

# Accounting News Report

February 4, 2011

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### BDO Confident of Appeal

BDO USA said it will appeal a Florida jury's recent verdict that awarded a total of \$91.7 million in compensatory and punitive damage against the firm. "We are confident the verdict will be reversed on appeal as there were numerous reversible errors made by the court during this trial," the firm said. "The addition of punitive damages only serves to emphasize the injustice that has taken place." The firm is 3-0 in getting trial verdicts overturned on appeal in the Sunshine State in the past 15 years.

See Story, page 2

### SEC Client Departures Drop

No matter how you slice and dice the SEC departure or switch numbers for CY2010 they are most likely down compared to the previous year, in some cases considerably down. Big Four SEC audit engagements switched auditors 31.2% less than in CY2009. Overall SEC auditor engagements switched hands 8.7% less than they did in the previous year.

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### CB&H Adds to VA Footprint

Cherry, Bekaert & Holland/Richmond, Va. closed its third traditional M&A transaction since August 2010 in adding to its footprint in the Hampton Roads area.

See Story, page 9

### PCAOB Names Special Advisor

Less than a month after three appointees put the Board back to full strength, the PCAOB is adding Steven Richards as Special Adviser to PCAOB Chairman James Doty.

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## M&P Tops in 2010 SEC Audits

*M&A plays a role in many success stories.*

The CY2010 auditor change analysis did not answer the age-old question, is it better to buy a practice or build one, but it did demonstrate many established name firms used acquisitions to great advantage for SEC market in 2010.

McGladrey & Pullen/Bloomington, Minn. took the top spot in the CY2010 auditor change analysis, a key component of their "win" was the July acquisition of Caturano/Boston. The firm picked up 23 engagements out of their 33 for the full year, courtesy of the transaction with the New England powerhouse, including the biggest market cap audited gain (American Science and Engineering approximately \$674.1 million) and revenue audited gain (Casella Waste Systems approximately \$522.33 million) of 2010 for the firm.

M&A did play a big part of the firm's success story for CY2010, but it was not the whole success story. The firm's largest gain in assets audited, First National Community Bancorp (approximately \$1.4 billion) was picked up following the dismissal of Demetrius & Co./Wayne, N.J. in the final quarter of the year. The numbers further back up the fact the Caturano transaction augmented M&P's SEC practice success as opposed to totally accounting for it. The average market cap audited for the 23 clients picked up from Caturano was approximately \$100.35 million. The average revenue audited and assets audited for those clients were approximately \$76.63 million and \$145.78

See M&P TOPS, page 4.

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#### CY2010 Auditor Change Rankings by Category

Firm	Market Cap Audited	Revenue Audited	Assets Audited	Engagements	Audit Fees
McGladrey & Pullen <sup>1</sup>	2	2	3	2	2
KPMG	1	9	2	1	5
Mayer Hoffman McCann <sup>2</sup>	3	4	4	4	3
PricewaterhouseCoopers	8	3	1	3	1
Crowe Horwath	5	5	6	5	6
Grant Thornton	4	1	9	7	7
BDO USA	7	7	7	5	4
UHY <sup>3</sup>	6	6	5	9	8
Deloitte & Touche	10	8	8	8	9
Ernst & Young	9	10	10	10	10

**Editor's Note:** Firms are sorted in the chart based on overall CY 2010 Auditor Change Ranking. The number in each category is the individual firms placing 1-10. The CY2010 audit rankings are calculated based on audit change data for the calendar year analyzed by AuditAnalytics.com and ANR. Standings are determined by weighing net gains in market cap audited, net gains in revenue audited, net gains in assets audited, net SEC engagement wins, and net gains in audit fees.

<sup>1</sup>Firm affiliated with RSM McGladrey through an alternative practice structure. Firms operate under the McGladrey brand.

<sup>2</sup>CBIZ and MHM are affiliated through an alternative practice structure. <sup>3</sup>UHY and UHY Advisors are affiliated through an alternative practice structure.

Source: AuditAnalytics.com and ANR research

## Jury Awards More Than Seven Times Amount Invested After BDO Issued its Audit

Date	Investor	Investment	Amount
Jan. 14, 1998	Batchelor	Series 11 Debentures from Grand Court	\$3,000,000
Mar. 19, 1998	Batchelor Foundation	500,000 shares of Grand Court IPO	\$4,670,252
August 1998	Batchelor	Series B-1 Debentures from Grand Court	\$11,770,000
January 1999	Batchelor	Investment in Grand Court Properties	\$5,000,000
Feb. 16, 1999	Batchelor	Series B-2 and B-3 Debentures	\$17,000,000
Apr. 9, 1999	Batchelor	50% Interest in Leisure Centers LLC-2	\$5,000,000
Apr. 9, 1999	Batchelor	50% Interest in Leisure Centers LLC-3	\$5,000,000
May 1, 1999	Batchelor	50% Interest in Leisure Centers LLC-1	\$10,000,000
May 3, 1999	<b>BDO Issues Audit</b>		
June 17, 1999	Batchelor	One million shares of Grand Court stock	\$3,000,000
Aug. 17, 1999	Batchelor	Limited partnership interest in Nottingham Manor	\$3,400,000
Sept. 30, 1999	Batchelor	Limited partnership interest in Cumberland	\$3,400,000
Nov. 15, 1999	Batchelor	Limited partnership interest in Seaford Manor	\$2,550,000
<b>Total Investments</b>	<b>Batchelor Foundation</b>		<b>\$4,670,252</b>
<b>Total Investments</b>	<b>George Batchelor</b>		<b>\$69,120,000</b>
<b>Total Investments after BDO issues first audit</b>			<b>\$12,350,000</b>

Source: ANR research

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Managing Editor: Jonathan Hamilton  
jonathan.hamilton@accountingnewsreport.com  
(702) 283-9985

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**Editorial Offices: 1810 E Sahara Ave., Suite 1513, Las Vegas, NV 89104**

**Phone: (702)967-1727**

Email: cust\_serv@accountingnewsreport.com

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## BDO Confident of Appeal in Grand Court Case

Firm is 3-0 on appeal in Sunshine State.

