

## R.I. Business Environment

by Greg Porcaro, CPA

## Upcoming Events

RISCPA Annual Dinner; Golf  
Outing; Centennial Gala

## Government Affairs

Q & A with Senator Reed

## One-on-One with Ann Chiodini

CPA and financial consultant

## Professional News

A look at Rhode Island's  
Board of Accountancy and  
today's issues

## Academics

Bryant University  
communications center

## CPA Professionals Can Bolster Rhode Island's Economic Forecast

With President Bush's inauguration behind us, many Americans are looking at predictions for the next four years. Topping the list of concerns for many – including Rhode Island residents – is the state of the economy.

### Leading the region

The Federal Reserve reported that Rhode Island's job growth is up one percent while the average for New England is only up a half percentage point.

"Clearly the region is trying to rebound," said Laurie White, executive vice president of the Providence Chamber of Commerce. "Fortunately, Rhode Island is leading this effort."

In addition to an increase in job growth, Rhode Island has reported a decrease in its unemployment rate, but this may not be attributed entirely to the job growth increase.

Leonard Lardaro, professor of economics at the University of Rhode Island, attributes some of this decrease to a lack of reporting.

"The problem with the decrease in the unemployment rate is that it means individuals have ceased to report their unemployment status," Lardaro said.

To come to conclusions regarding Rhode Island's job growth, Lardaro uses a tool he created, the Jobless Improvement Indicator. This indicator attributes a score to a state that is the sum of two components: the difference between that state's unemployment rate and the national rate, plus the difference between that state's unemployment rate change and the national change.

### Banking on tourism

As it is one of the state's top three business sectors, officials have been beefing up efforts to focus



## Out-of-Pocket Healthcare Expenses Urge Personal Planning

For the first time in seven years, the pace of national health spending growth slowed in 2003, according to a report by the Centers for Medicare & Medicaid Services (CMS). But, while healthcare costs are showing some slowdown, rising out-of-pocket costs – especially for the senior population – compel consumers to plan ahead for healthcare spending and saving.

### Slowed growth promising

The recent CMS report shows that health expenditures in the United States grew 7.7 percent in 2003 to \$1.7 trillion, down from a 9.3 percent growth rate in 2002. Health spending accounted for 15.3 percent of Gross Domestic Product in 2003, outpacing growth in the overall economy by nearly 3 percentage points.

Changes in public funding for healthcare contributed to health spending trends in 2003. While total public

**RI ECONOMY**  
continued on page 10

**HEALTHCARE EXPENSES**  
continued on page 11

## R.I. Business Environment Change Requires Joint Effort

by Gregory A. Porcaro, CPA, President of the Rhode Island Society of Certified Public Accountants

*"If you can make money in Rhode Island, you can make money anywhere."*

Dr. Leonard Lardaro made this bold declaration recently while a guest on the RISCOPA *What Counts* television program. Dr. Lardaro's experienced insight into our state's economy (refer to *R.I. Economy*, p. 1), makes this all the more powerful.

At first, this statement struck me as a testament to the will, perseverance and fortitude of Rhode Islanders. But after further reflection, I realized that it was more accurately a testament to the fact that Rhode Island is not well regarded as a business-friendly state, or a state that nurtures business opportunity.

Family-owned businesses are the engines that drive the national and local economy. In Rhode Island, these businesses create the most jobs, but are taken for granted for the very reason they continue to survive; because the business owners have the will, perseverance and fortitude to do so. These engines push on despite the heavy state and local tax burden, restrictive regulation, economically challenged school systems and a general impression that our political leaders aren't looking out for the business community. These problems are not unique to Rhode Island and aren't

easily rectified. But in a state our size, they are problems that by working together can be confronted and ultimately conquered.

For many years, RISCOPA has supported a change to the state's net operating loss (NOL) law. Currently the law couples the state's NOL with the federal NOL, whereby the state NOL deduction cannot exceed the federal loss, and any federal NOL carried back reduces or eliminates the amount of Rhode Island NOL available for carry-over. The current laws are restrictive, forcing businesses to make federal tax decisions based on state law. Most states across the country have decoupled state and federal losses to create a more business friendly landscape. RISCOPA has proposed legislation again this year that would render Rhode Island's corporate NOL calculation no longer dependent on the federal NOL deduction. The proposed law has a pro-business effect on existing businesses and new business development.

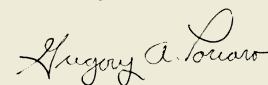
Other organizations are calling for improved conditions for our state's business community as well. The Economic Development Corporation (EDC) has proposed several budgetary items for consideration aimed at aiding small businesses, boosting commercial real estate and helping to grow Rhode Island's biotechnology sector. These

are measures on Smith Hill that we'll be watching closely during this legislative session.

RISCOPA and the EDC both support improved tracking systems of the state's tax policy and initiatives through the hiring of an outside firm to measure the effectiveness on the state's tax incentives in creating jobs. In doing this, we would have a means to evaluate the tax policy system effectively so that financial outcomes are well known and decisions are fact-based.

In a state as small as Rhode Island, we have the unique opportunity to work with our state's leaders on solutions for the prosperity of our business community, and we should take advantage of that. As CPA professionals, it's our duty to remain interested and active in the progression of our state towards a business friendly environment.

