

Welcome Message
by Peter Chatellier, CPA

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Rhode Island's Infrastructure Needs and Funding: How Will They be Balanced?

Rhode Island is just over 1,500 square miles, yet its infrastructure needs are abundant. Struggling with shrinking funds and an aging transportation infrastructure, The Rhode Island Department of Transportation (DOT) reports that annual revenue will be about half of what's needed for the necessary repairs and maintenance. Currently, projects are estimated at \$600 million and income sources will total just over \$300 million. As it stands, the debt service burden is at about \$40 million per year.

With such an imbalance, new revenue sources are being researched by a newly appointed blue ribbon panel. In the interim, the DOT continues some of the largest projects the state has undergone, aiming for efficiency and safety in the state's transportation system.

According to Bob Shawver, planning director for the DOT, each year the DOT uses a Transportation Improvement Project (TIP) as its annual work plan. The TIP, set by the State Planning Council, is a list of transportation projects eligible for federal funding developed through an extensive public planning process required by federal law. Since Rhode Island is small, the state makes up only one urban area so it has only one TIP (whereas Boston, for example, has many), making transportation planning relatively simple compared to other states.

The subcommittee in charge of approving the TIP is the Transportation Advisory Committee (TAC). Projects included in the state's TIP – which was approved by the State Planning Council in August – include: interstate, bridge improvement, bicycle/pedestrian, congestion mitigation/air quality (CMAQ), traffic/safety, pavement and repair projects.

Safety is the number one priority when determining how projects are prioritized and financing is allocated. In the latest TIP, much of the funding shifted to bridges.

Rhode Island has one of the oldest inventories of bridges in the United States, with most built in the late 1950s and 1960s. Today, nearly half of the state's bridges are structurally deficient or functionally obsolete. There are 772 bridges in Rhode Island according to the national bridge inventory system. Of



On the Road with Ernie Almonte

Rhode Island's Auditor General, Ernie Almonte, is on the road to becoming the AICPA's first chair both from Rhode Island and from government. And his quest has quite literally taken him on the road throughout the U.S. while he addresses state societies to provide an update on what's happening in the profession on behalf of the AICPA. He's covered New York (three times), Washington, D.C., Philadelphia, Missouri, Oklahoma and Maryland, just to name a few.

In October, Almonte will be officially appointed chairman of the AICPA, an organization with five offices, 600 talented staff members, and more than 350,000 professional members across the country. Almonte has been enjoying meeting members, getting their opinions and finding out what their major business concerns are.

"It's an exciting time to be chairman," said Almonte. "There are so many things happening and changing in our profession. I'm thrilled to be a part of it."

Almonte's message to members is that there are no

Welcome Message: Success is a Moving Target

During my term as president, I will continue the dedication of past leaders to our Society and its mission. We work in business and industry; government; nonprofit and education; private practice; small firms and large international firms. Even though we are a diverse group, we are united by common values, issues and professional integrity. The public acknowledges our role in society and views us as "trusted advisors." In an increasingly complex economy, we are the voice of expertise and common sense.

Our profession has reached this respected position through the efforts of each of us who dedicate our careers to high quality work, the principles of our profession and, the efforts of the leaders of our profession who preceded us.

The challenge your newly elected leaders face is to build on this legacy. Our Society must remain relevant to its members and committed to its mission. Our board of directors has addressed this challenge by adopting a strategic plan with measurable goals and objectives. All of their planning and decision-making must meet the test of our mission statement; meaning that it contributes to the success of our members, promotes high standards of integrity, and honors our profession.

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This alignment of services and programs with our mission has set our agenda. In the coming year, we'll be focusing on an improved, updated web site, implementation of a new CPE tracking program for members, continuation of the successful 100 percent firm membership program, networking opportunities, campus gatherings and our high quality CPE Program.

We will continue to monitor state and federal legislation, taking action and advocating for issues that affect our profession and the financial issues of our state and nation. Over the past few years, we've proven that our expertise is instrumental in advising legislators on tax issues, testifying on issues affecting small business, speaking out on issues of public finance, improving the nation's financial literacy, and assisting our armed forces with the unique financial issues.