BDO USA is confident a recent \$91.7 million jury verdict returned against the firm in south Florida will be erased on appeal.

The jury awarded \$36.7 million in compensatory damages and \$55 million in punitive damages to the estate of a deceased Florida philanthropist and a foundation he established.

The lawsuit, filed in 2002, alleged that BDO was at fault for not bringing financial problems to light for Grand Court Lifestyles/Boca Raton, Fla. as Florida philanthropist George Batchelor made a series of investments in the company that eventually filed for bankruptcy in 2000.

BDO replaced **Deloitte & Touche** on the engagement in 1999. Deloitte settled prior to trial.

BDO argued during trial that Batchelor couldn't have relied on their

audit for the entire amount of his investment in Grand Court, because he made the bulk of his investment prior to the first Grand Court audit issued by the firm on in 1999.

"We strongly disagree with jury's decision and we are confident the verdict will be reversed on appeal as there were numerous reversible errors made by the court during this trial," the firm said. "The addition of punitive damages only serves to emphasize the injustice that has taken place. The facts are that Grand Court was a very brief client of our firm's New York office in the late 1990s. In a sworn deposition prior to his death, Mr. Batchelor never mentioned BDO among a lengthy list of professionals and associates he relied on in making his decision to invest in Grand Court. Moreover, the vast

See *BDO Appeal*, page 9

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**Where The Audit Gains & Losses Came From CY2010**

		Big Four					Non-Big Four National Firms						Totals					
Firm		Deloitte	KPMG	E&Y	PwC	BDO USA	GT	McGladrey & Pullen <sup>1</sup>	Crowe Horwath	Mayer Hoffman McCann <sup>2</sup>	UHY <sup>3</sup>	Big Four	Non-Big Four Nationals	Regional & Local Firms	N/A	Total	Net	
Big Four	Deloitte	Gains	---	4	5	4	0	3	0	0	0	13	3	6	0	22	-9	
		Losses	---	7	2	6	1	1	0	0	0	1	19	3	12	1		31
	KPMG	Gains	7	---	12	7	1	5	2	0	0	0	26	8	12	0	46	-22
		Losses	4	---	6	6	2	0	0	0	0	0	16	2	4	2	24	
	E&Y	Gains	2	6	---	5	3	3	2	1	0	0	13	9	7	0	29	-20
		Losses	5	12	---	14	2	7	1	0	0	0	31	10	7	1	49	
	PwC	Gains	6	5	10	---	3	2	0	1	0	0	24	6	11	0	38	9
		Losses	6	7	6	---	0	3	1	0	0	0	19	4	6	0	29	
Non-Big Four National Firms	BDO USA	Gains	1	2	2	0	---	0	0	1	0	1	5	2	8	0	15	3
		Losses	0	1	3	3	---	0	0	0	0	0	7	0	3	2	12	
	GT	Gains	1	0	7	3	0	---	1	0	0	0	11	1	7	0	19	-7
		Losses	3	5	3	2	0	---	1	0	0	0	13	1	11	1	26	
	McGladrey & Pullen <sup>1</sup>	Gains	0	0	1	1	0	1	---	1	0	0	2	2	29	0	33	20
		Losses	0	2	2	0	0	1	---	1	0	0	4	2	7	0	13	
	Crowe Horwath	Gains	0	0	0	0	0	0	1	---	0	0	0	1	6	0	7	3
		Losses	0	0	1	1	1	0	1	---	0	0	2	2	0	0	4	
	Mayer Hoffman McCann <sup>2</sup>	Gains	0	0	0	0	0	0	0	---	0	0	0	0	9	0	9	7
		Losses	0	0	0	0	1	0	0	---	0	0	0	1	1	0	2	
	UHY <sup>3</sup>	Gains	1	0	0	0	0	0	0	0	---	1	0	1	0	2	-18	
		Losses	0	0	0	0	1	0	0	0	---	0	0	1	18	1		20

**Editor's note:** Totals do not include departures and engagements for named foreign affiliates e.g. BDO Dunwoody, Raymond Chabot Grant Thornton, etc...

<sup>1</sup> McGladrey & Pullen and RSM McGladrey/Minneapolis are affiliated through an alternative practice structure. <sup>2</sup> Mayer Hoffman McCann and CBIZ are associated through an alternative practice structure. <sup>3</sup> UHY provides attest services in an alternative practice structure with UHY Advisors, Inc.

Source: AuditAnalytics.com

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# Big Four Enjoy SEC Win/Loss Success in 2010

*Big Four departures or switches plunge 31.2%, overall departure or switch rate 8.7%*

The story of mapping SEC auditor change wins and losses breaks down pretty simply for CY2010: clients departed the Big Four, as a group, in favor of non-Big Four auditors, much less than 2009, non-Big Four departing SEC clients made up a bigger percentage of the Big Four wins and departures or switches across-the-board were down compared to 2009.