Sincerely,



Gregory A. Porcaro, RISCOPA president



**Greg Porcaro, CPA  
RISCOPA President**

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## U p c o m i n g E v e n t s

APRIL 26, 2005

### RISCOPA Annual Dinner

This event will mark the commencement of RISCOPA's centennial celebration and will be held at the Crown Plaza. For details contact RISCOPA at 401-331-5720.

JULY 12, 2005

### Annual RISCOPA & Bankers Golf Outing

Agawan Hunt Country Club, Rumford, R.I.  
To register your foursome or to sign up individually, call 401-331-5720.

SEPTEMBER 24, 2005

### Centennial Gala

Biltmore Hotel, Providence. The black-tie event will feature dinner and dancing in one of the most beautiful ballrooms in the city. Limited tickets available. Please contact Kris Moretti at 401-331-5720 for tickets or information.

## Government Affairs

# Q & A with Senator Jack Reed

## Senator Reed takes time to answer some of our questions

*Q: What do you feel can be done to help keep health insurance affordable for businesses besides the usual cost shifting through deductibles and co-pays to employees?*

**A:** I share the intense desire of Rhode Islanders to stem the rising costs of health insurance premiums, which especially pose a challenge to our nation's small businesses and self-employed individuals. During my tenure in Congress, I have worked diligently to ensure that all Americans, regardless of age, income, or employment status have fair and equal access to a quality health care system. The Census Bureau reported that a record number of Americans—approximately 45 million—are currently living with no insurance at all, and this figure is only expected to rise in the coming years. Over 80 percent of uninsured individuals are in working families, and more than half of small businesses with fewer than 50 employees can no longer afford or do not offer their employees health insurance. Certainly more can and should be done to improve these dismal statistics, as everyone, including small business owners, bear the staggering cost of uncompensated care for the uninsured.

In 1994, we mounted a national effort to enact comprehensive health care reform and that effort was blocked. A decade later, these problems have continued to fester. There is no simple solution to the challenge of providing affordable and accessible health care for all Americans, but central to any solution is taking concrete steps to reduce the number of uninsured Americans while maintaining our employer-based health care system. This means that we must give increased support and incentives to businesses that provide health care to their employees. Such support will also make us more competitive in a world economy where health care is either state sponsored or simply not provid-

ed in any meaningful way.

A range of legislative proposals have been introduced in the Senate, ranging from universal health care to the pooling of small businesses into larger purchasing groups. In the past, I have voted for amendments that would have provided tax credits and deductions to assist small businesses in providing health insurance to their employees, although these measures were blocked by the Majority party. Another proposal, by Senator Durbin of Illinois, would create a Small Employers Health Benefits Program (SEHBP) based on the Federal Employees Health Benefits Program. The new program would be open to voluntary participation by all businesses with 100 or fewer employees, would provide small businesses with greater purchasing leverage, and would provide a tax credit to employers contributing at least 60 percent of premiums for employees making less than \$25,000 per year. I look forward to further Senate consideration of this proposal.

One important step I believe we must take is ensuring that every child in America has health insurance. As a result, I helped to craft legislation creating a new MediKids program, akin to Medicare for the senior and disabled populations, to provide comprehensive health care coverage to all children in exchange for a small monthly premium collected from parents. The bill would also provide discounts to low-income families and would exempt families that have other health insurance from paying the premium.

In addition to these steps, which could provide some immediate relief, much more comprehensive efforts must be considered in our approach to health care reform. For instance, there are numerous administrative process improvements that can be made, and, more importantly, the industry must be dragged fully into the information age with the



widespread adoption of IT to improve the quality of care and reduce cost. Electronic Medical Records (EMRs) are a significant step, and will not only allow records to seamlessly follow the patient but will improve evidence-based medicine by allowing aggregate data to be used in the determination of best treatment practices. Most importantly, the use of IT offers the hope of reducing the thousands of medical errors each year that add to the cost of health care. Computerized Physician Order Entry (CPOE) alone could bring enormous savings to the health care system by reducing medication errors in hospitals and clinics. Indeed, systemic errors such as these account for many of the medical errors identified by the Institute of Medicine in its seminal study on this topic that estimated there are up to 98,000 avoidable deaths from medical errors each year. While promising, these changes do have substantial up-front costs, and it will take government action and investment to bring them about in a timely fashion. As a member of the Senate Health, Education, Labor, and Pensions Committee, I am continuing to work with a number of my colleagues on both sides of the aisle in crafting legislation on these issues.

President Bush has ignored the rising costs of

**SENATOR REED**  
continued on page 7

### One-on-One With Ann Chiodini

What Counts *recently checked in with Ann Chiodini, CPA and senior financial consultant with Affiliated Computer Services. Ann has moved in many circles to find true satisfaction in the role she now plays in today's healthcare system.*

**What Counts:** Did you begin your career in accounting?

**Ann Chiodini:** No, I actually earned a liberal arts undergraduate degree with a major in economics and minors in mathematics and history. I began my professional career working at The Conference Board in New York City. While I was there my primary function was to conduct economic research and forecasting for one of the senior economists.

**WC:** When did you make the shift to accounting?

**AC:** After moving back to Rhode Island, I decided to go back to school to earn an MBA. I earned this degree from Bryant College, where I focused on accounting. I really felt that this would give me a solid career path and learning the language of business was something I truly enjoyed.

**WC:** What did you do after receiving your MBA?

**AC:** I worked for a local CPA firm while I studied for, and passed, the CPA exam. I then transitioned into financial services and analysis, which allowed me to better understand the use of accounting data for analysis, planning and projections.

