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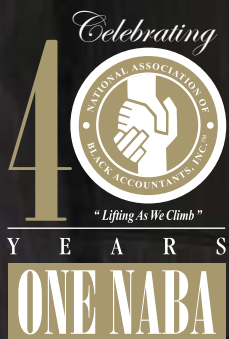
THE OFFICIAL JOURNAL OF THE NATIONAL ASSOCIATION OF BLACK ACCOUNTANTS, INC. • 2008

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**Bert Smith & Co. and
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Celebrate Business Longevity

CPA:
Key to Success for NABA Members

Maryland Firm Celebrates Fifth Decade in Business

Second Generation Takes it to Next Level

By Ruth E. Thaler-Carter

For any family-owned business to survive over several decades is worthy of note, especially when a second generation steps up to keep the business going – and perhaps even more so when that generation involves several siblings working together in the same profession and company. King, King & Associates, PA, Certified Public Accountants & Management Consultants of Baltimore, Maryland, is one such business and, as such, a shining example for NABA members. Having celebrated 50 years in business in 2007, the firm is going strong in the hands of its founder's children.

A family affair

Partners in the firm are well-known to NABA members. Anthony G. (Tony) King, CPA, 53, is chairman of NABA's Division of Firms (DOF) and directs King, King & Associates' business advisory and consulting practice, with responsibility for all information technology and management advisory engagements. He has more than 30 years of corporate finance and public accounting experience. He earned his BS in accounting and MS in management information systems from the University of Baltimore. He is a licensed CPA in Maryland, New York, New Jersey and North Carolina, and is a member of the American Institute of Certified Public Accountants (AICPA), the Maryland Association of CPAs, NABA, and the Information Systems Audit and Control Association.

Pamela (Pam) King Smith, CPA, 49, has more than 25 years of public accounting experience and serves as the tax partner of the firm, providing tax compliance and defense services to a wide variety of clientele, including individuals, corporations, partnerships and nonprofit organizations. She is a former member of the Maryland State Board of Public Accountancy and currently is chairperson of the Audit Committee of Industrial Bank of Washington, the nation's fourth-largest minority-controlled bank. Pam has a BS in accounting from Virginia State University and an MS in taxation from the University of Baltimore. She is a CPA licensed in Maryland and a member of AICPA, the Maryland Association of CPAs and NABA.

Kara King Bess, CPA, 47, who directs the firm's audit practice, has more than 20 years of public accounting experience and is an expert in providing audit and assurance services to the not-for-profit sector and is the lead auditor on numerous engagements with GAO and OMB Circular A-133 auditing requirements. She is a former member of the Maryland State Board of Public Accountancy and is currently a board member of Advance Bank, a minority-owned banking institution headquartered in Baltimore. She earned her BS in accounting, *summa cum laude*, from Virginia State University and MBA, with a concentration in accounting, from Columbia University. She is a CPA in the state of Maryland and a member of AICPA, the Maryland Association of CPAs and NABA.



Kara King Bess, CPA; Anthony (Tony) King, CPA; and Pamela King Smith, CPA

The Kings' father, Benjamin L. King, who was the first African American CPA in Maryland and the 38th in the country, founded the firm in 1957. He started out in partnership with Arthur Reynolds, who became Maryland's second black CPA only six months after King led the way. Their first office was in Washington, D.C. "The partnership lasted quite a few years," said Tony King. "Art Reynolds was also an attorney, and stopped practicing accountancy to practice law full time." There were other partners over the years, but the firm is now solely a family business. Several years ago, there were five King siblings involved in the accountancy firm, but two have moved into other fields, including law.

The King siblings inherited not only their professional careers and business from their father, but a commitment to NABA as well. "Our father started the Baltimore chapter in 1972, so we've always been involved in NABA," said Pam. "We've remained involved because your peers in the association can refer you, and the camaraderie and networking are invaluable. Tony hasn't missed a NABA convention in years." That's because he agrees that "membership in NABA is invaluable," said Tony. "You get a good deal for the amount of dues. Serving as chair of the DOF has been an astronomical opportunity to take part in discussions of business issues affecting firms across the country." As for their father's involvement, Tony has carried the family flag there as well. "He was treasurer of the DOF, and I took on that office after he became ill, and became chairman last year."

Being in NABA gives the Kings access to an important resource that they say all members should keep in mind – a relationship with colleagues and other firms. "This is how you get to partner with other firms," Tony said. "We have one partnership (that began through NABA connections) with a D.C. firm that has been going for more than 10 years now."

