

# PUBLIC ACCOUNTING REPORT

## IN THIS ISSUE

News Digest.....	2
Gatekeeping: A Merger Challenge.....	5
PCAOB Disciplines Ex-E&Yers.....	6
People, Firms & Promotions.....	8



**PLUS** renew your subscription with the e version by August 31, 2011, and we will cut the price by **10%!**

Call 800-248-3248 to renew and save!

## ODMD Combines With PKF LLP

*Additional deals may lie ahead.*

**O'Connor Davies Munns & Dobbins** of New York has merged with **PKF LLP** and will be rebranded as **PKF O'Connor Davies**.

The firm will remain independent and will continue to be managed by its five-member executive committee, but it now becomes part of the PKF International network, said ODMD Managing Partner Kevin J. Keane, who will continue as the firm's chief executive. ODMD has FY10 net revenue of \$64.85 million, 60 partners, 350 total staff and six offices.

Merger talks between ODMD and PKF began more than a year ago, and the deal closed July 1. The combination stems from a longstanding relationship between the two firms and a shared desire to leverage mutual resources, Keane said.

"Five of our partners started their careers at PKF, and we've had a great longstanding relationship with the firm," said Keane.

The deal was driven by complementary practice areas and mutual opportunities for growth, Keane told *PAR*.

See **ODMD COMBINES**, page 6

## CBIZ Unrolls National Practice Strategy; Develops National Specialty Practices

*Two groups launch; more on the way.*

**CBIZ MHM** of Cleveland has embarked on a reorganization of its resources—many of which it acquired through key mergers in recent years—to create several national specialty practice groups.

Among these, **CBIZ MHM (CBIZ)** most recently announced a National Tax Consulting Practice initiative, which creates four national specialty tax services lines. They are:

(1) state and local tax (SALT), led by Craig Williams, a lead managing director in CBIZ's national tax office;

(2) international tax, led by Stuart Anolik, a managing director in the firm's Bethesda, Md. office;

(3) Research & Experiment (R&E) tax services, lead by Mike Silvio, a managing director in CBIZ's Irvine, Calif. office; and

(4) individual wealth planning, led by Marc Minker, a managing director in the firm's New York office.

Steve Henley, head of CBIZ's national tax office since 2006, is at the helm of the

initiative. Under the new configuration, each of the services lines in the group will function as a practice, replacing an environment of what he described as "technical communities."

"The service line leaders will bring consistency, oversight, best practice deployment, better communication and a national focus," Henley said. "The resources may have been there in the past, but this initiative creates a better alignment with client needs."

CBIZ operates under an alternative practice structure, whereby MHM, based in Kansas City, Mo., handles all attest functions.

### **New Structure Connects Resources**

The larger story for CBIZ (FY10 net revenue \$590.6 million; 429 directors; 2,197 professionals; 4,312 total staff; 150 CBIZ offices, 37 MHM offices) is that the tax group is the second in what the firm plans

See **CBIZ UNROLLS**, page 4

## Friedman LLP Adapts And Thrives Amidst Dynamic New York Turf

*Niche specialties drive growth.*

New York has always been a city of fierce competition and high visibility for accounting firms. Major firms have morphed and left as public accounting firms consolidated, merged, sold and reinvented themselves over the last decade or so. And as the world flattens and boundaries blur, firms that historically have operated from a base far from the Big Apple are increasingly establishing beachheads in New York that allow them to serve an international clientele and expand their geographic territory.

Amidst continuous transformational change in its market over the last two de-

acades, **Friedman LLP** has found ways to adapt and survive as an independent middle-market New York leader. Friedman LLP has projected FY11 net revenue of \$70 million, 50 partners, 335 total staff and seven offices.

"We're certainly in a very competitive market. There's been a lot of consolidation: **EisnerAmper**, **ParenteBeard**, **Crowe Horwath**, **J.H. Cohn**—everybody wants to be in New York. That makes the market more competitive, but it allows us to maneuver in ways that others don't," said Managing Partner Bruce Madnick.

See **FRIEDMAN ADAPTS**, page 7

**Editor:** Julie Lindy  
Phone: (770) 578-1260  
Email: [Julie.lindy@wolterskluwer.com](mailto:Julie.lindy@wolterskluwer.com)

**Production Editor:** Craig Arritola

**Managing Editor:** Kurt Diefenbach

**Coordinating Editor:** Jim Walschlager

CCH also publishes **CPA Practice Management Forum**.

PUBLIC ACCOUNTING REPORT (ISSN 0161-309X) is published semimonthly, except monthly for December, by CCH, a Wolters Kluwer business, 4025 W. Peterson Ave., Chicago, Illinois 60646. Subscription inquiries should be directed to 4025 W. Peterson Ave., Chicago, IL 60646. Phone: **(800) 449-8114**. Fax: **(773) 866-3895**. Email: [cust\\_serv@cch.com](mailto:cust_serv@cch.com). ©2011 CCH. All Rights Reserved.