We will continue to identify opportunities to build the "brand" of CPA by serving as a resource and "trusted advisor" to the public.

Ultimately, the measure of our success is the value perceived by you, our members. I am happy to report that we are about to reach record membership. Our next challenge is to increase the participation of our members.

I'd also like to take this opportunity to congratulate our newest CPAs and urge you become active in our society. It was more than 30 years ago that I received my certificate, and I remember the excitement and enthusiasm that I felt as I considered the opportunities that this profession offered me. So many people advised

me to join RISCOA, and participate in its activities as a way to stay connected to the profession. I believe that advice is as true today as it was then. I have enjoyed my participation, made many friends and learned much along the way.

Finally, the best part of my Society involvement over the years has been the mutual respect and friendship with the enthusiastic, hard working, intelligent, and problem-solving men and women of this profession. We have fun, we have disagreements, we receive constructive criticism, we work hard, we debate issues, we make a difference, we take action, we share common values, and I continue to enjoy every minute of it.

Success is a moving target, and we need your feedback to continue the Society's success. I welcome you to contact me, or other board members, with new ideas and suggestions. Thank you.

Sincerely,

Peter Chatellier, CPA and RISCOA president



Peter Chatellier, CPA
RISCOA President

E v e n t s

SEPTEMBER 25, 2008

Networking event at Café Nuovo, Providence

SEPTEMBER 26, 2008

RISCOA is hosting its 10th Annual Leadership Day on September 26, 2008, at the Warwick Country Club. The half-day program includes a review of the past year with reports given by various RISCOA committees, consultants and John

Mathias, chairman of the Board of Accountancy.

This year's keynote speakers are: Rhode Island Auditor General and AICPA vice chair Ernie Almonte, and Alan Patterson, PhD., an industry expert in leadership development, organization design and executive training.

Participants receive four hours of CPE credits. For more information visit riscpa.org or call Denise at the RISCOA office at 401-331-5720.

Government Affairs

Society Helps Defeat Massive Tax Increase Proposal

The RISCPA played a key role in defeating major tax increases proposed at the State House this year, according to government relations consultant David Preston of New Harbor Group. The highlight of this effort was testimony by Society leadership at a hearing before the House Finance Committee this spring.

The legislation, sponsored by Rep. Arthur Handy (D-Cranston) would have raised taxes on income and capital gains, frozen the flat tax, repealed several productive tax credits and incentives while expanding the sales tax.

"From the RISCPA's perspective, the most outrageous proposal would have imposed an additional two percent gross receipts on tax accounting services," said Peter Chatellier, RISCPA president.

Fortunately, none of these proposals became law. Society past president Mary Bernard explained to the committee how the massive tax increase would damage the local economy. She was followed by past president Pat Thompson from Piccerelli Gilstein who presented a detailed analysis of flaws in the legislation. Several State House observers noted that committee members found the expert testimony from the Society to be effective and persuasive.

The Society also played a pivotal role in scaling back a proposal to retroactively eliminate the Historic Tax Credit.

"We explained how this would cause serious harm to many of our clients, and probably put some of them out of business," said Chatellier.

Ultimately, the tax credit was limited going forward.

New regulations change CPE and licensing landscape for CPAs

Some key changes to CPE regulations and licensure that affect many CPAs have recently

been made by the Board of Accountancy .

The first regulation change addresses bringing the nomenclature and description of CPE categories in line with the National Association of State Boards of Accountancy (NASB) and the AICPA. For example, the personal development category, which includes business management, organization, and marketing, is limited to a maximum of 24 hours in the three-year reporting period. The new regulation clarifies what courses in management area fall under this category and are or are not limited.

According to John Mathias, CPA and chairman of the Rhode Island Board of Accountancy, the revision allows CPE providers to describe the course according to the accepted classification. As a result, when licensees are filling out their reports, there's no confusion as to how to describe it; it's now standardized. The change is significant because within the CPE requirements, there are certain sub requirements that must be met or limited, and different areas of interest based on an individual's specialty.