Staying alive

One of the ways a small firm like the Kings' practice can remain in business is to offer a variety of accounting services. The King practice is a "pretty diverse" one, say the partners. "We work with nonprofits, individuals, medical practices, etc.," said Tony. Despite that diversity of clients, there is a strong connection with longtime ones. "We still have some

of the firm's original clients, who have been with us since day one," he said. What keeps a firm like King, King & Associates in business is not just a diverse client base but, perhaps more importantly, a combination of strong professionalism and active networking, grounded in principles of not just the accounting profession but personal values. "We focus on skills, knowledge and integrity," said Kara. "These are key in how we present ourselves and do our work." That focus can be seen in the firm's motto: "Resonating Integrity, Expertise and Strength."

Staying small actually plays a role in the firm's success, according to Tony. "Any client can get personal service from the partners and staff," he said. That is a value unique to a smaller firm and one that many longtime clients cherish. In fact, the firm's first client – McGuire Funeral Service in Washington, D.C., another long-lived black family business – is still with the Kings.

Business challenges

Running a family accountancy practice has its challenges, but most are essentially the same as any small or regional business might encounter, say the Kings. "One of the challenges we've faced and continue to face is retention of staff," said Kara. "There are highs and lows of people being interested in the accountancy profession. We respond by staying on top of technology and training, providing employees with the tools they need to stay on top of the profession." Tony noted, "The problem is probably applicable to most smaller and regional firms." It's one facing a lot of minority firms – competition, the ability to attract and retain qualified candidates." As Pam sees it, though, "there are advantages for smaller firms – the opportunity for one-on-one interaction with partners, gaining experience in all parts of the business and a variety of areas, seeing the full scope of what we can offer clients. You don't get pigeon-holed as you would in a large practice."

The big national firms may seem more glamorous, but tend to put new hires into limited assignments. Since King, King & Associates doesn't have separate tax, audit or consultancy sections, "no one gets stuck in one area or industry," said Tony.

Growing the business

While longtime, established clients are at the heart of the Kings' business, the siblings realize that a healthy business does not rest on its past successes but regularly seeks new clients as well. "Some clients are recurring, some are new, some are referrals," said Pam. "We get new audit business from responding to requests for proposals (RFPs). The firm is pretty well-known, so we also get referrals from the banking community and other sectors of the business community." The nonprofit side of the Kings' business, which is primarily Kara's domain, represents 95 percent of the firm's audit business, which tends to grow because "nonprofits, which are required to do audits to fulfill funding and government guidelines, are always looking for the best price, so they tend to look to smaller firms." Serving on the boards of community organizations also gives the firm visibility and credibility among potential clients and referrals. "Pam and Kara are the firm's experts on the nonprofit sector," said Tony. "Between them, they have 40 to 45 years of experience with that arena."

Kara is on the boards of AAA Mid-Atlantic, Advance Bank, Roland Park Elementary-Middle School Alumni and Maryland

General Hospital, and has held several mayoral and gubernatorial appointments. Tony is the former treasurer of the Maryland Alzheimer's Association. Pam has served on the board of Campfire Girls and Boys.

Another source of new business is the King's regular appearances between February and April on a local Sunday morning TV show that began in 1992 as a result of meeting one of the station's anchors. "We gave free advice and were asked back each year since then," said Kara. "We consider this a community service – viewers can send in specific questions by e-mail ahead of time. We see the questions about five minutes before we go on the air and we answer them live. It's only about two minutes, but there's an opportunity to say our phone number." Enough people contact the firm after every show to make the time and effort well worthwhile, say the Kings.

The firm also has a Web site (www.king-king.com) and is in the process of updating a promotional brochure, with the goal of expanding its marketing efforts.

The world of business also provides opportunities – and lessons – for savvy and reputable firms. One upside of recent scandals in the business world, Tony noted, is that "the accounting profession has become sexy again. Corporate scandals, along with the Sarbanes-Oxley reporting requirements, have led to a lot of new interest in forensic accounting and the profession in general. New audit standards may not necessarily be applicable to our clients, but we are using them as best practices to ensure staying current."

Smaller firms may actually have an advantage: They have not suffered the painful visibility of the huge national outfits that have been enmeshed in scandals, and should benefit from being



Kara King Bess, CPA; Anthony (Tony) King, CPA; and Pamela King Smith, CPA

known for their personal service and integrity, Tony said. According to Pam, the accounting profession also is benefiting from a change in image. "There is a sense that accountants are no longer just pencil-pushers," she said. "People are realizing that there are many areas where we can help businesses grow, including information technology, and estate and financial planning."