Permissions requests: Requests for permission to reproduce content should be directed to CCH, [permissions@cch.com](mailto:permissions@cch.com).

Photocopying or reproducing in any form in whole or in part is a violation of federal copyright law and is strictly forbidden without the publisher's consent. No claim is made to original governmental works; however, within this product or publication, the following are subject to CCH's copyright: (1) the gathering, compilation, and arrangement of such government materials; (2) the magnetic translation and digital conversion of data, if applicable; (3) the historical, statutory, and other notes and references; and (4) the commentary and other materials.



**CCH Journals and Newsletters**  
Email Alert for the Current Issue

Sign Up Here... [CCHGroup.com/Email/Journals](http://CCHGroup.com/Email/Journals)

## **Kearney & Co. To Close Indianapolis Office**

**Kearney & Co.**, based in Alexandria, Va., (FY10 net revenue: \$72.5 million; 13 partners, 415 total staff; three offices) is closing its Indianapolis operations Oct. 1 and laying off 84 employees. The Indianapolis operation processes U.S. military travel expenses and conducts audits and other services for the federal government. "We exclusively serve the federal government, and it's a market we enjoy, but ... one of the challenges when you serve the federal government exclusively is that you're subject to these types of events," Managing Partner Ed Kearney told *PAR*. The work in Indianapolis will be handled internally by the federal government rather than outsourced to the firm. The federal contract for the Indianapolis work was worth up to \$67 million over five years. "When we won the contract [in 2008], the emphasis was on outsourcing because the work could be performed more effectively, but that's not the emphasis anymore," Kearney said. In the big picture, the firm will continue to grow despite the closing, but not to the extent it expected. K&Co.'s priority is "taking care of our people first and foremost—our No. 1 priority is our people," Kearney said. So far, the federal government has extended offers to 28 of the 84 Kearney employees affected, he said, and the firm is helping all of them find other positions.

## **CBIZ Acquires Market Leader In Memphis**

Cleveland-based **CBIZ** acquired the nonattest business of **Thompson Dunavant**, the largest locally owned accounting firm in Memphis, Tenn. (*See related story, p. 1*.) TD has 15 partners and 83 total staff. The deal is effective Aug. 1. In accordance with the company's alternative practice structure, **Mayer Hoffman McCann** of Kansas City, Mo., is acquiring the Memphis firm's attest business. TD was attractive to CBIZ because it's a dominant player in a Top 25 marketplace, has young talent that can play a larger role in the organization and brings a strong tax practice with expertise in SALT, international and transfer pricing, said Dave Sibits, president of CBIZ Financial Services. "We have the ability to take equity off the table with a checkbook, but we're careful not to make acquisitions only for that reason," Sibits, told *PAR*. "We look for firms that can take their dominant position in a market, benefit from a national presence and expand what they have on a significantly accelerated basis." Retirement and succession issues were not factors in the deal, he added. "TD could have continued to grow, but it has a young leadership team that believes access to a national firm allows their growth to be much quicker, more profitable and more satisfying to their people," Sibits said. CBIZ hopes to expand out of the Memphis operation, he added. "Moving out of their practice into Nashville, Chattanooga, and through Tennessee and Mississippi makes sense, but we didn't make this deal for that purpose," Sibits said. "We do have a commitment to the Southeast and believe we need to increase our presence there, but we also have some gaps in what we see as primary areas for us as a national firm," including the San Francisco Bay area, the Mid-Atlantic and the Northeast. Before the deal, TD had an international presence through its membership in the **Leading Edge Alliance**.

## **Judge Dismisses Most Claims Against E&Y In Lehman Suit**

A federal judge threw out most of the claims against **Ernst & Young** in a lawsuit alleging that the firm is in part responsible for investor losses related to the collapse of Lehman Brothers Holdings, but he rejected attempts to dismiss the entire case and

allowed the lawsuit to move forward. A claim alleging that E&Y made misstatements about the bank's compliance with accounting rules while it knew that about the company's use of Repo 105s was allowed to move forward. A statement issued by the firm said, "We are pleased that Judge Kaplan's ruling dismisses most of the claims against us in this matter, and we strongly believe that we will ultimately prevail on the remaining claim. As we have said consistently, we stand behind our work on the Lehman audit and our opinion that Lehman's financial statements were fairly stated in accordance with U.S. GAAP, applying the rules that existed at the time. Lehman's audited financial statements clearly portrayed Lehman as a highly leveraged entity operating in a risky and volatile industry."