"One of the important benefits of the change is that it takes into consideration that licensees are not all in public accounting; many are in the private sector," said Mathias. The latter group would benefit from more management-related programs, such as financial management, cost analysis and inventory control.

The new regulation pertaining to categories will be effective and retroactive to



January 2008.

A second key regulation change pertains to permit reinstatement for the people who have let their CPA license lapse and are looking to renew. Until now, those that wanted to reinstate their license, needed to demonstrate they have had 120 credits for the three-year period preceding the date of the application for reinstatement. The

GOVT AFFAIRS on page 5



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One-on-One with Dotty Pascale

Dorothy (Dotty) Pascale works for the executive branch of the Rhode Island government as the deputy chief of the Bureau of Audits. With a career that includes work in public accounting and years of focus on financial statements, Pascale feels that CPAs in government can offer business strategy to balance the service side of the equation.

What Counts: How has your career progressed to your role as deputy chief for the Bureau of Audits?

Dotty Pascale: After graduating from Providence College, I went to work at Muto Vollucci, a medium-sized CPA firm in Warwick, and remained there for quite a long time. I then took a position with the Rhode Island Department of Business Regulation (DBR) as a securities examiner for investment advisors, brokers and dealers.

I moved on to the Department of Transportation (DOT) to implement the new Oracle Financial Suite Software, which took up a good chunk of my life! We customized the use of it for the DOT's needs.

It was an interesting job for me because I served in a business analyst position, working with outside consultants, and RIDOT's engineering staff and financial staff.

After the system implementation, I was promoted to financial manager of the maintenance division, where I managed their \$52 million budget, and served in a controller's role. I later became CFO for the DOT and remained there for two years, at which time I took on this position as deputy chief for the Bureau of Audits. I've been here for almost three years.

Throughout my career, my focus has been predominantly with financial statements, with the exception of the DBR and my current role.

WC: Describe your current job.

DP: We perform audits of any of Rhode Island's 84 state agencies or quasi-public agencies. Our main focus is evaluating internal controls, and recommending operational efficiencies for these agencies. We try to guide them, help them

improve their internal controls, and make recommendations to become efficient and streamlined.

WC: Who makes up your department and how do you operate?

DP: There's a staff of 12 in the Bureau of Audits, which includes three deputy chiefs that head up three divisions: General Audit, IT/Data and Risk Analysis, and Special Projects, which is my group.

First, we create an audit plan for the year, which



Dotty Pascale
Deputy Chief, Bureau of Audits

starts with a risk rating for all departments and agencies according to a survey questionnaire. Agencies whose service could result in injury or death or those with a significant budget may qualify as having a higher risk. Our audit plan sets the agenda for the group's goal for the entire year.

The Special Projects group is traditionally assigned to address requests that may or may not be of a general audit nature from department directors or executive management. We approach the director or managers of that agency, and 99 percent of the time, they'll tell us the issues that need to be addressed. If there's a program that needs fixing, they will typically ask for the help. Then we look to find people with institutional knowledge – those that know what's going on and who can give us the information we need. We look into every aspect of the business relative to the issue being reviewed.

WC: What do you find rewarding about your job?

DP: My job is never the same from day to day. Our end goal is to create operational efficiencies and controls for state departments and agencies. In pursuing that goal, we meet all kinds of people with different personalities, and we engage in all types of auditing, data analysis and forensic accounting activities. It keeps you on your toes. It's definitely not a job for a lazy learner. And it's not only about the numbers; reading and writing are so important. We have to write reports that are interesting and understandable. People don't often connect the two.

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WC: Are there benefits to agencies who are undergoing these audits?

DP: Sure. Because we review different agencies, we can help them share information, experiences or ways to consolidate operations. We encourage agencies to share information, connect and brainstorm to help each other.

WC: What are the greatest challenges of your job?