**WC:** Did your next move involve financial planning?

**AC:** Yes, I took a position in corporate financial planning in the banking industry. I learned about financial instrument analysis as well as cost and managerial accounting. I served as a division controller and became heavily involved in the tax planning area of the bank.

**WC:** Did you decide that this was an area where you wanted to focus your career?

**AC:** At this time, yes. A lot of mergers and changes in the banking industry were taking place and I thought these changes would allow me to utilize my financial skills. I worked for a local bank, which was acquired by Bank of Boston. The acquisition gave me the opportunity to have a front seat in

observing financial negotiations and how they impacted future operations. I learned how to value assets and what to consider in a merger.

I was also involved in a rather lengthy tax audit that encompassed the entire corporation and its subsidiaries, which gave me an opportunity to deal with the IRS, perform tax research and write up issues. It also helped me to develop an understanding of bank operations and the financial flow. I then became the operations manager for new precious metals trading desk at The Bank of Boston. I took all of this knowledge with me to my next career move.

**WC:** How did you make the move to healthcare?

**AC:** My last position in precious metals trading operations gave me international exposure and a good knowledge of the function of commodities markets, futures contracts and option valuation. In a way, this was my segue out of the banking business. I had strayed so far from my original career path that I wanted to take some time to examine exactly what I would do next and whether I would ever return to the accounting profession.

I was given an opportunity to teach finance as an adjunct professor at Providence College. I spent four years teaching while simultaneously researching an industry that I would like to explore more deeply. I discovered that the healthcare industry was going through a situation similar to what the banking industry went through in the 1980s.

**WC:** What did your first healthcare position entail?

**AC:** It was a financial management position for a Rhode Island Magnetic Resonance Imaging Network. RIMRIN was a consortium of 10 Rhode Island hospitals that formed a nonprofit corporation and jointly purchased and shared MRI equipment. This corporation was founded at the request of the Rhode Island Department of Health. I was involved in a substantial number of financial transactions, such as tax exempt bond issues, monitoring of cash flows, and the first tax exempt master lease in the state. I handled Medicare audits and got to work with the senior financial managers at all ten hospitals. I spent four years in this position learning about and being exposed to this new industry.



**Ann takes a break from shaping the healthcare system to mold one of her own creations.**

**WC:** When you left the corporation did you continue to work in the healthcare sector?

**AC:** Yes, I became the controller of an HMO in Worcester, Mass. This opportunity allowed me to explore the independent healthcare practice model and the health insurance market. There was a heavy penetration rate of HMO membership – 65 percent – in Worcester and I learned a lot from this experience. After a year and a half I was ready to return to Rhode Island.

**WC:** What did you pursue when you returned to Rhode Island?

**AC:** In 1994, I took a job at Birch & Davis Health Management Corporation – where I am still working – which has since been acquired by Affiliated Computer Services (ACS). When I was hired, my role was to serve as the primary financial consultant for the state's Medicaid managed care program. Rhode Island had been awarded a Section 1115 waiver from the Center for Medicare and Medicaid Services (CMS), the federal overseer of Medicare and Medicaid. The state needed managed care expertise and they found it necessary to hire a management consulting firm with such experience.

**WC:** Can you describe this position?

**AC:** We began by enrolling 75,000 families with children into the Medicaid managed care program.

We looked at the utilization and access of services and the impact and quality of care these families were receiving. These families were placed in five managed care plans and the State of Rhode Island paid their insurance premiums at a negotiated rate. We then were able to keep track of their healthcare utilization and access to medical services, and the impact this had on their quality of care. This program is now known as Rlte Care.

Today we are serving 125,000 people. In the past three years, we've been able to reach out to foster children and children with special health care needs. We have worked with Neighborhood Health Plan of Rhode Island, United Health Care and Blue Chip. The program has become a national model and has been highly successful.

**WC:** This has obviously allowed you to put an interesting spin on accounting work.

**AC:** It has been an amazing experience. The field of healthcare has been primarily managed by healthcare providers who are not necessarily business

people. The need for good business people, including CPAs, is incredible because we have strong analytical skills and are able to help properly manage finances.

**WC:** Is there a point in your career that stands out as the most memorable or most rewarding?

**AC:** I felt great satisfaction working on the development of the Rlte Care program along with work done through volunteer positions. I currently have the honor of serving as the New England Regional Executive for the Healthcare Financial Management Association. This great position allows me to meet people involved with healthcare finance all over the country to share new ideas and methods. I also serve as board president for the ARC of Northern Rhode Island, an organization that provides group homes and day services for adults with developmental disabilities. Developments to serve our disabled populations have lagged because of the lack of funding. Agencies are now collaborating to come up with exciting new ideas and programs to address this shortfall.

**WC:** What do you feel has been the most challenging aspect of your work?

**AC:** Like many others, I've always had to strike a balance between family and career. When I first entered the accounting profession, there was no concept of equal employment opportunity and I was expected to keep my personal life just that – personal. It was a challenge to find a way to manage and succeed at both tasks. Fortunately, with the help of my husband Rick, and my terrific kids, Steven and



**Ann became board president for the ARC of Northern RI when Dr. Robert L. Carl Jr. (left) took over as CEO .**

Susan, I was able to overcome obstacles to have a successful career, while simultaneously enjoying family life. We have raised two beautiful children. I am very proud of them, along with my career.