Departing SEC clients left a Big Four firm for a non-Big Four considerably less in CY2010 than CY2009, nearly half in just looking at the

top line departure numbers, 48 departures from Big Four firms to Non-Big Four firms in 2010 compared to 95 in CY2009. On a percentage basis Big Four clients traded the world of Big Four auditors for non-Big Four firms 36.1% of the time in 2010 compared to 49.5% in CY2009.

Maybe as troubling to non-Big Four firms is the profession's largest clients that departed or switched non-Big Four auditors in 2010 than they did in the prior calendar year, 44.9% to 40.8%.

When you intersect those two data points with the simple and indisputable fact that fewer SEC clients switched auditors in 2010 no matter what auditor group you look at and it adds up to a very successful year for the Big Four firms in terms of SEC wins and losses.

The Big Four had 31.2% fewer departures or auditor changes than occurred in 2009. The number has been on a straight down line since 2007 when

*See CY2010 DEPARTURES, page 10*

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## CY2010 Overall Audit Scorecard

Rank	Firm	Net Gain Market Cap Audited (\$)	Net Gain Revenue Audited (\$)	Net Gain Assets Audited (\$)	Net Gain Engagements Audited	Net Gain Audit Fees Audited (\$)
1	McGladrey & Pullen <sup>2</sup>	1,817,397,190	2,505,602,357	4,105,132,007	20	6,182,733
2	KPMG	47,867,599,260	-8,876,399,265	16,528,692,409	22	-45,304
3	Mayer Hoffman McCann <sup>3</sup>	522,906,960	251,467,028	235,653,196	7	1,333,475
4	PricewaterhouseCoopers	-9,564,516,520	-5,189,760,221	32,198,257,484	9	11,991,783
5	Crowe Horwath	-1,319,450,050	-320,420,490	-244,738,174	3	-455,596
6	Grant Thornton	316,277,300	5,061,403,962	-15,971,863,526	-7	-651,827
7	BDO USA	-3,449,085,760	-1,709,050,797	-5,091,205,850	3	644,013
8	UHY <sup>1</sup>	-491,407,970	-1,173,043,067	-1,062,176,617	-18	-6,228,890
9	Deloitte & Touche	-49,141,557,250	2,183,313,372	-10,064,099,219	-9	-11,358,153
10	Ernst & Young	-18,497,080,630	-12,061,102,437	-128,190,601,159	-20	-32,928,343

**Editor's Note:** Firms are sorted in the chart based on overall CY 2010 Auditor Change Ranking. The CY2010 rankings are calculated from auditor change data for 2010 analyzed by AuditAnalytics.com and ANR. Standings are determined by weighing net gains in market cap audited, net gains in revenue audited, net gains in assets audited, net engagement wins and net gains in audit fees. <sup>1</sup> UHY and UHY Advisors are affiliated through an alternative practice structure. <sup>2</sup> Firm affiliated with RSM McGladrey through an alternative practice structure. Firms operate under the McGladrey brand. <sup>3</sup> CBIZ and MHM are affiliated through an alternative practice structure. Source: AuditAnalytics.com and ANR research

**M&P TOPS**, continued from page 1.

million respectively. M&P's 10 wins outside the Caturano wins had an average market cap of approximately \$123.73 million, average revenue audited of \$90.66 million and average assets audited of \$288.43 million. M&P and **RSM McGladrey**/Minneapolis are affiliated through an alternative practice structure.

**KPMG** rode the strength of its 46 engagement wins, the most among Big Four firms, to a second place finish in the analysis. The firm's biggest win, revenue audited-wise, for CY2010 was Old

Republic International/Chicago, in the first half of the year.

M&A played a role in **Mayer Hoffman McCann**'s third-place finish for CY2010. MHM affiliated with CBIZ through an alternative practice structure, participated in two accounting firm M&A transactions in 2010 and those transactions accounted for all nine of the firm's wins in the calendar year. MHM's SEC practice posted a net gain in market cap audited of more than a half billion dollars for CY2010.

**PricewaterhouseCoopers** finished fourth in the CY2010 analysis. The firm had 38 engagement wins for the quarter, second-most among the Big Four firms for

the year. "We're pleased that companies are moving to PwC at a time when investors, regulators and companies expect greater quality from their auditors." said PwC Vice Chairman Assurance Practice Timothy F. Ryan.

PwC's win of Ameriprise Financial/Minneapolis (Revenue: approximately \$7.95 billion and assets of \$113.77 billion) was a key factor in PwC's finish but it impacted the analysis in **Ernst & Young**'s finish outside the top five in the analysis. The CY2010 analysis and rankings would have looked far different sans that auditor change.