DP: Budget constraints. Some of these agencies we review are operating on bare bones budgets and we try to help them maintain controls and gain efficiencies while they provide service to the public. My job is to provide recommendations for improvement, and help agencies become more efficient to utilize taxpayer dollars in the best manner possible. But oftentimes you may recommend a complete reorganization of a program or spending money to save money in the long term. Unfortunately, today's economic culture is not always conducive to this way of thinking. It's tough to manage both sides of the equation – need for controls/efficiencies and funds/staff to provide the services.

WC: From a job performance perspective, what's challenging?

DP: It's a difficult job and never the same from day to day. I have to be somewhat creative, think quickly and really listen and hear people. I have to know when I hear something that spurs the need to dig further.

WC: What's the general timeframe of an audit?

DP: We typically audit different programs simultaneously (each deputy is conducting an assignment), but in general it takes from three to eight months. The length of time depends on the size and controls of the program we're reviewing, and the audit trail available. Until you start taking a few steps, you never know what path you're going down.

WC: What's the general tone with which you're received when you do an audit?

DP: It's mixed. Audits can take a while and we certainly don't want to inconvenience an agency by prolonging the process, or impede their work. But, we have a job to do, which requires time to get adequate information. We try to quickly finish our objectives on site, put together the pieces of what we uncovered, and issue a report.

We've really tried to change the perception of our department. We're not here to inconvenience the department or agencies, we're here to help.

“We're trying to provide taxpayers with a better, more efficient, government. That's the goal of the Bureau.”

Sometimes, ours may not be a pleasant conversation, but we're trying to provide taxpayers with a better and more efficient government. That's the goal of the Bureau.

WC: How did past jobs prepare you for your role as Deputy Chief for the Bureau of Audits?

DP: Public accounting training comes in handy; it teaches you to think the right way for this type of work. The work a CPA performs prepares you to think analytically, and to look at the entire picture before you jump to conclusions. If you're going to make a statement, you must have the documentation to back it up. The skills to gather complete and relevant documentation and the ability to “see the big picture” are fundamental to internal auditing.

WC: What are some of the key differences

between government and private sector?

DP: The difference between government internal auditing and private industry internal auditing is that governmental reports are open to the public. Every Bureau-issued audit report is subject to public scrutiny. Another major difference is objectives. The private sector is about a profit margin, cash flow or earnings per share. Government is about meeting statutory requirements, public service and getting people what they need. It's a whole different focus and takes some getting used to.

WC: What advice would you give to CPAs looking to work in government?

DP: Work somewhere else first and then come to government. The experience that comes with working in public accounting or the private industry is extremely helpful to the work we do here. However, if young professionals or recent college grads want to work for the Bureau, we qualify as work experience towards public accounting certification. A majority of our staff maintain CPA, CIA or CFE licenses. Business-minded thinking helps to counter balance the skills of service providers in our industry.

WC: What do you enjoy doing outside of work?

DP: I enjoy cycling and spending time with my family. Baking and cooking are also favorite pastimes of mine – it is also a favorite of the Bureau staff. ❖

GOVERNMENT AFFAIRS from page 3

revised regulation states that former licensees who have had an inactive license for five years or more, are required to have 240-credit hours of CPE during the three-year period, or 120 hours plus a CPA review course with documentation and proof of attendance. If the former licensee takes the 240-hour option, all limitations are doubled.

Why the change now?

“Our profession changes quickly and we felt we owed this type of protection to the public,” said Mathias. “If inactive for less than five years, we find that practitioners are not as stale. The benchmark for change seems to be at the five-year mark. There's a big drop-off if the person has been inactive for more than five years. It could be 20 years since someone has practiced and they'd need more remedial education than those with less time away.”

The board expects to implement the new reinstatement regulations after December 31, 2008. ❖

Professional News

AICPA Gives Rhode Islanders National Voice

The AICPA is not only the national, professional association for all CPAs, it's often regarded as the caretaker of the brand. Rhode Island has always had a solid presence at the national level, with seven people currently involved: RI Auditor General Ernie Almonte, Greg Porcaro, Kevin Currier, Laura DaLomba, Pat Thompson, Bill Pirolli, and Mary Bernard. And, with Almonte about to take on his role as chair of the AICPA, Rhode Island's profile is about to be raised even higher.