**WC:** How would you encourage students who are interested in your field to prepare themselves?

**AC:** I would advise students to take numerous accounting and financial courses so they can build a good base of knowledge, but I also think it is important for students to look beyond these courses. I would strongly encourage them to find an area of particular interest and focus on this as well. Doing this will allow them to incorporate their financial and accounting background with something else that they enjoy such as history, art, music – the possibilities are endless.

One of the best things that I carried with me was a liberal arts degree. I believe that if you develop proper analytical skills you can learn additional skills in any class that will help you in your career. My best words of advice would be to build a good foundation in finance and accounting, but make sure nothing else falls by the way side.

**WC:** Although it's evident that you devote much of your time to work, do you have any hobbies?

**AC:** Both my husband and I enjoy making pottery. We rent an artist's loft in an old mill building and I'm currently taking classes at Rhode Island School of Design to learn wheel throwing. Working with clay is fascinating. It's an incredible way to release stress and tension. I find myself transferring all of my stress and energy into my projects. ❖

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## Professional News

# Board of Accountancy Sets High Standards for Rhode Island CPAs

The Rhode Island Board of Accountancy exists as an autonomous regulatory body of the State of Rhode Island to regulate the profession of public accounting. Made up of five appointed positions, the board's primary goal is to protect the welfare of the general public by regulating the conduct of licensees in Rhode Island. They achieve this mission by staying on top of Rhode Island's business environment, responding efficiently to public queries and tapping into other professional organizations for the latest information on issues impacting the practice of accountancy.

### Program overview

Rhode Island's Board of Accountancy consists of three certified public accountants (CPA), one public accountant (PA) and one member of the business community who is adept in the use of financial statements. Each seat is appointed to a five-year term with a possible reappointment for another five-year term. The board meets monthly with a general open session followed by a closed session.

The Board is responsible for issuing and renewing individual licenses for CPAs and PAs as well as all practice units such as partnerships and corporations. In addition, the board is responsible for upholding the conduct of licensees to protect the welfare of Rhode Islanders. This includes investigating matters or complaints against licensees and conducting hearings to determine potential suspension or revocation of licenses.

CPA John Mathias, current board chair, is now serving his second five-year term. "Each year, we receive a number of complaints ranging from small issues to rather significant infractions," said Mathias. "The board is the sole body responsible for investigating the merits of a complaint, determining probable cause and ultimately issuing a decision as to the outcome."

Complainants are permitted to participate in proceedings and are notified of the board's findings and resolution of the case.

### CPE regulation

Another function of the Board of Accountancy is its oversight of continuing professional education (CPE) requirements in Rhode Island. Each year, a licensee must apply for renewal of his or her license. Within the three-year period prior to the application, the licensee must have logged 120 hours of continuing education. To ensure requirements are relevant to today's issues, the board continually reviews continuing education offerings and regulations.

Since the events of Enron and WorldCom, the Board of Accountancy has been searching for ways to best protect the public. In the last revision to CPE regulations, the board incorporated a requirement that makes it mandatory for accounting professionals to complete an ethics requirement.

Commencing with the three-year reporting window ending December



2007, each licensee will have to take six hours of CPE in a professional ethics category. The program can be taken under the instruction of any professional organization such as the American Institute of Certified Public Accountants (AICPA), Securities Exchange Commission (SEC) or a business valuation association. In addition, the course does not have to be devoted solely to the topic of ethics; it could be a portion of another professional program. In this case, the ethics portion would be quantified and taken as credit towards the whole requirement.

"The goal is to reemphasize an awareness of ethics without making it burdensome," said Mathias.

Another revision to the CPE requirements addresses the qualification of self-study courses. Specifically, the amendment eliminates the distinction of non-interactive and interactive courses, which is consistent with the decision made on the national level.

### Hot topics

Now and into 2005, several issues are being hotly debated and the Board of Accountancy finds itself in the middle of some potentially big changes for the profession.

Peer review is a monitoring program, which requires that every three years, a participating firm submits to an independent review of its practices by another firm. Approved by the AICPA, the program seeks to determine whether a firm has suitable quality control practices established, and if they are in compliance with such controls. The program that was intended to be a professional and personal development tool for the licensee is now being debated on a national level. Specifically, the "transparency" of the review's reports – or how accessible they are to the public – is up for discussion. While the AICPA's gov-

**SENATOR REED**  
from page 3

health care in his first term in office, even as they have caused many employers and employees to drop coverage and join the ranks of the uninsured. Ultimately, the success of meaningful, bipartisan initiatives will be contingent upon a genuine desire to seek real solutions and a strong push from the Administration to navigate legislation through the complex field of stakeholders and actors.

*Q: Do you think that the Sarbanes-Oxley legislation has accomplished its intended goals and are any changes to the initial legislation needed?*

**A:** The United States has historically had the best capital markets in the world. Contributing to this vitality and success has been the integrity and transparency of our markets, which were called into question by failures at companies like Enron, Tyco, and WorldCom. The federal government, and Congress in particular, took numerous steps to investigate these cases of corporate malfeasance, punish those executives who committed fraud, and strengthen oversight through the passage of the Sarbanes-Oxley Act of 2002. As you know, this law, which I strongly supported, created the Public Company Accounting Oversight Board to monitor the practices of accountants and auditors of public companies, prescribed stiff civil and criminal penalties for malicious acts of fraud, and gave the SEC the resources it needed to effectively protect our markets.