See **M&P TOPS**, page 6

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**CY2010 Large Accelerated Filer Standings**

Auditor	Sum of Win	Sum of Loss	Sum of Net
PricewaterhouseCoopers/New York	6	-5	1
Marcum/Melville, N.Y.	1		1
KPMG/New York	6	-6	0
BDO USA/Chicago	1	-1	0
Ernst & Young/New York	6	-7	-1
Deloitte & Touche/New York	3	-4	-1
<b>Total</b>	23	-24	-1

Source: AuditAnalytics.com and ANR research

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**CY2010 Accelerated Filer Standings**

Firm/HQ	Sum of Win	Sum of Loss	Sum of Net
KPMG/New York	19	-6	13
PricewaterhouseCoopers/New York	11	-5	6
McGladrey & Pullen/Bloomington, Minn. <sup>1</sup>	8	-2	6
Marcum/Melville, N.Y.	6	-2	4
Frazer Frost/Brea, Calif. <sup>2</sup>	6	-3	3
BDO USA/Chicago	5	-3	2
Davidson & Co./Vancouver	2		2
Plante & Moran/Southfield, Mich.	2		2
EisnerAmper/New York	2		2
Friedman/New York	3	-2	1
EFP Rotenberg/Rochester, N.Y.	1		1
BKD/Springfield, Mo.	1		1
Mayer Hoffman McCann/Leawood, Kan. <sup>3</sup>	1		1
JH Cohn/Roseland, N.J.	1		1
Meyers Norris Penny /Toronto	1		1
BDO Limited/Hong Kong	1		1
Castillo Miranda y Compania/Mexico City	1		1
BDO Ziv Haft/Tel Aviv, Israel	1		1
BKM Sowan Horan/Dallas	1		1
WeiserMazars/New York	1		1
Hein & Assoc./Denver	1	-1	0
Frost/Little Rock, Ark.	1	-1	0
Moss Adams/Seattle	1	-2	-1
Deloitte & Touche/New York	6	-10	-4
Ernst & Young/New York	10	-16	-6
Grant Thornton/Chicago	6	-12	-6
Other	0	-38	-38
<b>Total</b>	99	-103	-4

<sup>1</sup> Firm affiliated with RSM McGladrey through an alternative practice structure. Firms operate under the McGladrey brand. <sup>2</sup> Firm de-merged in December. Firm affiliated with CBIZ through an alternative practice structure. Source: AuditAnalytics.com and ANR research

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**CY2010 SEC Auditor Change Leaders by Filing Status**

Category	Firms
Overall SEC Quarterly Audit Winner	McGladrey & Pullen
Large Accelerated Filer	PricewaterhouseCoopers Marcum
Accelerated Filer	KPMG
Non-Accelerated Filer	KPMG
Smaller Reporting Company	Friedman

Source: AuditAnalytics.com and ANR research

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**CY2010 Non-Accelerated Filer Standings**

Auditor	Sum of Win	Sum of Loss	Sum of Net
KPMG/New York	8	-3	5
PricewaterhouseCoopers/New York	9	-6	3
MaloneBailey/Houston	3		3
BDO Limited/Hong Kong	2		2
BDO Canada	2		2
EisnerAmper/New York	2		2
Grant Thornton/Chicago	3	-2	1
Demetrius & Co./Wayne, N.J.	1		1
Sherb & Co./New York	1		1
Reznick Group/Bethesda, Md.	1		1
Collins Barrow Toronto/Toronto	1		1
Paritz & Co./Hackensack, N.J.	1		1
Crowe Horwath HK/Causeway Bay, Hong Kong	1		1
RBSM/McLean, Va.	1		1
Hein & Assoc./Denver	1		1
John Kinross-Kennedy/Irvine, Calif.	1		1
Pannell Kerr Forster Texas /Houston	1		1
MSPC/Cranford, N.J.	1		1
ACAL Group/Vancouver	1		1
BDO China Li Xin Da Huas/Beijing	1		1
Davidson & Co./Vancouver	1		1
Marcum /Melville, N.Y.	1		1
Parker Randall CF/Hong Kong	1		1

Source: AuditAnalytics.com and ANR research

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## CY2010 Smaller Reporting Company Standings

Firm/HQ	Sum of Win	Sum of Loss	Sum of Net
Friedman/New York	44	-7	37
Marcum/Melville, N.Y.	32	-3	29
EisnerAmper/New York	27	-1	26
MaloneBailey/Houston	36	-12	24
Sadler Gibb & Assoc./Farmington, Utah	21		21
Frazer Frost/Brea, Calif.	27	-10	17
McGladrey & Pullen/Minneapolis <sup>1</sup>	24	-8	16
Bongiovanni & Assoc./Cornelius, N.C.	14		14
M&K/Houston	27	-14	13
De Joya Griffith & Co./Henderson, Nev.	26	-14	12
Malcolm L Pollard/Erie, Pa.	10		10
Crowe Horwath HK/Hong Kong	9		9
Baker Tilly Hong Kong/Hong Kong	10	-2	8
Mark Bailey & Co./Reno, Nev.	9	-1	8
Moss, Krusick & Assoc./Winter Park, Fla.	8		8
Baker Tilly Virchow Krause/Chicago	8	-1	7
Peter Messineo/Palm Harbor, Fla.	7		7
Silberstein Ungar/Bingham Farms, Mich.	17	-10	7
JH Cohn/Roseland, N.J.	6		6
Mayer Hoffman McCann/Leawood, Kan. <sup>2</sup>	8	-2	6
Michael Larsen/Sandy, Utah	6		6
Sam Kan & Co./Alameda, Calif.	10	-4	6
Saturna Group Chartered Accountants/Vancouver	7	-1	6
Windes & McClaughry/Long Beach, Calif.	6		6
ABBM Group/Houston	5		5
Gumbiner Savett/Santa Monica, Calif.	6	-1	5
Lake & Assoc./Schaumburg, Ill.	9	-4	5
Meeks International/Tampa, Fla.	6	-1	5
Q Accountancy/Laguna Niguel, Calif.	6	-1	5
Randall N Drake/Clearwater, Fla.	5		5
Yichien Yeh/Forest Hills, N.Y.	5		5
Anton & Chia/Newport Beach, Calif.	5	-1	4
Bernstein & Pinchuk/New York	7	-3	4
Daszkal Bolton/Boca Raton, Fla.	4		4
Hamilton/Denver	4		4
Madsen & Assoc./Murray, Utah	9	-5	4
Meyers Norris Penny/Toronto	5	-1	4
Rose Snyder & Jacobs/Encino, Calif.	4		4
Salberg & Co./Boca Raton, Fla.	6	-2	4
Stan JH Lee/Fort Lee, N.J.	7	-3	4
Other	450	-875	-425
Totals	942	-987	-45