**KPMG Makes Key Global Leadership Appointments**

**KPMG International** is making some key global leadership moves as Chairman-Elect Michael Andrew prepares to take the reins from Timothy Flynn in September. Andrew, based in Hong Kong, appointed London-based Alan Buckle, global head of KPMG's advisory practice, as deputy chairman. He'll be responsible for driving the execution of the firm's global strategy, with emphasis on market development—especially global expansion, integration and developing markets. Mark Goodburn, based in New York, succeeds Buckle as global head of the advisory practice. He is currently U.S. vice chair of Advisory and Strategic Investments, leads the advisory practice in the Americas region and serves on the U.S. firm's Management Committee and KPMG International's Global Advisory Steering Group. Greg Wiebe, based in Toronto, was named global head of tax for KPMG International, succeeding Loughlin Hickey, who is retiring. Previously, Wiebe was managing partner of the firm's tax practice in Canada, a member of KPMG's Canadian Management Committee and a member of KPMG's International Tax Steering Group. Ernst Gröbl, based in Munich, was named global deputy of tax, a new position. Gröbl serves as head of tax for KPMG in Germany, KPMG Europe LLP and for KPMG's Europe, Middle East, Africa (EMA) region. Hideyo Uchiyama of Tokyo was appointed chairman of KPMG in Asia Pacific, succeeding Andrew. Uchiyama is chairman and CEO of KPMG in Japan and a member of the KPMG Global Board, the Global Executive Team and the Asia Pacific Board.

**Judge Rules In Favor Of Grant Thornton In Embezzlement Case**

**Grant Thornton** holds no liability in a class action case involving a \$34 million embezzlement at Koss Corp. in Milwaukee, a federal judge ruled. The firm was dismissed as a defendant in the shareholder class action suit. The suit alleged that as the company's auditor, GT, should have detected the fraud and warned the stereo head-phone company that Sue Sachdeva, its former vice president, was paying personal bills with company funds. The judge said that the shareholders didn't prove that GT's failure to detect the fraud constituted willful, knowing or reckless behavior. "I conclude that the innocent explanations are more compelling than the inference of recklessness," the judge wrote. The judge also dismissed claims of willful or reckless behavior against CEO Michael Koss. Other claims related to the case will move forward. The lawsuit seeks recovery from damages for shareholders who suffered losses when the stock price plummeted after news of the embezzlement became public. Sachdeva is serving an 11-year federal sentence for the crime. The embezzlement, which occurred over at least six years, was discovered by American Express in relation to Sachdeva's credit card bills. (Source: *jsonline.com*) ■

**tweetBEAT**

They're not always kind ... or intelligent ... or pristine ... but they're a fact of life in the Digital Age (and a good way to see what people are saying behind your back). Submitted for your approval (or not): selected recent Tweets related to the #profession.

*DoubleBerg426:* I'd be nervous if my accountant always had a parrot on his shoulder.

*grobot20 @rui\_xu @thestlcardsfan4:* Sigh. Looks like I'll just have to be happy with my big four Accounting job.

*loyisothevictor:* Study[ing] how an asset is defined in finance & accounting is literally how women often describe their dream man. They are one in the same.

*biggovt:* Official Washington's Cracked Accounting: As I write this it is difficult to hear myself think over the sound of Congressional Republicans high-fiving each other over the debt ceiling deal.

*kmb5881:* Traveling 2 hours away with the accounting firm to do an audit. I feel like a real business woman :-/ #wannastayakidforever

*comedybot:* People always ask me, 'Were you funny as a child?' Well, no, I was an accountant. -Ellen DeGeneres ☺

*Djmartinoldgoth:* I'm in the bank behind a man barking numbers down a phone and sighing heavily. I think he might be a bit mad. Or an accountant. Same thing.

*51bits:* My accountant laughed at me for owning an iPad...

*TroubleandBass:* If you get an e mail reply from your business accountant that says "WOO HOO, you go girl!!!" you know you're living right ■

## Public Accounting Report

### CBIZ MHM By the Numbers: The Basics

FYE	Revenue (\$M)	% Chg.	Partners/Directors	% Chg.	Professionals	% Chg.	Total Staff	% Chg.	Offices (CBIZ/MHM)
2010	590.6	-1.5%	429	-7.7%	2,197	5.4%	4,312	4.8%	150/37
2009	599.3	8.4%	465	32.5%	2,085	-8.4%	4,115	-15.9%	144/36
2008	553.1	10.5%	351	44.4%	2,277	9.2%	4,893	-11.0%	144/33

Source: CBIZ MHM, PAR Research

## Public Accounting Report

### CBIZ MHM By the Numbers: Revenue Ratios

FYE	Rev. Per Partner/Director (\$M)	% Chg.	Rev. Per Professional (\$000)	% Chg.	Rev. Per Staff Member (\$000)	% Chg.
2010	1.377	6.8%	269	-6.3%	137	-6.2%
2009	1.289	-18.2%	287	18.1%	146	29.2%
2008	1.576	-23.5%	243	10.5%	113	24.1%

Source: CBIZ MHM, PAR Research

### CBIZ Unrolls, continued from page 1

to be at least six national specialty practice groups, according to Saul Reibstein, executive managing director and a member of the firm's national operations team.