Bill Pirolli, a partner at DiSanto, Priest & Co., has been participating in the

AICPA for about 12 years on a variety of committees, serving mainly on those that deal with management of firms, such as the PCPS. The Private Companies Practice Section (PCPS) is dedicated to making firms of all sizes more successful by providing web resources, conferences, symposiums and strategic planning assistance.

Pirolli also serves on the AICPA nominating committee, making recommendations for the board, officers and AICPA governing council. Currier serves as chair of the UAA committee, which he was appointed to in 2002.

Every committee is different and operates under its own set of guidelines. An individual's level of service can vary based on desire, and which committee she decides to join. The AICPA tries to make participation as seamless and efficient as possible, with expenses paid, meeting locations selected strategically, and teleconferencing often an option.

"It's a very active and dedicated group," said Pirolli. "In all the years I've been involved with the AICPA, I've never met a person who didn't have the members' or profession's best interest at heart. Once you're involved, you're likely to stay involved."

For those that aren't sure that AICPA service is for them, Pirolli suggests serving locally first. It's a great way to test the waters, and also helps the local CPA community.

Most AICPA members don't take full advantage of the multitude of resources available to them, which is surprising. The AICPA is influential in its role as a standard-setting authority that guides how all CPAs practice. For those that do, there's a host of talent readily accessible.

"You get to work with the best and brightest people all the time," said Pirolli. "These CPAs are at the top of their craft and enable you to bring back great ideas."

Rhode Island's representation with the AICPA is much like government, with share of voice equal to the state's size. But in addition to the member participation, RISCPA's executive director, Bob Mancini, and past director, Ray Church, have been instrumental in bridging the gap between state and national associations, playing an active role in events, communications and policy changes.

And, with Ernie Almonte becoming chair of the AICPA, Rhode Island's presence will only increase. Pirolli feels he offers the AICPA a unique blend of knowledge.

"Being from government and also having a small firm background, Ernie understands the challenges of practitioners and has the governmental know-how," said Pirolli. "He will carry Rhode Island's torch very well." ♦

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ON THE ROAD from page 1

keys to success hidden in a box. As a member, they have access to a robust body of knowledge, and he encourages people to visit the web site as a starting point.

"Taking 30 minutes to review what resources are available on our site might take a person from average to excellent," said Almonte. "Whether you're in government, private, public or education, there's something for you."

As noted, Almonte is the first person from government to be appointed as chairman, and offers a different perspective, regarding people in government as strategic partners to the AICPA. For regulation-setting alone, this mutual relationship will benefit from getting input from both sides first to make regulations relevant and easiest to understand.

"From the government's perspective, if CPAs understand the regulations, they're easier to implement," said Almonte. "I plan to be very proactive and promote the idea of vetting ideas first, getting feedback and then making smart decisions."

Two issues are high on Almonte's radar screen as he takes over his new role as chair: more new CPAs and more people with PhD degrees to teach them. With demand for CPAs high, it's critical to recruit and retain young, diverse students into the profession to ensure a "full pipeline" for the future. With more students graduating with accounting degrees today than in the past 35 years, Almonte encourages CPAs to be "ambassadors" of the profession by talking to high school *and* college students about the vast career opportunities available to them. He also suggests bringing young, like-minded, professionals to such meetings so that they can relate to their peers. Further, the AICPA's website, startheregoplaces.com, is a great resource for educating students on what the profession has to offer in a fun, exciting and relevant way. The site – that includes games as a teaching tool – has been a great success: people who visit are eight times more likely to choose accounting as their course of study, according to Almonte.

Almonte and the AICPA are addressing the shortage of professors with PhDs teaching at universities by sponsoring an initiative called the Future Accounting Doctoral Student Program, which would provide \$17 million in funding to add 30 new students to doctoral programs each year for the next four years, and would recruit doctoral students from the accounting profession.

For Rhode Island, Almonte's new role strengthens the national connection for local CPAs. He encourages Rhode Islanders to reach out to him and tell him what they'd like to see happen. Almonte plans to communicate his activity with Rhode Island CPAs and, with travel time abundant, he suggests they take advantage of his downtime and email him – at ealmonte@aicpa.org – with any questions.