## M&amp;P TOPS, continued from page 4

Staying with the impact of M&A on the full year results, UHY's numbers were affected by M&A, but on a different side of the coin than we have previously discussed, the loss side. In looking at top line SEC "win and loss" figures one might think UHY, UHY LLP and UHY Advisors are affiliated through an alternative practice structure, suffered through 2010, but 14 of the firm's 20 losses were related to the spring sale of its New England practice to **Marcum/Melville, N.Y.** The firm's results in the SEC auditor change analysis would have looked far different without the impact of the sale.

Moving beyond the individual breakdown of the profession's largest firms, M&A also played a large role in other firms' 2010 SEC success.

**Friedman**/New York and **Marcum** both posted breakout results, in terms of SEC engagement wins, propelled in part by their 2010 acquisitions.

Friedman had the most SEC engagement wins for CY2010, 47.

Just going by straight numbers, Friedman's January 2010 deal with **Bagell Josephs Levine & Co./Marlton, N.J.**, boosted the firm by 25 SEC engagement wins. But the transaction was far more beneficial than just the 25 engagements. The deal put the firm in a great position to increase its market share in the Chinese SEC registrant audit market as two market conditions converged: the Chinese economy barreling ahead at breakneck speed and **Frazer Frost/Brea, Calif.**, who had a fairly significant piece of the market, struggling with the fallout from Chinese client RINO International's disclosure in November that a certain percentage of contracts and revenue were non-existent. Friedman picked up three Chinese audit clients as they dumped Frazer Frost in December. Frazer Frost lost 14 engagements in 2010 with seven being Chinese audit clients, according to AuditAnalytics.com auditor change data. The two firms that merged to create Frazer Frost, Frost/Little Rock, Ark. and Moore Stephens Wurth Frazer Torbet announced in December 2010 they were going their separate ways.

The head of Friedman's SEC Group N.J. MP Jeff Zudeck said the firm's Bagell merger really boosted the firm. "The merger was a case of 1+1=3," Zudeck told ANR. "It opened up a different contact base."

While the merger itself had a positive impact on the firm's SEC practice, he said

See M&P TOPS, page 9.

<sup>1</sup> Firm affiliated with RSM McGladrey through an alternative practice structure. Firms operate under the McGladrey brand. <sup>2</sup> MHM and CBIZ affiliated through an alternative practice structure Source: AuditAnalytics.com and ANR research

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**Auditor Change Scorecard CY2010**