However, we must continue to remain vigilant to ensure the law's proper implementation. I believe that the SEC can be more proactive in monitoring industry practices and identifying any questionable, unethical behavior before it becomes widespread. Additionally, we need to have better cooperation between federal and state regulators. State regulators like New York State Attorney General Spitzer have shown a penchant for catching and prosecuting cases of corporate fraud in the financial services industry, and there needs to be a willingness on their part and on the part of the SEC to work together to protect our nation's investors.

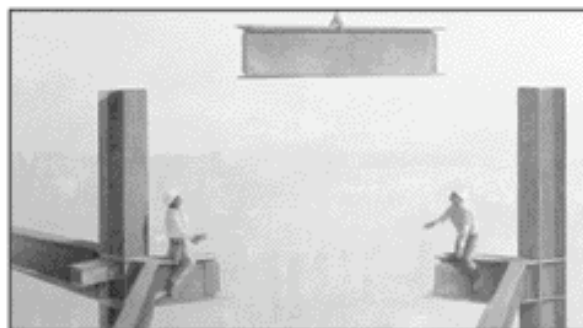
Yet even if the government takes all the right steps and re-initiates productive market activity, in a market economy like ours it will still fall to private industry to translate potential into reality. This begins with all businesses, large and small, assuming more responsibility for the accuracy and completeness of their accounting and reports to investors. I will be closely monitoring public company compliance with Section 404 of the Act, which for many public companies has already spurred important changes in internal controls and has provided a valuable new safeguard for investors. Most importantly, a strong and skilled accounting industry holding itself to the highest standards of ethics will be on the front line, guaranteeing that investors receive the accurate and complete information necessary for an efficient and honest market.

*Q: What are your feelings on the current trend of businesses outsourcing jobs overseas?*

**A:** There is not a country in the world that American industries and workers cannot compete against if there is a level playing field. We must remove incentives for American companies to export jobs abroad, and I could not disagree more with President Bush's chief economic adviser, who earlier this year stated that outsourcing would be "a plus for the economy in the long run."

We have already seen many good jobs, in sectors ranging from manufacturing to information technology to accounting and tax preparation, move overseas. For this reason, although they did not garner the sufficient number of votes, I have been pleased to support measures to reduce the practice of offshore outsourcing called contract manufacturing and to prevent federal taxpayers' dollars from being used to support outsourcing in future government contracts. These were common-sense measures to make sure that the government does not actively contribute to outsourcing, and their rejection by the administration and its allies is a sign of their strong disregard for America's businesses and workers. ♦

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Academics

## New Communications Center to be home for *What Counts*

Beginning in January, Bryant University television production students had a new home, filled with the latest production toys and gadgets. Bryant officially opened the doors to a new, on-campus, TV studio and production center this semester.

For many years communication has been available as a concentration, but beginning in 2001, the university developed a communications major and began accepting students into the program.

“As soon as we began offering a communica-

tion major, the university decided we needed an adequate facility to teach television production classes,” said Professor Stanley Baran, Bryant communication department chair.

The university decided against using an existing space on campus because officials believed that the space would have been a makeshift area. Instead the school opted to start from scratch by building a new state-of-the-art facility.

The TV studio center spans approximately 3,000 square feet and includes an entranceway,

student lounge, multi-media classroom, control room, studio floor and video editing booths.

The entranceway and lounge boasts 40” LCD monitors that are connected to the control system so productions completed on the studio floor, and information on the campus network, can be displayed. The classroom seats 17 students and is equipped with computers with video capturing technologies and editing processes. In addition, the building houses WJMF FM, Bryant’s radio station.

“It’s truly a one-of-a-kind facility,” Baran said. “As typical of Bryant, this facility is first class and I’m enthusiastic about the education and experience our students have the benefit of receiving here.”

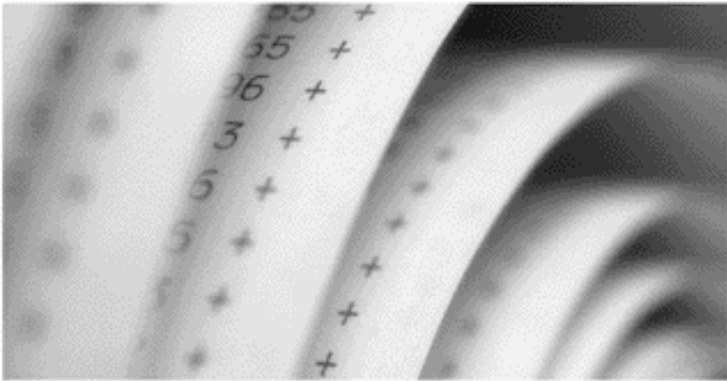
Some of this education and experience will come from the production of Rhode Island Society of Certified Public Accountants’ show *What Counts*. *What Counts*, which airs every Friday on Cox channel 13, investigates and discusses issues pertinent to CPAs and business people in Rhode Island. Since the fall of 2003, the show was produced by Bryant Communication students at the Cox Cable studio. Now, these students will get hands on, quality experience without leaving campus.

“Producing this program is an incredible experience for our students,” Baran said. “They get to create and control the artistic and production aspects, while being exposed to issues related to their other studies through the show’s subjects.”

Instruction on, and the actual production of *What Counts*, is done in Bryant’s Communication 240 class, Producing Television. Enrollment in this class is limited to 16 students and according to Baran, “it’s the hottest ticket on campus.”