"I want to do a great job as chairman," said Almonte. "Whether it's a skill they'd like to improve on, a question they have, or a positive or negative comment, I want to hear from members." ❖

**From the Director's Chair***by Bob Mancini*

Since RISCPA has embarked on its new fiscal year on May 1st, I'm proud to report that we're operating in fine fashion. To begin with, I'd like to congratulate RISCPA's new president, Peter Chatellier, along with fellow officers, Jacquelyn Tracy, president-elect, Arthur Lambi, vice president, Martha Hultzman, secretary, and Sam Suls, treasurer, as well as the entire board for their cooperation and valuable assistance in helping our society achieve success with its programs and initiatives. I also wish to extend congratulations to Past President Mary Bernard for a wonderfully successful year. Under Mary's leadership, our society moved to enact important mobility legislation. The new year brought three new board members to RISCPA: Kenneth Andsager, Linda Ide and Jim Morrison. We welcome their passion and commitment. A special thank you to outgoing board members, Ernie Almonte, Jeff Wadovick and Tammy Duxbury for a job well done during their board tenures.

I'd like to also applaud the efforts of RISCPA's first-rate staff: Kris Moretti, Denise Jacobson and Ellen DeCataldo. As director of our nationally recognized CPE program, Kris Moretti performs her duties exemplary. Denise and Ellen create a formidable team providing excellent operational assistance to all our members throughout the year.

The summer season has been busy, with the October 21st breakfast for Ernie Almonte's inauguration as the next AICPA Chair on the horizon. In addition, we've been upgrading the RISCPA web site, expanding the sponsorship program, further developing our collaborative effort with the AICPA's, CPA2BIZ, and working to improve operational efficiencies to better serve our growing membership base.

This year RISCPA will begin offering members a state-of-the-art system for CPE tracking by facilitating the process of transmittal to the RI Board of Accountancy. The system will alleviate errors often associated with manual preparation and provide real time update to course requirements and fulfillment. We thank Board of Accountancy Chairman John Mathias and his fellow board members for their cooperation and support of this new program.

Upcoming noteworthy events include: September 25th RISCPA's networking event will be held at Café Nuovo in Providence. The sponsor of the event is Meridien Benefits Group, Inc. Leadership Day is scheduled for September 26th at the Warwick Country Club (*refer to Events, page 2*).

Along with the RISCPA Board and staff, I hope you've enjoyed a terrific summer season. ❖

Academics

Rhode Island Business Plan Competition Names 2008 Winners and Proves RI's Zeal for Business Development

With a notable spike in applicants, a record number of sponsors and an all-time high in prize values, this year's 2008 Rhode Island Business Plan Competition (RIBPC) proved to be one of the most successful in the program's seven-year history. According to competition manager, Peter Lowy, the RIBPC received 58 applications this year, up from 45 in 2007, and landed 35 sponsors from a range of industries including technology, energy, consumer retail, Internet and manufacturing. The numbers speak volumes for the competition's growing popularity and esteem in Rhode Island.

Though the \$170,000 in prizes awarded to this year's winners and finalists makes the RIBPC "one of the richest business plan competitions," Lowy said an increasing number of applicants might be drawn to the RIBPC for other reasons.

"It could be a renewed interest in entrepreneurial activity," said Lowy, who also suggested that a growing awareness of the competition could be a factor.

Not only is the quantity of the applicants increasing, but so is the quality. Judges reviewed plans from 12 finalists this year (six each from the entrepreneur and student tracks), and agreed that caliber was consistently higher than in previous years.

The RIBPC seeks to encourage entrepreneurship and the development of new companies within Rhode Island. Although the competition is open to everyone, to qualify as a finalist, applicants must agree to establish or maintain operations in Rhode Island. This condition supports the RIBPC's mission and contributes to the state's business expansion.

The competition has a growing importance for Rhode Island, which is evident by this year's increase in sponsorship.

