

## IPA Spotlight On...MaloneBailey: The 2011 Fastest-Growing 'Best Of The Best' Shares Strategy

At a time when many firms are struggling, Houston-based **MaloneBailey LLP** (net revenue of \$14.3 million) was able to grow by an enviable 43% in 2011. How did they do it? **John Malone**, founder and SEC practice leader of MaloneBailey, cites many factors, including the firm's longevity, history and pinpoint accurate marketing.

This year IPA named MaloneBailey a Best of the Best firm for its high scores on more than 50 operational and management criteria. It is the fastest-growing firm among this elite Best of the Best group.

The 30-year-old firm, with offices in Houston, New York and Shenzhen, China, dedicates about 70% of its practice to audits of small public companies, and it works hard to maintain its prominence in that niche. In fact, MaloneBailey boasts five SEC-qualified audit partners, and it audits more micro-caps than any other firm in the world.

It has the largest number of SEC clients of all non-national accounting firms, serving more than 100 small public companies. Due to the volume of public company audits it conducts, it is one of only 10 firms that require an annual inspection by the Public Company Accounting Oversight Board.

Malone says the firm combines a high-tech paperless system with professionals who are deeply experienced with the more rigorous PCAOB standards. The result is faster work and fewer mistakes. "This is exactly what is required for this niche," he says.

At his firm, partners are actively involved in the audits, solving problems for clients and providing in-depth service. MaloneBailey has become known for its excellent service and fair pricing, Malone says. "Our accountability is part of our success. We know we cannot succeed without a teamwork approach."

The paperless system also leads to better oversight of staff. They are more often found in MaloneBailey's three offices than they are on the road. Audit visits have gone from a few weeks to a few days due to the reliance on electronic financial records, Malone says.

The firm's marketing plan is sophisticated, using data mining to target companies. "We identify and reach out to decision-makers and we do it on a national level," Malone tells IPA. This methodical approach has given the firm a huge advantage. Marketing MaloneBailey is nothing like asking partners to join the local Rotary Club and attend networking events. Communication is mostly electronic, and the firm works to maintain those relationships without much face-to-face time.

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Competitive pricing is another key to success. MaloneBailey has cut fees by 30% over a three-year period, but staff layoffs have been avoided. “Smaller competitors can’t meet the same higher standards when they have fewer people,” he says. The firm has hired audit partners to meet the needs of its SEC audit clients while other firms have failed to do so.

The firm now promotes its “laser focus” on SEC auditing, but in 2001 Malone and Sterling L. Bailey Jr., whose practice merged with Malone’s in 1996, had only 13 SEC clients. They hired a third partner for this niche and began implementing efficiencies to provide high-quality audits quickly at a low cost, to meet client demands. Referrals from satisfied clients started the amazing growth MaloneBailey has enjoyed.

Success breeds more success. Malone describes firm professionals as highly motivated and “electrified” by the specialization that makes the firm unique. Young people are also excited about MaloneBailey, and the firm has had great results recruiting talent from the University of Texas at Austin, home of the country’s No. 1 graduate accounting program.

Malone believes the firm will grow in stature. “We’ll continue to be a boutique practice,” he says. “Bigger isn’t necessarily better.”



*The PRIME Symposium...Question to John Malone: How do you see the world of public accounting changing?*

Answer: “The profession will change a lot in the next few years. You think technology has changed a lot so far? Wait until you see the next few years. Audits are going to be virtual as companies will have online books and online support documents available to anyone anywhere with the right password, which means that your staff can be anywhere, anytime. Staff want that. Staff want the ability to choose their work hours. If they raise a family, they want to be able to work when the kids go to bed. Maybe that isn’t full-time available, but it should be part-time available. If you want an audit of a Fortune 1000 company, you don’t have to be a Big Four anymore to get it, because all their records are paperless. What you have to be able to do is convince them that your expertise around the country or around the world is sufficient. Our little \$14 million size isn’t quite big enough for one of those yet, but give us a couple of years, maybe we can come back to it.” ■IPA

## Two IPA Best Of The Best Firms Recognized At The Inaugural PRIME Symposium

IPA is proud to recognize Fort Worth, Texas-based **Whitley Penn** (net revenue of \$32.1 million) and Houston-based **MaloneBailey** (net revenue of \$14.3 million) for their outstanding management performance, reflected in the 2011 IPA Annual Survey and Analysis of Firms.