Baran believes opportunities for Bryant communication students will continue to grow and possibilities for use of the facility are endless. He stated that the department is currently searching for a full time professor to both teach classes and write proposals for new classes. Classes that may be in the horizon include additional television classes, an electronic news gathering class and post-production and special effect classes. ♦

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## Rhode Island Society of CPAs Celebrates 100th Anniversary

**T**his year, the Rhode Island Society of CPAs is celebrating 100 years of service to our state. To reflect on our rich history, we've assembled a timeline that highlights some key turning points and events in our profession.

- 1846** Albert G. Scholfield arrives in Providence to start the first commercial school in Rhode Island.
- 1861** Bryant and Stratton's *Common School Bookkeeping* is published.
- 1863** Bryant and Stratton Business College was opened in Providence and co-owned by local Ezra Mason.
- 1869** *Providence City Directory* lists two accountants: J.W. Brown and Charles D. Cady.
- 1880** Essay on Debit and Credit by A.G. Schofield, Providence, RI.
- 1905** *Providence City Directory* lists 13 accountants and auditors.
- 1905** Seven Rhode Island public accountants – George R. Allen, Clarence E. Wadsworth, Frederick W. Barney, Charles S. Janckes, Daniel Burrows, George H. Ware and Charles Grossman – met to form the Rhode Island Society of Public Accountants. Its goals were to promote and elevate the profession, to promote the highest respect of public confidence and to have the state legislature enact a law establishing a state Board of Accountancy.
- 1907** The Rhode Island Society of Public Accountants ended when its records were delivered to the officers of the Rhode Island Society of Certified Public Accountants.
- 1907** The Society joined the American Association of Public Accountants, which became the American Institute of Accountants in 1917 and the American Institute of CPAs in 1957.
- 1919** The Society voted to support the adoption of the examinations of the AIA by the state Board of Accountancy.
- 1922** There were 41 "Accountants and Auditors" listed in the *Providence City Directory* with four designated CPAs. Ernst & Ernst was also listed under "Accountants" and "Accountants (Income Tax)." Three firms were listed as performing "Accounting Systems," including the Providence Audit Company. Ward, Fisher & Co. and Ernst & Ernst ran ads. Both firms still exist today.
- 1927** The Rhode Island Bankers Association requested and received the Society's membership list. This relationship – along with the Bar Association – still exists.
- 1930** George M. Rex, CPA was a member of the R.I. Board of Accountancy from 1906 through 1922. His story appears in the *Book of R.I.*
- 1933** A committee was formed to study legislative action to limit the practice of public accounting to practicing CPAs and Public Accountants, and to require annual certification for all corporations having a net worth of \$50,000 or more.
- 1943** The Society was successful in having public accountants classified as essential to the war effort by Governor McGrath. As such, public accounting firms were not required to be closed on Saturdays.
- 1947** Jean Colavecchio became the first woman CPA in the state and in the Society. Adele M. Emin also practiced in the 1930s, 1940s and 1950s.
- 1950** Membership dues were increased from \$10 to \$15. *A loaf of bread cost approximately 15 cents.*
- 1955** Fellow Russell Harrington was appointed Commissioner of Internal Revenue.
- 1957** The 50th Anniversary of the Rhode Island Society of CPAs was celebrated with a formal dinner. RISCOPA had approximately 150 members.
- 1958** The Committee on Education was asked to explore the possibility of conducting continuing education courses.
- 1962** P.L. 1962, Chapter 228 was the first significant legal change of the 1906 Act.
- 1966** The Board of Directors voted to award \$200 scholarships annually to a sophomore or junior accounting major at Bryant College, Providence College and the University of Rhode Island.
- 1974** The Publications Committee proposed a member newsletter.
- 1975** Fellow Carl Christiansen, after an initial \$25,000 donation, donated \$10,000 to the Carl W. Christiansen Scholarship Fund. Later that year, he donated another \$15,000.
- 1976** A membership vote showed that a significant majority favored required continuing education programs rather than voluntary.
- 1976** A Voluntary Plan for Quality Review was approved.
- 1977** The Board of Directors approved the report of the Legislative Committee, which recommended a five member Board of Accountancy – three CPAs, one PA and one educator – and a mandatory Continuing Professional Education for the annual permit to practice public accounting.
- 1980** The first peer reviews were completed by the Society.
- 1980** Steve Crowley started his successful broadcast media career with a two-hour TV Tax Show.
- 1980** The AICPA and RISCOPA signed an agreement for CPE.
- 1980** The RISCOPA celebrated its 75th Anniversary with speeches from: Irving R. Levine, economic affairs and business correspondent for NBC; Mel Allen, noted sportscaster and raconteur; and Charles E. Lord, senior advisor to the Comptroller of the Currency.
- 1983** A Political Action Committee was approved.
- 1984** P.L. 1984, Ch. 226 repealed CPA past legislation in its entirety. Richard Otrando and Ovid Manacelli spearheaded the revision.
- 1990** Raymond Church was appointed executive director of the Society.
- 1990** Stan Thomas was treated to a surprise roast to honor his years of service to the Society.
- 1995** P.L. 1995, Ch. 159 completely revised past CPA legislation.
- 2002** RISCOPA sponsored an Enron and Accounting Profession study group.
- 2003** RISCOPA membership increased to 1,500 professionals, half of whom are in public practice.
- 2004** Introduction of the computerized CPA exam.



attention on Rhode Island's tourism industry. According to [www.visitrhodeisland.com](http://www.visitrhodeisland.com), the official Rhode Island tourism Web site, in addition bringing several billion dollars into the state each year, the tourism industry supports 39,000 jobs. A recent innovative marketing campaign allowed Rhode Island to reach out to residents of neighboring states to entice them to visit Rhode Island's unique attractions.