Looking to the future

The Kings are keeping an eye on the future of both the profession and their firm. In terms of issues they expect to have an impact on the accounting profession, "one thing that will affect everybody will be the new 150-hour rule," they warned. "It will no longer be enough to have a BA

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New York's Rangel is First Black Chair of the House Ways and Means Committee

By Ruth E. Thaler-Carter



Rep. Charles B. Rangel

As chair of the U.S. House of Representatives Committee on Ways and Means, Rep. Charles B. Rangel (D-NY) continues to take the lead on tax issues with the needs of the general public in mind. The senior Democratic member of that powerful committee consistently addresses the needs of his congressional district through ingenious application of the tax code and even dedicates a special section of his Web site to providing tax information and assistance that his constituents might need (<http://rangel.house.gov/taxhelp.shtml>).

Rangel's most recent move in this arena has been to see that Ways and Means passed H.R. 6049—the Energy and Tax Extenders Act of 2008, a bipartisan bill that would extend tax relief to millions of families, strengthen investment opportunities for American businesses, and encourage the production and use of renewable energy as well. The legislation also passed the full House of Representatives. “This bill would provide critical tax-relief to help working families cope with the rising cost of living,” according to Rangel. “Furthermore, this bill would extend vital tax incentives for American businesses, to help them invest in new technologies and remain competitive internationally.” Calling the legislation “a strong, timely, and fiscally responsible tax relief package,” Rangel said it would “also make an important investment in renewable energy and energy conservation to reduce our dependency on foreign oil.” Provisions of H.R. 6049 include deduction of state and local sales tax, tuition and other education expenses, out-of-pocket expenses by teachers, and property taxes for non-itemizers. It also provides relief for more than 12 million children, through an expansion of the refundable child tax credit for taxpayers earning \$8,500 a year. The bill will also provide critical tax incentives for businesses to invest in new technology by extending the research and development credit and active financing provisions.

A lifetime of public service

H.R. 6049 is just the latest achievement in Rangel's lifetime of service to the public. Charles Bernard “Charlie” Rangel was born on June 11, 1930. He is a graduate of New York University and St. John's University School of Law. Before going into politics, Rangel served in the U.S. Army from 1948–1952, fighting in Korea and receiving a Purple Heart and Bronze Star. He has

spent his entire career in public service, first as an assistant U.S. attorney for the Southern District of New York and later in the New York State Assembly, before being elected to the 92nd Congress on November 3, 1970, after defeating the legendary Adam Clayton Powell, Jr. He has been re-elected to each succeeding Congress. He is currently serving his 19th term as the representative of New York City's 15th Congressional District, which comprises East and Central Harlem, the Upper West Side, and Washington Heights/Inwood. In addition to chairing the Committee on Ways and Means, Rangel is chair of the board of the Democratic Congressional Campaign Committee and dean of the New York State Congressional Delegation.

Among many lasting accomplishments, Rangel was the principal author of the \$5 billion Federal Empowerment Zone demonstration project to revitalize urban neighborhoods throughout America. He is also the author of the Low-Income Housing Tax Credit, which is responsible for financing 90 percent of the affordable housing built in the U.S. in the last 10 years. The Work Opportunity Tax Credit, which Rangel also championed, has provided thousands of jobs for veterans, ex-offenders and underprivileged young people. Rangel has served as chair of the Select Committee on Narcotics Abuse and Control, and continues to lead the nation's fight against drug abuse and trafficking by serving as chair of the Congressional Narcotics Abuse and Control Caucus. He is a founding member and former chair of the Congressional Black Caucus; he was also chair of the New York State Council of Black Elected Democrats and a member of the House Judiciary Committee during the hearings on the articles of impeachment of President Richard Nixon.