"The purpose of the RIBPC is, first and foremost, to encourage the entrepreneurship and the development of new companies. That is a message that resonates across the state," said Lowy. This year's 35 sponsors, including the RISCPA, "represent a broad cross-section of organizations, from private companies to private and state universities. They believe in encouraging entrepreneurship as well, and that's very gratifying."

Value for applicants: a foot in the door

Competitors of previous years typically have two things to say about their experience with the competition. First, the process itself is enormously valuable, especially when it comes to understanding the market.

This is true of all applicants, even those not chosen. The application asks them a number of challenging questions, including the strengths and weaknesses of their plan, possible obsta-

cles to success and the uniqueness factor the business would bring to the marketplace.

Lowy said winners also gain something you can't put a price on: a launch pad to move forward with their business plan.

"It's not so much the dollar value of the prizes that is most important to them," said Lowy. "It's the fact that they win, because it tends to help open doors for them, most importantly, to investors with deeper pockets."



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Winners hit the ground running with new funds and experience

Winners of each track received \$54,500 in prizes, including \$22,500 cash and \$32,000 in-kind services. This year for the first time, two runners-up in each track also received \$15,000 in prizes (\$5,000 cash and \$10,000 in-kind services). A winner for the high school track was awarded \$1,000 in cash. Winners of each track feel their companies offer something new to the marketplace.

First-year competitor and winner of this year's entrepreneur track, Tim Holmgren, founded MissingPatient.com. While Holmgren's company has been operational since January 2008, he says taking first place helped gain standing in the market.

"The competition has provided credibility to the business plan and the concept, and it's helped to streamline various potential strategic partnerships we've been working on," said Holmgren.

Holmgren's business serves as "an amber alert for senior citizens that go missing," he said, whether they suffer from Alzheimer's disease or another cognitive brain disorder. "It's just something I thought needed to be done."

According to its website, MissingPatient.com enhances the flow of information between caregivers and law enforcement when disoriented seniors wander, and better coordinates search and retrieval efforts. The site is used in combination with a 24/7 call center.

Holmgren came up with the idea about six months prior to the 2008 competition and worked with the University of Florida on proof of concept – researching and developing the most effective way to deliver his business plan while providing maximum benefits to its users.

Since winning the 2008 RIBPC, Holmgren's business has expanded and will soon include options like GPS technology, real-time tracking and digital "safety zone" fences to help locate wanderers.

Mark Drew, a 2008 graduate of RISD and this year's student track winner, said his idea originated as his senior thesis project. He designed a disposable medical device for emergency medical services (EMS) and battlefield situations to help preserve lost appendages for transport to hospitals. The device is now under Drew's company name, Siren Medical.

"If you have a device specifically designed to preserve these lost appendages in the field, you'll have a greater chance of having it successfully reattached," said Drew of the product.

Drew's business plan was cultivated in his makeshift office: an abandoned storage closet at the college. He spent six months designing prototypes and meeting with doctors to discuss his plan before toying with the idea of submitting it to the RIBPC. He worked with an attorney and an engineer from Brown University to file a patent with an old high school friend.

Drew said he was always interested in starting his own business, and began attending some of RIBPC's free educational workshops near his school with a friend – opening his eyes to how much he had to learn about the business world. Though he had some concerns about

submitting a business plan as an art student, seeing the previous year's winners at a meeting made him think, "I can do this, too."

"The business plan really helps to get you on your feet," said Drew, who is currently continuing fundraising efforts to aid his business.

He is looking

to sell his device to the military for first aid kits, and to paramedics and firefighters. Since winning the competition, Drew has formulated his company, secured a tax ID and an office. He is also developing prototypes, seeking out a surgeon to work with as a paid consultant, and pitching his device to potential sponsors.

He has certainly come a long way from the storage closet where he began.

"It helped mold our thinking. It put some fire under our seats," said Drew of the RIBPC's influence on his business plan.

Competition deadlines helped focus the plan, said Drew, and made him take steps he may have skipped on his own, like formulating a 5-year projection instead of just a 2-year projection.

