

BDO Takes the Lead in 2013

MaloneBailey joins Top 100 Firm atop list of SEC client gains

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By any measure, BDO USA had a great 2013 in terms of Securities and Exchange Commission audit clients.

Anyone familiar with the Top 100 Firm's string of high-profile mergers would expect it to have picked up a large number of new clients by acquisition -- and it did, bringing in 34 new clients when it acquired firms like Moquist Thorvilson Kaufmann, a Minneapolis firm that it brought on board in June. Those gains alone would have put it well ahead of all of its large-firm competitors, but BDO also grew the practice organically, adding more than 30 new clients that way, too -- again, more than most of the competition. All told, the firm added 65 new audit clients, and netted 57 for the year. ([Click here to see the our list of the top 2013 client gains and losses.](#))

"Success breeds success," explained Wendy Hambleton, the national director of the firm's SEC practice. "You get a big win and people hear about that, or a company goes public and people hear about that, or you work with lawyers or underwriters, and the next time they say, 'Oh, BDO does this well, let's call them.'"



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BDO generally pursues clients that are between \$100 million and \$5 billion, with a large concentration around \$500-\$600 million. Nationally, Hambleton said, "We focus more on the size characteristics, and then depending on the region of the country, we let the individual offices assess their expertise."

So, for instance, the firm's West Coast offices have created strong practices in the high tech and biotech industries -- and it built up its banking and financial institutions practice in the Mid-Atlantic states with the June addition of some staff and clients of Top 100 Firm ParenteBeard's practice in that area, which brought with it over 30 new clients.

"Banking is one of the industry groups that we focus in, and we have a banking practice across the country in certain pockets," Hambleton said. "We had some history with the Beard Miller side of the practice [ParenteBeard was created by the 2009 merger of Parente Randolph and Beard Miller], so we knew some of those people already and have consulted back and forth with them when they were part of the BDO Alliance. And it made a nice fit. They brought something and we brought something, and together we thought we'd have something better."

The rapid increase in new business has the firm carefully monitoring its resources in terms of staff and expertise. With M&A, BDO makes sure that the acquired accounting firms have the resources they need for their own clients, and then looks to see what expertise they can bring up to the national level.

"We constantly look at, at what point do we need to bring in more resources," Hambleton said. "Do we need more people to handle the technical requirements of these new clients?' Yes, we have added resources, and will continue to do so in the future at the national office level."

The firm also works to leverage the broad range of auditing and industry expertise available to it -- both home-grown and acquired -- by assigning staff to different engagement teams and different clients. "For instance, with the banking practice, we've tried to mix it up, to get the benefit of all the different experience," Hambleton explained. "If we mix engagement teams up, I think everyone benefits more."

STANDING OUT

Among smaller firms, Texas-based MaloneBailey is the undisputed leader in new SEC audit clients for 2013 - and it's far ahead of most large and national firms, too, running neck and neck with BDO with 63 overall new clients, and a net of 47. ([Click here to see the list of **overall engagement leaders**.](#))

"The pace for this year is certainly one of our better years," said Steven Vertucci, who has been an audit partner with the firm for over 14 years. "In the last 12-24 months, we've really differentiated ourselves from the competition."

The firm primarily serves small public companies with revenues anywhere from nothing up to \$100 million; many are non-accelerated filers on bulletin boards or the over-the-counter markets, with some on the Nasdaq and Amex exchanges.

One of the keys to MaloneBailey's ability to set itself apart for those clients, Vertucci explained, is its unusual level of expertise.

"We're unique in that we have more SEC partners than our non-national competitors - we have five partners who focus on it year-round, compared to our counterparts. Most of the smaller firms generally only have a couple of partners, so they're not as focused as we are," he said. "We are one of only nine firms in the world that are inspected annually by the Public Company Accounting Oversight Board, along with the Big Four and major national firms. ... We have more SEC specialists working on public companies around the world than most firms have clients. We're really the experts when you're talking about small public companies. The large firms are too large, and the smaller firms lack the expertise and depth."

A strong referral network and a strong client service ethic are also important differentiators. "A very significant part of our growth is due to really great client service, because we recruit and retain strong talent," said marketing and communications manager Caroline Rosen. "The fact that we have this excellent staff has really paid off for us."

Both Rosen and Vertucci emphasized the critical role played by MaloneBailey's marketing department and its recently developed marketing plan in driving new-client acquisition. "One thing that has really helped to drive our growth is that all of our partners are really engaged in this marketing plan, and that has contributed directly to the success of the plan," Rosen said.

Data for the quarterly rankings are provided by Audit Analytics, a premium online intelligence service delivering audit, regulatory and disclosure analysis. Reach them at (508) 476-7007, info@auditanalytics.com or www.auditanalytics.com.