Rangel has never forgotten his military service; he has authored legislation benefiting minority and women veterans, including a bill that established the Office of Minority Affairs within the Department of Veterans Affairs. He has been an outspoken opponent of the war in Iraq and introduced a 2007 bill in Congress to reinstate the military draft, saying fighting forces should more closely reflect the economic makeup of the country and that the weight of the war is falling disproportionately on the shoulders of poor families. In 1987, Rangel led the effort to include one of the most effective anti-apartheid measures — denial of tax credits for taxes paid to South Africa — in the Internal Revenue Code, which resulted in several Fortune 500 companies leaving South Africa. He also played a vital role in restoring the democratic government in Haiti. Rangel lives in Harlem with his wife, Alma, a founding member of the Congressional Black Caucus Spouses who participates in many civic and community organizations. The Rangels have two children. ■

For more information about Rangel's accomplishments in Congress, visit: <http://www.house.gov/rangel/accomplishments.shtml>

This article relied on information at the official Web site of Charles Rangel.

the CPA exam really levels the playing field and serves as a nationwide indicator that “your education is just as good as anyone else’s.” When asked how having the designation has made a difference in his career, Vernon Evans, CPA, CMA, said simply, “Having a CPA has enabled me to compete and scale the corporate ladder.” Evans is the vice president, treasurer and CFO for the San Diego County Regional Airport Authority.

Getting certified as a public accountant is not easy. Evans points out that one of the barriers to African Americans obtaining their CPA licenses may well be the lack of highly visible role models. The number of black CPAs pales in comparison to the number of black lawyers and doctors. To pass the CPA exam, individuals must also be focused and willing to take the time to study and prepare themselves. Another barrier to CPA licensing is cost. Smalls, who often interviews new accountants for her firm, points out that the \$800 fee to take the exam can be a deterrent for many recent graduates. Williams says historically black colleges and universities (HBCUs) need to do more to inform students of the changes in licensing requirements that were handed down from the AICPA to state accounting boards. He says many students are unaware of the need to stay in school longer and take more accounting courses in order to be on track to get their CPA.

Every CPA interviewed said they would not be where they are today without their CPA licenses, and the sacrifices they had to make to get their licenses were worth it. Fulbright said, “If the pipeline does not improve, there will be very few NABA members serving in partner, management or executive roles for others to follow.” From this perspective, she and other NABA CPAs are very supportive of the CPA Bound initiative. As Yarbrough explained, in the accounting profession, having your CPA is like the difference between being a paralegal and a lawyer. Cholmondeley said the CPA Bound initiative is important because “it helps ensure that [minorities] are fairly represented in the accounting profession. If you do not have a certification, you are really not an equal player in the accounting profession and you certainly can’t be a leader in the profession.” ■



America Counts on CPAsSM



Genevieve Gee Fulbright, CPA



Paula Cholmondeley, CPA



Ida Yarbrough, CPA



Patricia Smalls, CPA



Tom Williams, CPA



Brian Anderson, CPA,
NABA's lead CPA champion

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degree; now one must have 150 hours in accounting to sit for the CPA exam, which is 30 hours beyond a BA,” said Pam. “It’s the equivalent of at least an MA. That affects minority students more than anyone else, because minorities have always been challenged financially to get into school and stay in.” (The rule means that new graduates may work in accounting firms but will not be able to sit for the exam without taking the additional academic hours; NABA is making this change a major focus of its efforts.) “It trickles down because many city, state and federal government accounting jobs require that your staff be CPAs,” added Pam. “We do partnering with larger firms as subcontractors, so this will affect who is assigned to which projects.”

Despite Tony’s active involvement in NABA’s DOF, with its emphasis on long-term planning for member firms, King,

King & Associates does not yet have a formal succession plan in place. “We’ll all just work till we’re 100,” Pam said cheerfully. “Our dad’s succession plan was to have lots of babies and for all of them to become CPAs,” said Tony. “[Today] there are 11 grandchildren in the family and, so far, none are interested,” he said. “Five have been eliminated – that is, they’ve chosen other career paths – but there is still hope with some of the others!”

Rest assured that King, King & Associates, PA plans to be around for a good many more years. Formal succession planning is underway, and NABA resources will play a major part in keeping the firm going into the future and, ideally, another generation of accounting royalty. ■

Forensic Accounting Offers Opportunity to Expand in New Directions

By Ruth E. Thaler-Carter



Accounting professionals looking to expand their practices and services into new areas, especially those with a yen for detective and investigative activities, have a niche available that is increasingly popular and important: forensic accounting. Forensic accounting is a growing area of specialization for accountants, driven largely by passage of the Sarbanes-Oxley Act (SOX) and recent scandals in the business world in which accounting methods and some major accounting firms have played a visible role.

While forensic accounting is not new, the increasing complexity of the business environment and a rising number of business-related investigations has given this niche accordingly higher visibility. More and more often, forensic accountants are being asked to assist in the investigation of financial and business-related issues.

Answers.com defines forensic accounting as using “accounting, auditing and investigative skills to conduct an examination into a company’s financial statements ... providing an accounting analysis that is suitable for court. Investopedia states that forensic accountants are trained to look beyond the numbers and deal with the business reality of a situation [and] are frequently used in fraud cases.”