About a year ago, Reibstein identified five practice areas from among 15 or more possibilities, for which the firm would create national practice groups. The firm then launched national steering committees and developed strategic and marketing plans for each practice area.

"We have had specialty practices in regions and pockets, but have never really formalized those specialties and industries into groups," Reibstein explained.

The firm launched the first of these specialty practices in March with the creation of its Forensic and Financial Services Group. That group includes three services lines: valuation advisory services, litigation support and forensic services, and corporate recovery and bankruptcy.

In the coming months, CBIZ will announce national practice groups in not-for-profit, employee benefits plan audit and consulting, and construction, Reibstein said. On the horizon for 2011 or 2012, he added, is a national private equity and venture capital firm practice.

Also CBIZ will add a fifth tax line, FAS 109 outsource services, to the National Tax Consulting Practice initiative in 2012, Reibstein added.

Building these practice groups "forces us to identify resources and create an access all around the country to where those resources exist," Reibstein said. Having

the groups work together and gain confidence in each other's skills and talents will improve the firm's response to client opportunities, he added.

### Strategic Targets Acquired

Acquisitions that CBIZ completed over the last two years have played a key role in providing the firm with the resources to create these national practice lines, Reibstein explained, and to bring them to market sooner than the firm could have done otherwise.

Specifically, he points to four acquisitions as essential to the process:

(1) **Mahoney Cohen & Co./New York** on Dec. 31, 2008, which added approximately \$55 million in revenue and offices in Miami and Boca Raton, Fla., in addition to New York;

(2) **Tofias/Cambridge, Mass.**, on Dec. 31, 2008, which added approximately \$38 million in revenue and four offices in Massachusetts and Rhode Island;

(3) **Goldstein Lewin & Co./Boca Raton**, on Jan. 1, 2010, which posted approximately \$13.7 million in revenue in 2009; and

(4) **Kirkland Russ Murphy & Tapp/Tampa Bay, Fla.**, on Nov. 1, which posted approximately \$12 million in revenue in the prior 12 months.

"Our identification of the practice areas of those firms was instrumental in our desire to merge with them," Reibstein said. "We had a great understanding of the practices we acquired in [these firms]."

Pointing to the FFS practice group, Reibstein noted that each of the acquired

firms listed above had one or more of the forensic and financial services practices that are now elements of the group. For example, Mahoney Cohen had a high-quality financial recovery practice, while Tofias had litigation, valuation and forensics practices.

Those deals provided key resources to the specialty tax group as well, Henley said. For example, Marc Minker, who leads the individual wealth planning line, joined CBIZ with the Mahoney Cohen acquisition. Reibstein said that the Tofias acquisition was

instrumental in forming the upcoming FAS 109 line.

Additional acquisitions contributed resources to the tax group, Reibstein said: The R&E line is possible because of a deal that brought **McGladrey** partners, including Mike Silvio, to the firm in 2009. Stuart Anolik, head of the international tax line, was a sole practitioner whose practice was "tucked in" to the firm in a 2009 merger.

Reibstein added that M&A continues to be a robust element in CBIZ's strategy of growing specific specialty practices, with the firm targeting two to four transactions a year. (*See related story, p. 2.*) He hints, while offering no specifics, that "we are having ongoing discussions with a very large firm" with a significant practice that would fit into one of the national practice groups that CBIZ is forming.

### Making Room for More?

CBIZ's acquisitions have bolstered it somewhat against the effects of the stagnant economy of recent years. Revenues were down 1.5% in 2010; partner count was down 7.7%. The ups and downs in revenue and staff figures and productivity (*see charts, this page*) owe largely to increases via substantial mergers and decreases related to the soft market—including a decline in transactional services—and staff attrition, Reibstein said.

Further, Reibstein acknowledges that CBIZ has shed practices in some markets where it has been unable to make an impact. For example, in May, the firm sold its practice in San Jose, Calif., to **Burr, Pilger and**

*See CBIZ UNROLLS, page 5*

# 'Unlocking the Gate' Can Be A Challenge In Mergers

*Strategize nationally, implement locally.*

While plans by Cleveland-based **CBIZ MHM** to form national service groups appear to be a logical—perhaps even inevitable—progression of the firm's significant and ongoing M&A activity, the strategy involves changes in the method by which a firm serves its clients.

These changes are rarely without their challenges for any firm involved with a merger.

One significant test occurs when the partner at the office level is asked to relinquish some measure of control over a client relationship, explained Terry Putney, CEO of **Accounting Transition Advisors** in Overland Park, Kan.