"The campaign highlights our world class beaches, historic attractions, the glitz and glory of Newport as well as the state's culture and history," White said. "It really shows the casual sophisticated lifestyle of Rhode Island."

White says the campaign is designed to reach people within a 500-mile radius of Rhode Island.

"Since extended travel decreased in the years after the September 11th tragedy, the campaign tried to attract those within a closer vicinity by highlighting the road trip aspect," White said.

The campaign has seen success which may boost the state's economy.

### **Establishing partnerships**

With the sixth highest tax burden in America, up from rating 19th highest, Rhode Island faces a serious issue and according to White, the Providence Chamber of Commerce is keen on lowering this burden.

"Our tax burden is a serious issue that makes it increasingly challenging to attract and retain both individuals and businesses to Rhode Island," White said. "We need to change this to improve our retention, especially among middle class individuals."

White feels that Rhode Island CPAs have the expertise to help the Chamber build a case that proves serious changes are needed to alleviate this problem.

"Over the next 12 months, the Chamber will be working vigorously to prove that changes need to be made to decrease Rhode Island's tax burden," White said.

"CPAs are at the front line of this issue and are aware of the bottom line of business issues. Sharing their insight would greatly help the Chamber."

White believes that CPAs have information on how Rhode Island stacks up from an investment point-of-view and case studies on successful investing in Rhode Island, which she thinks could help the Chamber in its quest.

"The knowledge base CPAs have is enormous and the Chamber would love to partner with these individuals to identify the issues that are stumbling blocks and brainstorm on how we can overcome these to improve this environment," White said.

### **Educating society**

CPAs also have an opportunity to provide a great service to the state simply by exercising their expertise.

"CPAs are a valuable tool because they have the ability to allow businesses and companies to accurately track what's going on," Lardaro said.

"Part of what they can do is educate individuals and businesses to make them aware of both the good and disturbing upcoming trends and inform them on how to best prepare for these."

Lardaro insists that what may seem like common sense to a CPA is often information that the general public may never consider.

"They really have insight that the average population is not privileged to," Lardaro said. "Sharing this and their ability to properly finance organizations could aid Rhode Island to move towards a more prosperous economy."

### **Current Conditions Indicator**

In an effort to apply a numerical value to the state of Rhode Island's economic status, Lardaro developed a Current Conditions Indicator (CCI). The tool is a monthly indicator that details the present

state of the Rhode Island economy by following the behavior of 12 key economic indicators that pertain to housing, retail sales, fiscal pressures, the employment situation and labor supply.

The CCI ranges from zero to 100. A zero is given when no indicators improve compared to previous year levels. A value of 100 signals that all 12 categories improved. Values above 50 indicate that Rhode Island's economy is expanding, while those below 50 show a decline.

The CCI, which was implemented in 1995, has been put to a series of accuracy tests.

"To date, the indicator has been very successful and has passed every test," Lardaro said. "It has proven to be a very valuable tool."

The CCI designated an all-time low score of eight to Rhode Island for the month of April in 1991. Lardaro attributes this to the combined effects of a recession, banking crisis and major defense cutbacks, all of which took a toll on Rhode Island. Rhode Island has reached a maximum value of 100 on several occasions in both 1984 and 1986.

As for 2005, Lardaro predicts that Rhode Island will see a year much like 2004, but says that the economy may end on a slightly better note.

"I think the first half of 2005 will be very productive, but will we lose some of this progress in the second half of the year," Lardaro said. "It's sort of like taking two steps forward and one step back, but we are slowly gaining progress."

Details on Lardaro's CCI can be found on his Web site, [www.members.cox.net/lardaro](http://www.members.cox.net/lardaro).

### **Looking towards a brighter future**

Although Lardaro predicts 2005 will be only slightly better than the previous year, more and more investments in the state are being made and several major companies have plans to move into or expand work within Rhode Island, which may result in a future prospering economy. According to Rhode Island Economic Development Corporation's Web site, [www.riedc.com](http://www.riedc.com), GTECH, Citizen's Bank and Brooks have made investments in the State. ❖

## HEALTHCARE EXPENSES from page 1

spending growth slowed significantly, out-of-pocket expenses for health services grew 7.6 percent.

While Medicare – the federal health insurance program – covers more than 41 million Americans, gaps have left elderly to spend a significant portion of their income on healthcare expenses. In 2002, seniors spent an estimated 22 percent on average for health expenditures.

### New Medicare law to provide relief

Medicare provides coverage to people age 65 or older, as well as some individuals under 65 with certain disabilities and people with End State Renal Disease. In the past, to help fill Medicare's gaps, most seniors have had some form of supplemental insurance including employer sponsored benefits, Medigap policy, Medicaid and Medicare+Choice Plans (Medicare Advantage).

In 2003, the Medicare Modernization Act (MMA) was signed, signaling the most significant reform in Medicare's history. The new law has two goals: providing prescription drug relief to seniors and strengthening Medicare's future. It also includes marked improvements in consumer choice through health savings accounts.

