.



ers. Firms should have policies about minimum security standards for home networks and computers that are used to log onto the firm's computers. Regarding e-mail, the firm should have policies that ensure that confidential information is sent and received using a secure portal. Firms should avoid putting passwords or other confidential information in the contacts section of Microsoft Outlook or other e-mail system. This information should be secured on firm servers and not in an e-mail system which is often synchronized to phones and other mobile devices.

In terms of looking at what your next technology implementation will be, consider going paperless. This technology implementation can save the cost of paper storage, make all your records available through a search engine, assist in the implementation of a records retention policy, and make your firm more efficient in the process. Two software you might consider to do this are Doc.It and eFileCabinet. In addition, other paperless software we use includes CCH Pro-Systems Engagement, ShareFile for portal and document storage and transfer, CCH Scan and Autoflow, and paperless office in Sage 100.

One other thing for firms with limited IT resources is to use cloud systems which include security that is more sophisticated than what a small firm can afford. One example of this would be Microsoft Office 365 to host your e-mail system. Microsoft has invested millions of dollars in the security of this system which far exceeds what a small firm can afford. In addition, firms such as Xcentric specialize in hosting the entire IT infrastructure of a CPA firm including servers, desktops, and all software. These hosting firms offer 24/7 security that far exceeds what a small firm can afford. We believe that in the future more of us will move to such systems because the security risks have grown so much.

Two areas of security risk to focus on are the home network for those logging onto their work network from home, and e-mail security. A firm's network is only as secure as the home networks from which workers log onto their work comput-

If you have any questions or comments call me at (808) 837-2507, or send e-mail to ron@cga-cpa.com.

What matters most?



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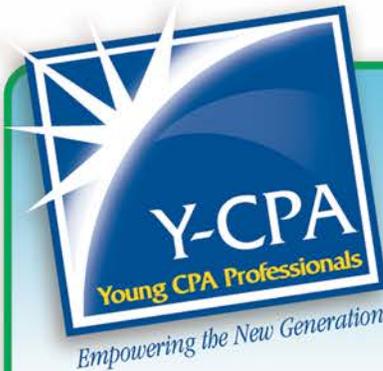



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Y-CPA BUZZ!



Exercising Your Right

By Yumi Ueda



Do you know the significance of these dates?

Saturday, August 13, 2016

Tuesday, November 8, 2016

If you thought “no”, keep reading. If you thought “yes”, keep reading, and hopefully you’re thinking of the same thing as me!

These are the election days for 2016 – Primary and General elections days, respectively. Elections are held every even numbered year. The last election held on November 4th, 2014 turned out to be one of the lowest voter turnout rates in Hawaii. Only 52.3% of the 706,890 registered voters casted ballots. And it’s not only Hawaii – across the nation voter turnout was an overall low. According to the New York Times, on a national level, only 36.3% of eligible voters voted in the 2014 election. The only other time voter turnout was that low was in 1942, with a 33.9% voter turnout.

There are many reasons people state why they don’t vote – not interested; don’t think their vote will count; too busy; don’t know who to vote for; dislike candidates; not

registered. But there are many reasons why you should vote; the main reasons being your vote does count and you should exercise your right to vote.

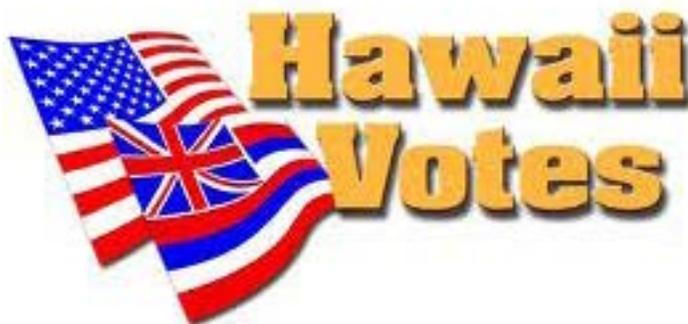
As with many things these days, it’s very easy to register online to vote. The state has an official website at www.hawaii.gov/.

The following link www.olvr.hawaii.gov will also allow you to:

1. Register to vote;
2. Update your existing voter registration;
3. Confirm your voter registration address; and
4. Request to vote by mail.