Firms with Most SEC Entity Wins in CY2010			Firms with Most SEC Entity Losses in CY2010		
Accounting Firm/HQ	Engagements	Revenue Audited	Accounting Firm/HQ	Engagements	Revenue Audited (\$)
Friedman/New York	47	\$1,441,140,411	Ernst & Young/New York	49	\$27,844,525,401
KPMG/New York	46	\$14,118,251,370	Deloitte & Touche/New York	31	\$6,487,234,277
Marcum/Melville, N.Y.	40	\$2,377,632,760	PricewaterhouseCoopers/New York	29	\$26,719,003,572
MaloneBailey/Houston	39	\$535,014,683	Grant Thornton/Chicago	26	\$3,191,747,537
PricewaterhouseCoopers/New York	38	\$21,529,243,351	Moore Stephens Wurth Frazer & Torbet/Brea, Calif.	26	\$3,628,710,152
Frazer Frost/Brea, Calif.	34	\$4,991,556,112	Caturano & Co./Boston	26	\$1,871,800,062
McGladrey & Pullen/Minneapolis <sup>1</sup>	33	\$2,669,088,347	KPMG/New York	24	\$22,994,650,635
EisnerAmper/New York	32	\$1,928,228,110	UHY/Chicago <sup>3</sup>	20	\$1,192,661,067
Ernst & Young/New York	29	\$15,783,422,964	Kempisty & Co./New York	17	\$563,847,733
Deloitte & Touche/New York	22	\$8,670,547,649	Stonefield Josephson/Los Angeles	16	\$1,012,643,500
Grant Thornton/Chicago	19	\$8,253,151,499	Frazer Frost/Brea, Calif.	14	\$3,404,075,812
BDO USA/Chicago	15	\$1,141,124,310	McGladrey & Pullen/Minneapolis <sup>1</sup>	13	\$163,485,990
Crowe Horwath HK/Hong Kong	10	\$612,046,376	BDO USA/Chicago	12	\$2,850,175,107
Baker Tilly Hong Kong/Hong Kong	10	\$346,098,121	AGCA/Hong Kong, Hong Kong	10	\$616,545,236
Mayer Hoffman McCann/Leawood, Kan. <sup>2</sup>	9	\$301,847,168	Friedman/New York	9	\$339,258,430
JH Cohn/Roseland, N.J.	7	\$859,170,720	Jimmy C.H. Cheung & Co./Hong Kong	8	\$338,457,880
Crowe Horwath/Oak Brook, Ill.	7	\$246,621,349	Frost/Little Rock, Ark.	6	\$1,241,697,960
Li & Co./Skillman, N.J.	7	\$143,736,000	Acquavella Chiarelli Shuster Berkower & Co./Iselin, N.J.	6	\$299,821,876
Weinberg & Co./Boca Raton, Fla.	7	\$128,356,950	Sherb & Co./New York	5	\$570,600,000
Bernstein & Pinchuk/New York	7	\$114,616,900	Marcum/Melville, N.Y.	5	\$499,873,000
Albert Wong & Co./Hong Kong	6	\$552,343,657	Crowe Horwath/Oak Brook, Ill.	4	\$567,041,839
BDO Limited/Hong Kong	6	\$287,654,400	ParenteBeard/Philadelphia	4	\$3,097,541,000
Windes & McClaughry/Long Beach, Calif.	6	\$186,600,170	PKF/Hong Kong	4	\$273,344,000
Hein & Assoc./Denver	6	\$182,880,980	GHP Horwath/Denver	4	\$195,844,500
Davidson & Co./Vancouver	5	\$641,612,240	Mayer Hoffman McCann/Leawood, Kan. <sup>2</sup>	2	\$50,380,140
BDO China Li Xin Da Hua/Beijing	4	\$330,655,300	Baker Tilly Hong Kong/Hong Kong	2	\$421,854,000
Mountjoy Chilton Medley/Louisville, Ken.	3	\$356,238,100	Goldman Kurland and Mohidin/Encino, Calif.	2	\$343,594,000
Plante & Moran/Southfield, Mich.	3	\$202,046,000	Schwartz Levitsky Feldman/Toronto	2	\$329,504,345
Davis Accounting Group/Cedar City, Utah	3	\$169,074,700	Mazars/New York	1	\$460,900,000
BKD/Springfield, Mo.	3	\$167,898,000	PKF/New York	1	\$396,477,000
Goldman Kurland and Mohidin/Encino, Calif.	3	\$143,336,000	JTC Fair Song/Shenzhen, China	1	\$381,193,000
Kabani & Co./Los Angeles	3	\$126,450,810			
Mazars/Paris	2	\$172,821,200			
BKM Sowan Horan/Addison , Texas	2	\$145,285,000			
UHY/Chicago <sup>3</sup>	2	\$19,618,000			
Castillo Miranda y Compania/Mexico City	1	\$1,473,070,000			
Frost/Little Rock, Ark.	1	\$918,170,000			
WeiserMazars/New York	1	\$460,900,000			

Editor's Note: N/A: Not available. <sup>1</sup> Firm affiliated with RSM McGladrey through an alternative practice structure. <sup>2</sup> Firm affiliated with CBIZ through an alternative practice structure. <sup>3</sup> UHY LLP is affiliated with UHY Advisors through an alternative practice structure. <sup>4</sup> Firm de-merged in December. Source: AuditAnalytics.com and ANR research.

## People and Promotions

**Bonadio**/Pittsford, N.Y. admitted **Bettina Lipphardt, John Magee, Janine Mangione** and **Michael Smith** as partners. Lipphardt, based in the firm's Syracuse office, rejoined the firm in 2007 with experience in serving non-profit and governmental agencies. She now specializes in providing accounting and auditing services to tax-exempt and healthcare organizations. Magee is a partner in the firm's Enterprise Group. He is based in Rochester, N.Y. Magee has served as the firm's CFO and COO since 2004. Mangione joined the healthcare division in 2004. Smith is the firm's newest partner on its Albany Forensic Accounting team. He specializes in New York State agencies, construction contractors, auto dealerships, and manufacturers.

**Carr, Riggs & Ingram**/Enterprise, Ala. admitted **Oliver Holmes** as a partner in its Atlanta office. Prior to joining the firm, Holmes was a partner with **Tarpley & Underwood**/Atlanta.

**DiCicco, Gulman & Co.**/Woburn, Mass. promoted **Laura Barooshian** and **Cheryl Burke** to partners at the firm. Barooshian, who joined the firm in 2000, is a partner in the Private Clients Group. Burke, the firm's COO, is a partner in the Operations Group. She joined the firm in 2006.

**Mary Beth Norwood** is Reznick Group's new Baltimore office Co-MP. In her new role, Norwood will partner with Co-Office MP **Gary Perlow** to continue overseeing the growth of the Baltimore office. She succeeds **Joel Cohn**, whose term as Office Co-MP expired. Norwood has been with **Reznick Group**/Bethesda, Md. 17 years. In the fall of 2003, Norwood relocated from Baltimore to Sacramento, Calif. to help open Reznick Group's first west coast office. She played an integral role in the initial staffing decisions, training and development of Sacramento office employees, and building the foundation that has enabled that office to grow from 17 employees to more than 60 during her tenure, according to the firm. She also served as the audit professional practice leader for the office. She returned to the firm's Baltimore office in the fall of 2007.