IPA's annual Best of the Best recognition honors firms for their wise management and superior operational performance on more than 50 criteria. More than 400 firms participated in this year's IPA Annual Survey and Analysis of Firms.

For 18 years, IPA has named the Best of the Best firms – those firms that have turned in exceptional performance, regardless of outside factors. In any economy – up or down – clues for what to do, where to focus and how to practice can be found in the IPA Best of the Best.

The Platt Group and IPA presented Whitley Penn with the IPA Best of the Best “**Pyramid Award**” for overall outstanding performance at the inaugural PRIME Symposium in Indianapolis last month. Whitley Penn is the only firm to be named to the list for 10 consecutive years. MP **Larry Autrey** accepted the award.



Whitley Penn also scored the highest marks possible in the IPA Best of the Best category, coming in No. 1 of the 50 firms highlighted in the September 2011 issue of IPA. The firm was also named a top five Best of the Best in the Great Plains region.

Autrey was named an “IPA Most Admired Peer” by survey respondents this year. The firm debuted on the IPA 100 firms in 2010 and is currently ranked No. 88 in the nation, based on net revenues.

MaloneBailey's founding partner and SEC practice leader, **John Malone** accepted the IPA Best of the Best “**Fastest-Growing Award**” during *The* PRIME Symposium ceremony.



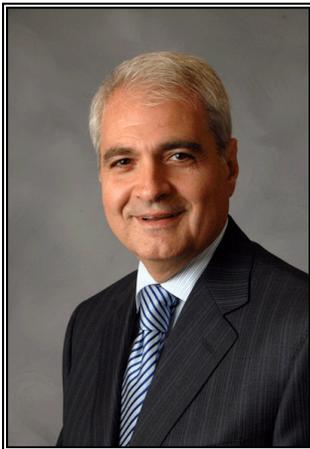
MaloneBailey's growth, 43%, is a testimony to the firm's commitment to stellar performance and firm specialization. Not only did the firm debut in 2011 as the Best of the Best Fastest-Growing firm in the nation, it also ranked No. 1 in the following IPA Fastest-Growing firms lists: 'Beyond the IPA

100' Fastest-Growing Firms, the All-Star Five Fastest-Growing Firms in the Great Plains region, and All-Star Five Fastest-Growing Firms by Net Revenue (\$10 million-\$15 million).

“The success of these firms is a tribute to their leadership. Their performance defies economic trends by recognizing the long-term goals that are needed in order to sustain growth through both prosperous times and down times,” says **Kelly Platt**, managing editor and publisher of IPA. “We salute both of these firms and recognize their overall management strategies as models that the profession can be quite proud of.” ■IPA

## IPA Best Of The Best's Merger Launches A New IPA 100 Grassi & Co., Expands Presence In New York City

Jericho, New York-based **Grassi & Co.** (FY10 net revenue of \$24.7 million) expanded its presence in New York City by acquiring **Pustorino, Puglisi & Co.**, a \$9.5 million single-office firm, four partners and 35 staff. Grassi's current 12 Manhattan staff will relocate to PP&Co.'s Madison Avenue location, giving them a stronger presence in New York City.



**Lou Grassi**

Grassi MP **Lou Grassi** knows the firm well – it was the first firm he worked for out of college, 30 years ago. “I knew all the people who worked there,” he says, “and we’ve been referring business back and forth for years.”

Conversations between the two firms began in June of 2011 when Grassi called PP&Co. MP **Rocco Totino**. “We knew we wanted to expand into certain niches that PP&Co. serves, and we’ve had great respect for the firm for a long time,” he adds.

The merger provides Grassi with desirable niches, specifically financial services, not-for-profits and high-end fashion companies, which will also provide the firm with a greater international profile.

Currently the Manhattan marketplace represents about 15% of Grassi's business. “We wanted to bring it to at least 25%,” he says. “They [PP&Co.] have a very large financial services practice, and they have a roster of very well known international companies that they handle. In addition they complement our not-for-profit practices group, and they have a number of manufacturing clients, which complements our manufacturing and distribution group, our second largest group.”

Grassi & Co. has been named an IPA Best of the Best firm for six consecutive years, turning in a solid record of steady growth before and during the recession. The merger will place Grassi & Co. into the IPA 100 for the first time, with estimated revenues of \$39 million. ■IPA