You will need your current Hawaii Driver’s license or Hawaii State ID card and your Social Security Number to register or make any changes. If you are not yet registered to vote, the deadline to register is July 14, 2016 for the Primary Election and October 10, 2016 for the General Election. Once you are registered you do not need to register again; you should automatically receive a postcard before the upcoming election.

In addition to being a Presidential election, this year is the Mayoral Election year for Hawaii. There also may be a rail-related questions on the ballot this year, so if you want to your voice to be heard, make sure you vote! Historically, voter turnout in presidential election years is much higher than the midterm. So encourage your friends and co-workers to vote. And hopefully this year will have a better turnout rate!



Independent Research Affirms CPA Brand, Points to Opportunity

CPAs inspire confidence and remain the most highly regarded and trusted business professionals among business decision-makers and investors, the 2015 independent brand research commissioned by the AICPA shows.

Still, clients and CPAs alike acknowledge the growing demand for specializations within the profession and growing competition for those services outside of it, the research reveals.

“The study results offer a resounding affirmation of the CPA while pointing to an opportunity for the profession to continue to address the specialized needs of clients in addition to their leadership in the core areas of tax, accounting and audit,” said Janice Maiman, senior vice president of communications, media, news and professional pathways, who oversees the research.

The AICPA commissioned Applied Research & Consulting (ARC) in 2015 to conduct its multi-constituency biennial research study to understand perceptions of the CPA brand, update insights into the perceptions of key constituencies from its 2013 brand study, measure progress against key brand metrics set at that time and guide strategy and plans for enhancing the CPA image and reputation in the future.

ARC conducted focus groups, in-depth interviews and four nationally distributed online surveys to assess the perceptions of business decision-makers, individual investors, CPAs and young accounting

professionals who are not CPAs.

Among the study’s key findings:

- Both business decision-makers and investors ranked the CPA first among financial and business professionals and second only to physicians among all professionals. Investor rankings increased by 12 percent over the 2013 study results.
- Business decision-makers’ satisfaction (very satisfied and somewhat satisfied) ranks very high among both internal

(93 percent) and external CPAs (90 percent). Investors who work with CPAs are 97 percent satisfied (very satisfied and somewhat satisfied) with their performance.

- Investors and business decision-makers are more confident — 79 percent and 84 percent respectively — in a job done by a CPA than if it were done by an accountant who is not a CPA. The rating by business decision-makers increased by nine percent from the 2013 study.

Continued on page 20

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AMERICA COUNTS ON

CPAs

BDM = BUSINESS DECISION-MAKER

88%
of BDMs respect CPAs as valuable assets to their organizations.



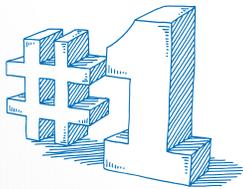
84% of BDMs are **MORE CONFIDENT** in a job done by a **CPA** than an accountant who is not a CPA.



Nearly **70%** of BDMs rely on CPAs for their **EXCEPTIONAL** competence.



More than **two-thirds** of BDMs equate CPAs with **INTEGRITY**.



BDMs rank CPAs as their most **TRUSTED** adviser, the highest of all finance professionals.

BDMs VALUE CPAs
15%
MORE THAN MBAs WITHIN THEIR ORGANIZATION.



More than **HALF** of BDMs regard CPAs as objective financial **EXPERTS**.

- Business decision-makers and investors continue to rate integrity and competency as the top two CPA attributes.
- Sixty-eight percent of business decision-makers agree that becoming certified as a CPA requires more rigorous training and testing than any other financial credential.
- Eighty-eight percent of business decision-makers value the CPA credential (very/somewhat valuable) within their organizations.
- CPAs find compensation value in their credential, saying they feel they are paid more than accountants who are not CPAs.

The brand research finds that most clients continue to perceive CPAs as pre-

eminent professionals in the core areas of tax, accounting and audit. Still, they face growing competition from professionals outside the profession, such as management consultants, information technology consultants, lawyers and other professionals who offer specialized skills. Among those specialized areas are strategic planning, performance management, risk management, sustainability assurance and business integration systems.

Meanwhile, research shows, the increasingly global nature of the accounting profession is shifting demand for professionals in the United States. Thirty-three percent of business decision-makers say they work with or use the services of designated accountants trained in other countries, up from 23 percent four years ago.

“This presents a key opportunity for the

profession to continue to define, evolve and modernize its core services in a range of areas,” Maiman said. “Doing so can increase relevancy for today and for the future.” That includes attestation around compliance with laws and regulations; assurance on sustainability reports; and assurance on information security and privacy, including cybersecurity.