Webster’s Dictionary defines it as the integration of accounting, auditing and investigative skills; providing an accounting analysis that is suitable to the court and will form the basis for discussion, debate and, ultimately, dispute resolution; encompassing both litigation support and investigative accounting. Forensic accountants use accounting, auditing and investigative skills, and often are expected to relay financial information clearly and concisely in a courtroom setting.

“Forensic accountants are trained to look beyond the numbers and deal with the business reality of the situation,” according to the Web site of Alan Zysman, B.Comm, CA-IFA, CFE, who has been in practice since 1984 and whose firm, Zysman Forensic Accounting Inc. (Toronto, Canada), specializes in

providing investigative and forensic accounting services.

The passage of SOX in 2002 has encouraged accelerated filers to develop stronger internal controls over financial reporting. These efforts, along with increased Securities and Exchange Commission (SEC) enforcement activity and the scandals of recent years, have led to an increased focus on preventing and detecting financial statement fraud, where accountants trained in forensic techniques are equally important. The need for skilled forensic accountants is clear: While there were fewer SEC enforcement actions for alleged financial statement fraud from 2004 to 2006, the number of incidents, on an annual basis, was higher than the total in 2000 and 2001, before SOX was enacted. From 2004 to 2006, the SEC described an average of 223 financial fraud schemes a year, compared to 86 fraud schemes per year in 2000 and 2001.

According to the Web site of Feeley & Driscoll, P.C., “Like a versatile virus, fraud and other financial problems can take many forms in an organization. While some of these are not directly related to financial statements, they always impact a group’s financial well-being.” The New England-based CPA firm says, “One role forensic accountants play is to “look beyond the numbers to obtain an objective view of the surrounding financial situation as a whole [and] uncover, analyze and compile relevant data into a comprehensive and persuasive presentation, providing your case with detailed and concrete forensic financial evidence.”

The latest development in forensics is the Certified in Financial Forensics credential (CFF) created by the American Institute of Certified Public Accountants. The new designation will provide expertise in areas such as bankruptcy and insolvency, computer forensics, economic damages, family law, fraud investigation and litigation support

New resources are available to help accountants interested in focusing on forensics. A leader in the field is the Deloitte Forensic Center (DFC), created by Deloitte Financial Advisory Services LLP (Deloitte FAS) in response to concerns about

financial fraud and the possible role of accounting in such situations. The DFC Web site describes it as “a think tank ... that brings together leaders in the forensic investigations field to consider forward-thinking topics, trends and research pertinent to today’s fraud issues.” DFC aims to explore “new approaches for mitigating the costs, risks and effects of fraud, corruption and other issues facing the global business community.”

According to the center’s Web site, “Challenges such as complex global business fraud and corruption are among the greatest threats facing capital markets, domestic and global corporations, as well as both emerging and mature economies. Forensic accounting tools and techniques are generally (underused), yet can be a highly effective way to provide valuable insight into many of these problems and issues.” The center is working to “advance the state of thinking in areas such as fraud and corruption by exploring issues from the perspective of forensic accountants, corporate leaders, and other professionals involved in forensic matters.”

Many corporations still must make their fraud controls as effective as possible and reduce opportunities to perpetrate financial statement fraud. The DFC analyzed data about financial statement fraud between 2000 and 2006, resulting in a study entitled “Ten Things about Financial Statement Fraud” that identified more than 1,000 distinct fraud schemes, more than 40 percent of which involved some form of revenue misrepresentation.

The five most prevalent revenue recognition schemes identified by the DFC study are:

- Recording fictitious revenue (24% of total revenue-recognition schemes)
- Recognizing inappropriate amounts of revenue from swaps, round-tripping or barter arrangements (11%)
- Improper accounting for cancellations and refunds (9%)
- Recognizing revenue from sales transactions billed but not shipped (8%)
- Recognizing revenue for transactions with unresolved contingencies (8%)

The center also publishes *ForThoughts*, a newsletter that addresses issues in fraud and forensic accounting.

In addition Deloitte FAS sponsored “Conducting Forensic Investigations: Detecting, Responding to and Preventing Financial Fraud,” a white paper produced by the American Conference Institute’s “Conducting Forensic Investigations” program that summarizes panel discussions at the institute’s Conducting Forensic Investigations Conference. ■

For more information on the study, or to obtain a copy of *ForThoughts* or the white paper, visit www.deloitte.com.

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