## Accounting News Report

### 2011 Accounting M&A Deals by Region

Northeast	South	Midwest	West
5	4	1	4

Editors Note: Charts only include transactions with an effective date through Feb. 4.  
Source: ANR research

### 2011 Accounting M&A Deals by Market

Atlanta	Tampa/St. Petersburg	Knoxville, Tenn.	Hampton Roads	New York City	Northern New Jersey	Boston
1	1	1	1	3	1	1

Columbus, Ohio	Los Angeles	San Francisco	Southeastern Washington	Albuquerque, N.M.
1	1	1	1	1

Editors Note: Southeastern Washington is Washington state.  
Source: ANR research

## Accounting News Report

### 2011 Accounting Firm M&A Tracker

Surviving Firm/HQ	Acquiring Firm/HQ	Acquired Firm/HQ	Month
Cherry, Bekaert & Holland/Richmond, Va.	Cherry, Bekaert & Holland/Richmond, Va.	Burrus Paul & Turnbull/Virginia Beach, Va.	February
LarsonAllen/Minneapolis	LarsonAllen/Minneapolis	Hansen NvO/Kennewick, Wash.	January
Windham Brannon/Atlanta	Windham Brannon/Atlanta	Tarpley & Underwood/Atlanta	January
Morrison, Brown, Argiz & Farra/Miami	Morrison, Brown, Argiz & Farra/Miami	ERE/New York	January
Gregory, Sharer & Stuart/St. Petersburg, Fla.	Gregory, Sharer & Stuart/St. Petersburg, Fla.	Hevia Beagles & Co./St. Petersburg, Fla.	January
BlumShapiro/West Hartford,Conn.	BlumShapiro/West Hartford,Conn.	Needel, Welch & Stone/Rockland, Mass.	January
Rosen Seymour Shapss Martin & Co./New York	Rosen Seymour Shapss Martin & Co./New York	Kahn, Hoffman & Hochman/New York	January
Vanacore, DeBenedictus, DiGiovanni & Weddell/Newburgh, N.Y.	Vanacore, DeBenedictus, DiGiovanni & Weddell/Newburgh, N.Y.	Lesnick and Paradie/Tarrytown, N.Y.	January
Clifton Gunderson/Milwaukee	Clifton Gunderson/Milwaukee	Meyners + Co./Albuquerque, N.M.	January
Clifton Gunderson/Milwaukee	Clifton Gunderson/Milwaukee	Durkin Forensic/Los Angeles	January
Howard, Wershale & Co./Cleveland	Howard, Wershale & Co./Cleveland	Cummins, Krasik & Hohl/Columbus, Ohio	January
Wiss & Co./Livingston, N.J.	Wiss & Co./Livingston, N.J.	Cust, Dori & Benick/Flemington, N.J.	January
Pugh & Co./Knoxville, Tenn.	Pugh & Co./Knoxville, Tenn.	Bacon Howard & Co./Knoxville, Tenn.	January
Hayashi and Wayland/Salinas, Calif.	Hayashi and Wayland/Salinas, Calif.	Cater and Stiles/Carmel, Calif.	January

**Editors Note:** Transactions are included in the month they became effective, not necessarily the month they were announced. A good example is the **Anderson ZurMuehlen and Co./Helena Mont.** and **Hamilton Misfeldt and Co./Great Falls, Mont.** Deal, announced in last week's issue. The firm's announced the merger in January but its effective date is July 1. This chart covers deals that have an effective date through February. This chart lists only deals between accounting firms and does not include transactions where an accounting firm buys a consulting firm or a non-accounting business.

Source: ANR research



the work the firm had been doing in the private equity arena for the past few years really began paying off in 2010.

“The price sensitivity in the market and Friedman’s international capabilities, through DKF International, also helped the firm last year,” he added.

Zudek expects the firm’s success in China to continue in 2011.

“We see a lot of opportunity there,” he said.

The firm sees good things outside China as well.

“We are seeing a little more M&A activity [among SEC registrants],” Zudek said. “The transaction work sometimes gives us an entrée into proposing on audit work.”

Outside the U.S., the firm hopes to leverage its Chinese success into similar success in India.

“We hope we can grow that business the way we have our China practice,” he said. “We are involved with several companies in India. There is not the language and handwriting barrier there is in China. That gives us the ability to utilize U.S. staff that want to work on the engagements.”

Marcum’s 2010 acquisitions of **Stonefield Josephson**/Los Angeles and UHY’s New England practice contributed 29 of the firm’s 40 wins for CY2010. An acquisition from 2009, **Rachlin**/Miami, bumped the firm’s SEC engagement win total in 2010 to 30, related to its M&A activity.

Much like other firms posting solid results in the analysis, China figures into Marcum’s plans too. The firm closed out 2010, agreeing to terms in December with **Bernstein & Pinchuk**/New York to merge their China practices to create **Marcum Bernstein and Pinchuk**, in a deal effective Jan. 1, 2011.

“Marcum’s stated business plan has been to grow the firm into being a boutique national firm with a focus on entrepreneurs and middle market companies,” said Marcum’s NYC Partner-in-Charge of the SEC Practice Group David Bukzin. “We want to be viewed by the business community as being a true alternative to the Big Four. The strategic mergers and acquisitions during the past year have gone a long way to accomplishing our stated goals. We are now clearly one of the top 10 auditors of public companies in the U.S. and look forward to expanding our footprint in 2011 and beyond.”

No discussion of SEC firm annual success would be complete without touching on **MaloneBailey**/Houston.

The firm was involved in both prime movers for many SEC firms in 2010: M&A and China. The firm had an acquisition in May, although it didn’t directly boost the firm’s 2010 SEC engagement win total of 39.

