

# Long Island Business NEWS

LONG ISLAND BUSINESS NEWS | June 26-July 2, 2015 | LIBN.COM | 33

## **DOLLAR DETECTIVES**

Growth in computer fraud  
fuels demand for forensic  
accountants **34**

## **LI** FOCUS

Accounting

## **ONES TO WATCH**

in Accounting **41**

# MAKING UP FOR LOST COMPANIES

With fewer prospects on LI, CPAs serving public firms must cast a wider net

By BERNADETTE STARZEE

**T**he number of public companies on Long Island has shrunk in recent years, translating to fewer clients for the public company practices at the region's accounting firms.

Accountants have looked to several alternatives – including private companies and New York City – to make up for the decline.

Recent acquisitions of Port Washington-based Pall Corp. and Lake Success-based Dealertrack are the latest in a string of purchases of Long Island-based companies from out-of-state corporations. Other public companies have packed their bags in recent years, trading the Island's beaches for less pricey locales – often lured by incentives from those places, and taking with them thousands of jobs and work for the professional service firms that advise them.

Further, the ranks of public companies in general were cut by the recession and increasing compliance requirements, causing some to go out of business and others to delist.

Following the economic downturn, “the capital markets dried up, and there weren't as many initial public offerings,” said Matthew Jahrsdoerfer, an audit

principal at Grassi & Co., an accounting firm with offices in Jericho.

Further, he said, increased compliance costs stemming from the Sarbanes-Oxley Act of 2002 finally caught up with small and midsized businesses.

“At first, everyone was doing well – the public market was doing well, capital markets were funding companies – and companies were able to absorb the compliance costs,” Jahrsdoerfer said. “But the recession hurt these companies, and investment banks stopped funding them.”

In today's regulatory environment, “it's extremely expensive to be a public company, especially for small companies, such as those with less than \$50 million in revenue or a market cap of \$10 million or less,” said David Rubenstein, a partner at WeiserMazars, an accounting firm with offices in Woodbury. The high compli-

ance costs have led some companies to seek alternative routes to raise money rather than going public.

Local accounting firms looking to grow their public company business have had to cast a wide net when seeking prospects.

“As the economy has improved, there’s been a surge of businesses getting incentives and coming out here,” said Mark Meinberg, the partner in charge of Long Island operations for EisnerAmper, which has

**See FIRMS, Page 35**



## LIFOCUS

## With fewer LI public cos., CPAs look to NYC, private biz

### FIRMS, From Page 33

offices in Syosset. “Many are privately held, but as they grow and become more successful and need access to greater capital, they may look to do an IPO.”

EisnerAmper works with private companies of all sizes – and stands at the ready to offer public company services should a firm move in that direction.

Larger private companies “are a kind of farm system” for the public arena, Meinberg said. “If you’re providing services to the company, and the time comes when it’s appropriate for them to go public, they’re likely to stay with you,” he said.

His firm also works with startups, which requires more nurturing.

“We’re very involved with LaunchPad Long Island,” Meinberg said, referring to the incubator for small technology companies that has five locations. Unlike established private companies, startups require “a lot of hand-holding – they have to learn to understand basic accounting and legal services,” Meinberg said. “We work with them – those are relationships you want to incubate and establish.”

In addition to LaunchPad, EisnerAmper has developed a relationship with a similar program at New York University, and, like many firms in the region, is active in networking in New York City, to take advantage of the broader opportunities there.

Jahrsdoerfer said public company business often comes from referrals from attorneys and investment bankers, “and my contacts often move around from Long Island to the city,” he said. “The public company market in the city isn’t as strong as it once was, but it’s a bigger pool than Long Island.”

Even in Long Island, “there are opportunities for new work – from public companies that are looking to make a change because of issues with the service they’re getting from their accounting firm,” Rubenstein said.

Due to the potential for a conflict of interest, an accounting firm auditing a public company cannot prepare audit work papers or do internal control work. By establishing relationships with Big Four firms and other accounting firms doing audits, EisnerAmper has been able to get referrals for additional services, Meinberg said.

Providing audits and other services to public companies requires specific expertise and “a deep bench – the work is done in a compressed time period, requiring a lot of labor,” Meinberg said.

Major frauds and failures in public companies over the past two decades have pointed to the need to have “highly trained, highly competent accounting professionals providing the work,” he said.

In recent years, some smaller firms engaged in servicing publicly traded com-



*Photo by Bob Giglione*

**DAVID RUBENSTEIN: In today's regulatory environment, it's expensive for small firms to operate as public companies.**

panies have “come to the realization it wasn’t in their sweet spot – that it was a danger spot” and moved away from public company business, Meinberg said.

“You have to be current with all the rules and regulations and meet filing deadlines,” he said. “The requirements are very

demanding.”

Additional malpractice insurance costs and onerous regulations – including requirements that a second partner be on engagements – are particularly burdensome for smaller firms, Rubenstein said.

■ [BERNADETTE.STARZEE@LIBN.COM](mailto:BERNADETTE.STARZEE@LIBN.COM)