Putney, who was previously a managing director over mergers and acquisitions at **RSM McGladrey**, noted that a partner who has served as a gatekeeper in the client relationship—and who perhaps has a long-standing personal relationship with a client—may tend to resist making his or her client available for a new service relationship.

"A lot of firms have had problems with the gatekeepers 'locking the gate,'" Putney said.

The reason, he said, is the partner's fear of the potential financial risk of

such a change. Partner compensation is performance-based. Executing a national strategy, such as that under way at CBIZ, could possibly affect the partner's short-term and long-term bottom line unless the firm makes adjustments to account for what has changed.

## **Provide Incentives for Change**

Firms trying to shift clients from partner turf to firmwide turf must address partner compensation concerns and articulate to the partners how the change is a win for them, Putney said.

Creating performance incentives and demonstrating the benefits of participating will win partner buy-in and overcome resistance.

"If you cram it down people's throats without respect to how they're going to win, it's harder to overcome the challenges," he pointed out.

This dynamic may be even more complex for partners who joined the firm in the recent past because they may have "look-back" provisions and post-merger performance incentives in their compensation agreements. Changes in delivery of client service could mean less cash in their pockets.

CBIZ is fully aware of partner compensation concerns related to its agenda and has planned accordingly.

Steve Henley, head of the newly formed National Tax Consulting Practice, noted that CBIZ's performance management program includes a "scorecard system" for directors, and that the system will incorporate goals, incentives and year-end bonuses to reward directors for "bringing in specialty services and making sure that clients have the benefit of all tax planning initiatives."

These incentive programs apply to both managing directors (equity partners) and directors (nonequity income partners). Of the two, the incentive opportunity for managing directors is much higher, said Saul Reibstein, executive managing director and a member of the firm's national operations team.

The firm also devotes resources to intangibles, such as building trust and teamwork among its directors, Reibstein said.

The national practice lines, and the incentives that support them, are part of CBIZ's efforts toward creating a totally integrated firm, Henley said.

"We want people to think about our resources as one pool, even though they are in separate businesses," he said.

## **For Clients, It's Personal**

Partner concerns and compensation aside, new service scenarios may leave clients unhappy and unappreciated as well.

"Clients are leery of change," Putney said. "Do not assume that they view change in a positive way."

If a client is to be served by a different partner, someone that the client is unfamiliar with, it's essential to "minimize the

*See UNLOCKING THE GATE, page 6*

**CBIZ Unrolls**, continued from page 4

**Mayer/San Francisco**. CBIZ's San Jose accounting and tax staff joined BPM. CBIZ maintained its San Jose office for other services, such as employee benefits consulting and property and casualty insurance.

"It wouldn't surprise me if they continue to divest offices," said Terry Putney,

CEO of **Accounting Transition Advisors** in Overland Park, Kan.

Sometimes, Reibstein said, divesting a practice is "the best first step to achieve the ultimate growth goal."

Prior to the Mahoney Cohen acquisition, he noted, CBIZ had sold a small existing New York practice in 2008, one with revenue of less than \$5 million, in order to pave the way for acquiring a firm that was appropriate for the size of that market. ■



## **Did you know you can follow CCH? You can find us at:**

**CCH Community:** <http://community.cchgroup.com/app/signon>

**Facebook:** <http://www.facebook.com/pages/CCH-a-Wolters-Kluwer-business/50065253918>

**LinkedIn:** <http://www.linkedin.com/groupRegistration?gid=1851637>

**Twitter:** [http://twitter.com/CCH\\_Whats\\_New](http://twitter.com/CCH_Whats_New)

**YouTube:** <http://www.youtube.com/cchwolterskluwer>



# PCAOB Disciplines Former E&Y Partner, Senior Manager In Settlement

*Deal marks the longest audit bar ever imposed against a Big Four partner.*

The PCAOB settled disciplinary orders against a former **Ernst & Young** partner and a senior manager for their roles in providing misleading documents and information to inspectors and altering working papers.

The PCAOB barred the former partner, Peter C. O'Toole, from associating with a PCAOB-registered accounting firm, with the right to petition to remove the bar after three years.

The action against O'Toole marks the longest bar that the PCAOB has imposed to date on a partner at a Big Four accounting firm. The board also imposed a \$50,000 civil penalty against O'Toole. He was a partner in E&Y's Boston office.

The PCAOB barred the former senior manager, Darrin G. Estella, from associating with a PCAOB-registered accounting firm, with the right to petition to remove the bar after two years.

O'Toole and Estella consented to the disciplinary orders without admitting or denying the PCAOB's findings.

The PCAOB found that shortly before a PCAOB inspection of an E&Y audit, O'Toole and Estella—acting with O'Toole's knowledge and authorization—

---

**Unlocking the Gate**, continued from page 5

change," Putney said. "Reinforce with the client all of the things that are *not* going to change."

A different partner may have new levels of expertise, but often that's not enough.