Outside of that, firm founder and SEC Practice Leader John Malone, has been blogging about the effect of M&A on the end of the SEC market he and his firm have traditionally dominated, the micro-caps. Malone’s blog is understandably titled, **Microcap Blog**.

In addition to its May acquisition, the firm did have a strategic acquisition of staff and clients from **Kempisty & Co.**/New York at the start of the year that augmented its China practice. The firm’s revenue related to China in 2010 increased five-fold from 2009 revenue. Malone said a factor in the firm’s success was the approach they used in entering the market.

“Many of the firms were competing mainly on price,” he told *ANR*. “When we came into the market, we came in different. We hired former Big Four people, fluent in Mandarin and focused on quality.”

MaloneBailey Audit Partner George Qin, Chinese Audit Practice leader, said the Chinese market is going through a bit of transition currently.

“The mentality right now is that people think they need a Big Four firm,” he said. “Many will switch. But in the end they will switch back.”

Back at home, Malone said the micro-cap market was also going through a transition, because of the efforts of the **PCAOB** to clean out auditors doing shoddy work.

“The new competitors that entered the market are not like the ones they have replaced, they are competent and proficient making the competition much tougher,” he said.

Despite the tougher environment, Malone has a positive outlook with some reservation.

“I am bullish,” he said. “The unknown is how much recovery we will get and how fast we will get it.” ■

**Editors Note:** The annual auditor change analysis and rankings are calculated from analysis of an entire calendar year of auditor changes compiled by **AuditAnalytics.com**. Standings are determined by weighing net gain in market cap of clients involved in auditor changes, net gains in the revenue audited of engagements involved in auditor changes, net gains in the assets audited of engagements involved in auditor changes,

majority of Mr. Batchelor’s investments took place prior to BDO issuing its audit opinion on May 3, 1999. The Batchelor Foundation’s sole investment took place seven months before BDO was hired and more than a year before an audit was issued BDO’s audits of Grand Court conformed to all Generally Accepted Auditing Standards. We look forward to reversing this verdict on appeal.”

The firm’s confidence is more than false bravado or posturing as it has a solid record on appeal in Florida. Since 1995 the firm has a spotless 3-0 record in getting trial verdicts overturned on appeal in the Sunshine State. The latest win for the firm was June 2010 in the Third District Court of Appeal. The court tossed out a \$521.7 million jury award against BDO in the Banco Espirito Santo case.

The same lawyer representing the plaintiffs in the so-called Batchelor case, Steven Thomas, represented the plaintiffs in the Banco Espirito Santo case. ■

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## CB&H Expands, Again

**Cherry, Bekaert & Holland**/Richmond, Va. added to its home state footprint with the acquisition of **Burrus Paul & Turnbull**/Virginia Beach, Va.

The deal, effective Feb. 1, 2011, adds two partners and nine professionals to CB&H’s presence in the Hampton Roads area. Post-acquisition, the firm has nine partners, more than 80 professionals and offices in Virginia Beach, Norfolk and Newport News in the area.

“Hampton Roads is one of CB&H’s key markets, so we are pleased to add the resources and talent of BP&T through this acquisition,” said CB&H MP Howard Kies. Expanding our service reach into Norfolk and Newport News provides us with a solid foundation to support our continued growth.”

Since last summer the firm has completed a bushel of deals. CB&H closed out 2010 expanding its south Florida operations adding 115 former **Berenfeld Spritzer Shechter & Sheer**/Coral Gables, Fla. partners and professionals from the defunct firm.

CB&H also closed two traditional M&A deals in 2010: **McLeod & Co.**/Roanoke, Va. (Seven partners and 30 professionals), effective Nov. 15 and **Braver Schimler Pierce Jenkins**/Atlanta, effective Aug. 1.

# Richards to Join PCAOB as Special Advisor to Chairman

Steven Richards will join the **PCAOB** as Special Adviser to Chairman James Doty at the end of March.

He joins the PCAOB from FTI Consulting's Washington, D.C., office where he was a Managing Director in the Forensic and Litigation Consulting segment. In that role, he assisted boards, special committees and trustees with complex, fact-finding accounting investigations, most involving SEC enforcement and financial reporting issues, according to the PCAOB. The PCAOB said most recently, he was a key member of the forensic investigations team retained by the Trustee on the Bernard Madoff matter.

Richards served as SEC Assistant Chief Accountant in the Division of Enforcement from 2004 to 2008. In that role, he was responsible for investigating a variety of high profile matters involving complex technical accounting, financial reporting and disclosure issues, as well as the evaluation of the adequacy of procedures performed by independent auditors, according to the PCAOB.

Doty was appointed PCAOB Chairman Jan. 7 along with PCAOB Board Members Jay Hanson and Lewis Ferguson.

Prior to the appointments in January the PCAOB had two Board members continuing to serve after their terms expired and a vacancy in the Chairman's spot since Mark Olson stepped down in 2009.

*CY2010 DEPARTURES, continued from page 3*

there were 323 Big Flour SEC engagements that switched hands.

It stands to reason that with such a huge drop in the number of Big Four firm departures or switches, the overall figure would also be down and it was, nearly 9%, 8.7% to be exact.

The smallest drop in departure or switch percentage was in the regional and local firm group, 4.6%.

The Big Four departures or switches figure for 2010 is down significantly, 57.6%, versus the departure or switch figure for the group in CY2007. The regional and local firm departure or switch figure for the same time periods is down 8.7%.

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