“These research findings are encouraging and affirm the strength of the CPA brand,” Maiman said. “I want to acknowledge the many AICPA and state society initiatives that have contributed to such strong results. We remain committed to protecting and promoting the profession — from the pipeline, #CPA-POWERED and enhancing audit quality to the future of practice monitoring and future of learning.”

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(808) 587-4242

MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

This outlines the changes in the 2nd rollout of the Dept. of Taxation's Tax Modernization program and was mailed to taxpayers with General Excise, Use, Seller's Collection, County Surcharge, Rental Motor Vehicle Surcharge, and Transient Accommodation accounts.

July 25, 2016

Dear Hawaii Taxpayer:

The Department of Taxation is upgrading our tax information system. This letter is to notify you of several important changes you can expect to see in late August to improve our taxpayer services.

- **You will be issued a New General Excise tax license(s) and/or New Transient Accommodations tax license(s) in late August. These licenses will include your new Hawaii Tax ID number(s).**

Once received, your new license(s) must be visibly displayed at your place of business.

- **We are pleased to launch our new website *Hawaii Tax Online* (effective August 15th), which will allow you to:**
 - Access and update your tax account information
 - File returns and extensions electronically for quicker processing
 - Use your bank accounts to pay balances without transaction costs
 - Use credit cards to make payments for a limited fee
 - View and print taxpayer letters, notices and licenses
 - Send secure messages to our Taxpayer Services
 - Enable authorized third-party (accountants, power of attorney, etc.) to access your account

- **As part of our conversion to the new system we anticipate limited services on Thursday, August 11 and Friday, August 12, 2016.**

We apologize for this inconvenience as we will be transitioning our taxpayer information to the new system.

Visit our website at tax.hawaii.gov for the latest information about our Tax System Modernization Program, and watch your mail for additional information.

Mahalo for your patience as we work together for a better Hawaii!

Frequently Asked Questions (FAQ)

What is the Tax System Modernization (TSM) Program?

The TSM Program is a major effort we are undertaking to improve operations, taxpayer service, and voluntary compliance with tax laws. New features will be rolled out each year until all tax types are upgraded by the year 2020.

What is a Hawaii Tax ID?

Department of Taxation forms and publications use the term "Hawaii Tax ID" to refer to the unique account identification number assigned to each tax account.

Why are Hawaii Tax ID numbers changing?

After August 15, 2016, a cutting-edge system will be used to administer General Excise (GE), Use, Seller's Collection, County Surcharge, Rental Motor Vehicle Surcharge, and Transient Accommodation (TA) tax types. The process of upgrading existing accounts requires the assignment of Hawaii Tax ID numbers in the new system's format. To avoid inconveniencing you, we will always continue to support old Hawaii Tax ID numbers and processing of returns/payments received with old Hawaii Tax ID numbers.

How is the Hawaii Tax ID format changing?

Our old system assigns a Hawaii Tax ID starting with the letter W followed by 10 digits. Tax accounts that have been upgraded will be distinguished by a new Hawaii Tax ID starting with a two-letter account type identifier and 12 digits.

Old Hawaii Tax ID Example	Upgraded Hawaii Tax ID Example
W12345678-01	GE-987-654-3210-01

Will there be changes to my other tax accounts?

Accounts for other business tax types like Withholding, Corporate Income, Franchise, and Public Service Company will continue to use the old Hawaii Tax ID format until they are upgraded in August 2017.

Can I continue using preprinted forms and booklets showing my old Hawaii Tax ID?

Yes, we will continue to process returns and payments received with the old Hawaii Tax ID format. If you receive booklets for your GE or TA accounts, your 2017 booklets will show your new Hawaii Tax ID.

Can I continue to use my old GE or TA licenses?

Taxpayers will be expected to replace their old licenses by November 2016 because old licenses lack security features built into the new license format.

What if I don't receive a new GE or TA license in the mail?

If you don't receive a new license in the mail, misplace it, or need a new copy for any reason, you can sign up for Hawaii Tax Online starting August 15 to print a valid copy of your GE or TA licenses yourself.

What if I no longer use or need my tax license?

Please complete and mail Form GEW-TA-RV-1 Notification of Cancellation of Tax Licenses and Tax Permits. A copy of this form is available online.