"When you see this fail is when the client is taken for granted—the new guy has a different style and has no history with the client," he said. "Expertise will probably, in the long run, make for a better relationship, but if you ignore personal intangible issues, you tend to have a failed transition."

In the case of CBIZ's national strategy, Reibstein said the firm's approach will be to provide expertise "in addition to, not in place of" an existing partner relationship.

"It's really [about] the introduction of specialists who support the relationship of the managing director and the client," he explained. ■

created, backdated and added a document to the audit working papers that related to the most significant issue in that audit. The board also found that O'Toole authorized other members of the audit engagement team, including Estella, to alter, add and backdate other working papers in advance of the PCAOB inspection.

E&Y sent the engagement team an email instructing members of the audit engagement team to make no modifications, additions or deletions to the audit's work papers in preparation for the inspection upon notification of the PCAOB inspection.

Nevertheless, O'Toole told Estella that a document needed to be created summarizing the work, and Estella used a colleague's laptop to create a document on a flash drive and later threw away the flash drive, according to the PCAOB. The document was made to look as if it was created at the time of the audit and added to the file, the board says.

The board also found that O'Toole and Estella provided a written document

---

**ODMD Combines**, continued from page 1

Both firms have strong real estate practices. PKF's strong hospitality niche and ODMD's expertise in private clubs complement each other nicely. ODMD brings a strong not-for-profit practice, while PKF has thriving international tax and SEC audit practices. ODMD also benefits from PKF's back office and IT resources.

"Our mutual strengths give us each greater advantages," Keane said.

The combination is already paying off: ODMD has already won a not-for-profit engagement because of the deal, and it has referred "four or five pieces of business" to PKF, said Keane.

Succession planning wasn't a driver in the deal, he added. "We really don't have any succession planning issues," Keane said.

ODMD has no immediate plans to become a member of **PKF North America**, the international association, Keane said.

Despite the recession, ODMD has enjoyed organic growth of 12% to 15% per

to PCAOB inspectors in which E&Y represented that no changes were made to the audit working papers following the documentation completion date for the audit.

The Board found that O'Toole and Estella's actions violated PCAOB Rule 4006, which requires cooperation with PCAOB inspections, as well as PCAOB Auditing Standard No. 3, which governs audit documentation.

The PCAOB began disciplinary proceedings against O'Toole and Estella in December 2010, which according to SOX and PCAOB rules, were not public. Later, the PCAOB determined there was cause to make the disciplinary hearing public.

E&Y said it separated both men from the firm after it determined that its policy prohibiting supplementing or changing audit documents had been violated. E&Y also said it cooperated fully with the PCAOB's investigation and that the client's financial statements and the audit conclusions were not affected. ■

---

year over the last five years, and because internal growth was its focus, it wasn't active in M&A activity. But going forward, PKF O'Connor Davies intends to grow through acquisition as well as organically, Keane said.

Ideal acquisition candidates are located in the Boston-Washington corridor, fit the firm's culture and are "truly niche-driven" in areas that add new areas of expertise or enhance the firm's existing specialties, which include government services, financial services, healthcare, wealth management and employee benefits plans.

PKF O'Connor Davies has invested more than \$500,000 in rebranding efforts as a result of the merger, and the new brand will roll out on Sept. 1.

Investments in the new brand include advertising—primarily print ads in business publications and professional journals with strong coverage in the Tri-State area—as well as a stronger social media presence, new marketing and recruiting collaterals, a re-engineered website and a new logo. ■

“For example, we don’t have a national office,” he noted. “We make our decisions right here—big decisions on things like client acceptance or retention. That makes us more flexible and more nimble,” he said.

Madnick credits development of specialty practices as a key to his firm’s success.

“We’ve developed significant niches that we’re extremely strong in: apparel and textiles, real estate, Asian markets and technology, for example,” Madnick said. “We’re one of the go-to firms in our niche markets, and whether a competitor is large or small, they will go head to head with us on work in those specialties.”

Niche specialties are backed up with strong partner leadership at Friedman LLP, he added.

“At the end of the day, it’s about good service, and that’s what keeps clients ... things like partner involvement in accounts and talking to clients,” Madnick noted.

Friedman LLP has also developed a significant practice in China, including a growing 15-person office in Beijing. The firm is ranked as the No. 3 accounting firm in the world that’s auditing Chinese registrants in the United States.

The firm represents more than 25 SEC registrants based in China who are on U.S. stock exchanges. Ranked first and second are **Deloitte** and **PricewaterhouseCoopers**. The firm also audits approximately 30 privately held Chinese companies that ultimately will go public in the United States, Madnick said.

Friedman’s specialty with Chinese businesses stemmed from its well-developed Asian-American practice. The firm employs about 25 people who speak Mandarin, including three partners in the United States. It also uses its **DFK International** affiliates for assistance in China.