The comprehensive program will begin in 2006, whereby private insurance plans will offer voluntary benefit packages for drug coverage. Starting in 2004, seniors were able to get prescription drug discount cards aimed at achieving initial drug savings of 10 to 25 percent. Lower income beneficiaries were eligible to receive a \$600 credit on discount cards to pay for prescriptions. In 2005, the program adds enhanced preventive care including a wellness exam (for Medicare Part B), blood screening for early detection of cardiovascular disease and diabetes screening for at-risk patients.

Under the standard program benefit, however, beneficiaries can still be responsible for prescription drug costs up to \$3,600.

### Future outlook

Between 2000 and 2030, the population of U.S. residents age 65 and older is expected to more than double to 71 million, placing even greater demands on the healthcare system. Aging baby boomers and medical advances that lengthen life expectancies contribute to the anticipated pressure.

The CMS projects that in 2013, healthcare expenditures will reach \$3.4 trillion, growing at an average annual rate of 7.3 percent. Out-of-pocket spending is expected to grow more rapidly between 2003 and 2013 largely due to efforts by employers and insurers to share costs with employees. While these projections don't factor in the effects of the MMA, they serve as a baseline for the next eight years of healthcare spending trends.

### Personal protection plan

The Center for Disease Control suggests that future health programs need to focus on promoting health in older adults, preventing chronic illness and maintaining quality of life. This patient centric focus along with the new Medicare enhancements are guaranteed to relieve some cost pressures on healthcare consumers. However, out-of-pocket costs are still projected to rise and personal planning is key to preventing expenses from spiraling.

Health Savings Accounts are a new option for health insurance that cover large hospital bills and serve as an investment account or retirement account from which you can withdraw money tax-

free for medical care. If the funds aren't needed for health expenses, they accumulate with tax-free interest until retirement, when you can withdraw for any purpose and pay normal income taxes.

More traditional options for longterm savings to help curb costs during retirement include Individual Retirement Accounts (IRAs). Traditional IRAs, Roth IRAs and Spousal IRAs offer varying degrees of tax-friendly savings plans.

Employer 401K programs are widely recognized as highly valuable savings tools that are pre-taxed, and lower taxable income by the amount of the annual contribution.

Contributions to annuities are made on an after tax-basis but are tax-deferred for individuals and warrant consideration when planning for retirement expenses. Deferred annuities allow you to accumulate money for retirement on a tax-deferred basis. The payouts, and taxes on interest and earnings, are deferred until retirement.

A home equity conversion – or reverse mortgage – is a loan used to convert the equity in your home into money. The money can help pay for healthcare or any other financial needs. Loans are to be repaid when the homeowner dies or sells the home and any excess equity goes to the homeowner or his/her heirs.

Medicare does not cover most longterm care costs. Longterm care insurance coverage can vary and may cover nursing home care, adult day care, assisted living, medical equipment and formal or informal home care. Premiums depend on age, health status and amount of coverage.

A deferred longterm care annuity can be a fund that directly pays for longterm care services or insurance, and may grow at a high interest rate, or a regular cash fund that grows at a guaranteed rate of three percent. The monthly payout depends on the annuity value and most deferred annuities provide coverage for up to 36 months.

In the future, an aging baby-boom generation, decline in number of workers per beneficiary and the continued rate of healthcare spending will present challenges on many levels. Greater resources – both nationally and personally – will be required to maintain current benefit levels and meet the needs of the growing number of beneficiaries. ♦

## Medicare Overview

*Medicare Programs include:*

**Part A** The Hospital Insurance Program covers inpatient hospital, skilled nursing facility, hospice and home healthcare.

**Part B** Supplementary Medical Insurance covers physician and outpatient hospital care, lab tests, medical supplies and home health.

**Part C** Managed care plans that provide Part A and B benefits to enrollees. Formerly called "Medicare+Choice," Part C is now known as "Medicare Advantage."

**Part D** The new outpatient prescription drug benefit to be implemented in its entirety in 2006 under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA).

erning council approved a resolution in support of greater transparency of peer review, defenders of today's program argue that by making reports more transparent, they become more punitive than educational.

Another situation currently under scrutiny con-

cerns complaint settlements. The board is reviewing whether there should be voluntary reporting when a licensee is involved in a settlement where professional services are involved.

Under the Sarbanes Oxley Act of 2002, there are several document retention requirements for audit work papers and related materials.

Another issue the board of accountancy is watching closely is the debate on whether to have a record retention period for attest engagements for financial reporting processes and controls. State level document retention requirements often differ from national standards and accounting firms are encouraged to stay abreast of any changes to prevent noncompliance.

### In good company

The Rhode Island

Board of Accountancy turns to its umbrella organization, the National Association of State Boards of Accountancy (NASBA), as a valuable resource for enhancing its effectiveness. Mathias says that their relationship with NASBA is particularly important for coordinating information and programs regarding the CPA exam, remaining informed of national issues, and determining if CPE programs meet certification requirements for NASBA and the AICPA.

"They're an excellent reference point and a resource for how we can improve our organization's structure here in Rhode Island," said Mathias.

The Board of Accountancy also relies on its relationship with the Rhode Island Society of CPAs (RISCPA) to effectively communicate changes and updates regarding the board's activity and state programs from a regulatory standpoint.

"We enjoy a good working relationship with the Rhode Island Society of CPAs," said Mathias. "Our missions, while different, compliment each other. The board seeks to protect the interests of the general public and the Rhode Island Society of CPAs aims to provide leadership that promotes high standards of accounting practices and to enhance its membership."

The organizations work cooperatively by attending meetings, seeking counsel from each other and participating in each other's programs. ❖

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