“China is a really important specialty area for us and a way we really differentiate ourselves,” Madnick said. “China is a different environment, and working there requires the appropriate background and expertise. The culture is different, the government is different ... you really need to understand the culture and have Chinese people who

do understand it to make sure everything is OK.”

Referrals for work in China come from investment bankers and law firms, as well as from the name recognition that Friedman LLP already has there.

In addition, Friedman’s integration of **Bagell, Josephs, Levine & Co.** of New Jersey in January 2010 added a significant roster of Chinese registrants and shell companies.

“We’ve upgraded their sophistication and exploded their market,” Madnick told *PAR*.

“There are an amazing number of large successful companies in China, and lots of new business is starting there,” he continued. “The Chinese government encourages that kind of growth and is involved in a lot; it owns all land but leases to businesses, and there’s a huge amount of entrepreneurial business in China.”

Madnick visited China last year to get a first-hand look and was amazed at the opportunity he saw there.

“It’s unbelievable—the size of everything, the airports, the buildings, the number of people. It seems every city is 20 million people, and they’re committed to making Chinese business a global force,” Madnick said.

“China will be the No. 1 economy in the next few years, and we want to be one of the major players there,” he continued. Madnick expects opportunity to snowball as the **PCAOB** implements and enforces tougher standards regarding reverse mergers and as the investment banking community levies pressure for quality audits on Chinese companies that want to go public in American markets.

In addition to China, Friedman is doing work in approximately 12 countries, including Brazil, England and Canada.

Friedman LLP also continues to strengthen its core and reinforce its ramparts. It has a large presence in New Jersey, access to Philadelphia and Atlantic City, and performs work for clients in more than 20 states.

In May, Friedman LLP acquired **Tracey Heun Brennan & Co.**, which brought in three partners, a principal and 25 total staff, as well as offices in the New Jersey cities of Linwood and

Toms River, which gives the firm access to Atlantic City.

“Atlantic City is Big Four territory, and we’ll be able to provide an alternative. We’ll also be able to offer lots of forensic and litigation support work,” Madnick said.

“All our merger deals have been predicated on the idea that  $1 + 1 = 3$ ,” said Madnick. “It wasn’t a large firm, and they were without a big support network. We were looking for a group where we could build on the existing location and contacts.”

In addition, the firm continues to build its niches. Madnick sees opportunity especially in Friedman’s tax department and the not-for-profit practice.

“We think there’s a crying need for sophisticated tax services,” especially as all levels of government confront the need to raise taxes and tax controversy opportunities increase.

“If you look at the background of Friedman, we’ve always been major niche players. Historically, we’ve either recruited expertise or built it. Instead of being generalists, we’ve tried to develop as many specialties as possible. That’s what keeps us competitive,” Madnick said.

It’s an approach that’s served the firm well, and there are no plans to deviate from it. Last year the firm brought on a corporate governance expert and built a practice around him; it took a similar approach as it built not-for-profit, business valuation and litigation support practices over the last few years.

“We’re always looking for next expert and niche,” Madnick said. “You need to take risks. You need to step a little out of box, have vision, decide what makes you different and commit capital to growth in different areas. Things don’t stay the same.”

Additional deals for Friedman LLP are not out of the question. Madnick is especially open to acquisition opportunities in the Washington-Boston corridor and New Jersey deals that could provide additional access to Atlantic City.

The firm has considered deals in California, Texas and Florida but ultimately walked away from them.

“I felt they couldn’t be managed effectively, so we have no need to do those types of deals for the time being. But I never say never,” Madnick said. ■

## PEOPLE, FIRMS, AND PROMOTIONS

**AGN International** appointed its first regional manager in the Asia Pacific region: **Stephen Leung**, who is based in Hong Kong. He has been charged with giving AGN member firms more resources to increase business opportunities, brand building, knowledge sharing and tightening current lines of communication both internally and externally.

**Baker Tilly Virchow Krause**, based in Chicago, named **Brandon Andries** and **Ed Offterdinger** as executive managing partners. Offterdinger, previously managing partner of the firm's Washington practice, will oversee its tax, assurance and consulting practices, as well as sales, marketing, HR and the firm's East Region. He was managing partner of Washington's **Beers + Cutler** before it merged with BTVK in 2009. Andries, who is based in Madison, Wis., was previously COO. In his new role, he is responsible for the firm's operating activities and infrastructure, and he'll lead the areas of firm finance, information technology and risk. Andries will also oversee the managing partner positions in each of the firm's Midwest locations. **Matthew Hallam** will replace Offterdinger as managing partner of the Tysons Corner, Va., office. **Jere Shawver**, managing partner for the Washington consulting practice, was appointed to a new firmwide risk services leadership position. **Kelly Toole** was named managing partner

of tax services. He is currently a member of the firm's executive and valuation committees and based in Tysons Corner. In addition, the firm named 13 new partners. They are **Angela Achenbach**, construction and real estate—Milwaukee; **Todd Bernhard**, retail services—Madison.; **Frank Nardi**, construction and real estate—Chicago; **Joshua Meinen**, manufacturing and distribution—Madison; **Peter Pearce**, consulting—Detroit; **Brian Quandt**, strategic tax planning and transaction services; **David Johnson**, assurance—Madison; **Jason Page**, attest services—Milwaukee; **James Smolinski**, assurance operations—Madison; **Sean Sant**, tax compliance and consulting—Detroit; **Kevin Schalk**, financial institutions—Milwaukee; **Kurt Schroeder**, consulting—Minneapolis; **Christopher VanStraten**, healthcare—Appleton, Wis.

**Crowe Horwath** of Oak Brook, Ill., elected 12 new partners and 13 new directors. The new partners, effective Oct. 1, are **Brookton N. Behm**, risk consulting—Grand Rapids, Mich.; **Nicole Bencik**, tax—Chicago; **Kristin Denny-Rasmussen**, tax—Columbus, Ohio; **Barry Freeman**, tax—New York; **Cory Herendeen**, performance—Indianapolis; **Kara Hoover**, audit and financial advisory—Indianapolis; **Richard C. Kloch Jr.**, risk consulting—Cleveland; **Scott Lehman**, firm risk management—Oak Brook; **Ralph Pucek**, audit and financial advisory—Oak Brook; **Jim Romask**, audit and financial advisory—Cleveland; **Jason Stockton**, audit and financial advisory—Louisville, Ky.; and **Pete Ugo**, audit and fi-

nancial advisory—Indianapolis. The new directors, as of July 1, are **Alan Abel**, risk consulting—Fort Lauderdale, Fla.; **Lisa Brooks**, tax—Nashville, Tenn.; **Brent Felten**, tax—Grand Rapids; **Greg Galloway**, performance—Indianapolis; **Dennis Hild**, risk consulting—Washington; **Brian Kerby**, audit and financial advisory—Chicago; **Tim Klage**, enterprise solutions—South Bend, Ind.; **Daphne Maingot**, audit and financial advisory—Fort Lauderdale; **Jennifer McMahon**, risk consulting—Oak Brook; **Ken Ruiz**, performance—Indianapolis; **Steve Schumacher**, audit and financial advisory—Oak Brook; **Mark Strawmyer**, performance—Indianapolis; and **Josh Teeple**, audit and financial advisory—Costa Mesa, Calif.

**Ernst & Young** appointed **Herb Engert** as the new Americas leader of strategic growth markets (SGM). Previously, Engert served as East Central SGM leader for the firm.

**Carl Oliveri** joined **Grassi & Co.** of Jericho, N.Y., as an audit principal. Previously, he was partner at a local firm specializing in the construction industry.

**Marks Paneth & Shron** of New York admitted **Eric A. Kreuter** as a partner in the firm's Litigation and Corporate Financial Advisory Services Group. Previously, he was a partner at **BST Valuation & Litigation Advisors** of New York.

**Rosen Seymour Shapss Martin & Co.** of New York promoted **Steve Marcus** and **Jeff Schwartz** to principal. Marcus specializes in providing accounting, audit and tax services to closely held businesses and not-for-profit organizations. Before joining **RSSM&Co.**, Schwartz was the managing partner of **Schwartz & Schwartz** in Nanuet, N.Y.

**Wipfli LLP** of Milwaukee elected seven new partners. They are **Inga Arendt**, financial accounting outsourcing—Green Bay, Wis.; **Lonny Charles**, advisory services—Green Bay; **Lisa Desotelle**, not-for-profit and government—Rhinelander, Wis.; **Maureen Fassbinder**, internal audit and compliance outsourcing services—St. Paul, Minn.; **Rob Ganschow**, not-for-profit and government—Eau Claire, Wis.; **Terry Saber**, consulting—Minneapolis; and **Scott Schumacher**, consulting—Milwaukee. ■



a Wolters Kluwer business

TO SUBSCRIBE OR SHARE  
WITH AN ASSOCIATE  
Please enter my subscription for  
*Public Accounting Report*

Check enclosed for \$476  Charge VISA/MC/AMEX/DISC

Card # \_\_\_\_\_ Exp. \_\_\_\_\_ Signature \_\_\_\_\_

Name \_\_\_\_\_ Title \_\_\_\_\_

Firm \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Phone \_\_\_\_\_ Fax \_\_\_\_\_

**Mail to:** CCH, a Wolters Kluwer business  
4025 W. Peterson Ave.  
Chicago, IL 60646

**Or:** **Call:** (800) 449-8114  
**FAX:** (773) 866-3895  
**E-mail:** [cust\\_serv@cch.com](mailto:cust_serv@cch.com)  
**Web:** [www.cchgroup.com](http://www.cchgroup.com)