"It forced us to think in ways we weren't comfortable with, and I think that's a good thing," said Drew.

What's next for RIBPC?

The 2009 RIBPC is expected to closely mirror the 2008 competition and build off its past strengths. But Lowy offers a word of advice to next year's applicants: start thinking about your business plan early.

"We always say don't put that off," said Lowy. "Getting an idea, and testing it, is probably the most important thing. You need to find out if it has legs."

Competitors should note that the concept is more important than the written document.

"Judges do not evaluate the applicants based on the written business plan," said Lowy. "It's important that that is well thought out and put together, but what the judges are really evaluating is the business idea."

Judges will be looking for businesses with growth potential. Applicants should be prepared to argue that they have a viable, scalable business. "But not everyone needs to be the next Microsoft," said Lowy. ❖



Garrett Hunter (center), president of Business Development Company of R.I. and co-chair of the R.I. Business Plan Competition congratulates the finalists and winners.

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them, 21 percent (164) are structurally deficient and should be repaired. About 29 percent (222) are functionally obsolete. Bridges are inspected once every two years or more often if there's an issue. Two of the state's major bridges have deteriorated significantly, with the Pawtucket Bridge #550 carrying I95 and The Sakonnet River Bridge bearing weight limits. It would cost about \$78 million a year to repair and take down ailing structures with about ten moving back into the "structurally sufficient" category each year.

So where does the money come from?

The DOT operates on federal funds, bonds and revenues from the gas tax. According to Shawver, Rhode Island relies almost entirely on federal funds, which is unusual compared to the rest of the country.

"Nationally, states rely on federal programs for about 35 percent of infrastructure funding," said Shawver. "Rhode Island relies on 84 percent federal funding." The major shift is largely due to lack of state funding, and strong support from Rhode Island's congressional delegation, according to Shawver.

Last year, the state received just over \$200 million from the Federal Highway Administration (FHWA), for its projects. Of that money, \$160 million is flexible and \$40 million is earmarked by Congress, which can cause problems.

"Under the guidelines of SAFETEA (the 2005 Safe, Accountable, Flexible, Efficient Transportation Equity Act) Act, certain funds that would have gone to projects planned, were reallocated to earmarked funding for the highway program," said Shawver.

Many of the DOT's projects are multi-year projects, which pose challenges for state budgeting. Federal funds are limited each year and budgeted with bond funds. An increase to the budget of one project, means a change order that will impact the start of other new projects. No project starts until adequate federal funding is available.

Ideally, an entire project would be funded at the beginning, but when a project is more than \$5 million, you can choose not to provide all the money up front allowing the state to start multiple projects – up to \$25 million.

This type of bond funding – mainly used for large scale projects – is called GARVEE (Grant Anticipated Revenue Vehicles), which allow states to pay debt service and other bond-related expenses with future Federal-aid highway apportionments. Five major projects supported by Federal GARVEE financing include the Iway, Quonset Access Road, Sakonnet River Bridge, freight rail improvement and the replacement of Washington Bridge. These are largely financed by issuing bonds against future federal funds, allowing the DOT to start projects sooner, and using future monies to pay down the debt service.

The state's most significant transportation project is the Iway project – the relocation of I-195. The Iway has been financed with a combination of funding that includes, FHWA funding and GARVEE funding. Last estimated, the project, which is about 70 percent complete, has reached \$614.9 million (not including debt service), of which \$344 million was from GARVEE funding, \$207 million was formula funding from the TIP, and \$63.4 million was from the sale of property made excess by the project.

The gas tax poses another problem to the state. The state tax on each gallon of gasoline is fixed at \$0.30 cents; the DOT receives about 21 cents of the gas tax to fund RIDOT operations and pay back debt service on transportation bonds. With less gasoline being bought, the state's gas tax revenues have decreased by about five percent this year, which translates into millions of dollars.

"Our gas tax is fixed," said Shawver. "With the increase in gas prices, the reduced yield creates less money for us, and less money to pay the debt service."

To help find a solution, Governor Carcieri has established a 12-member blue ribbon panel to review and make recommendations for Rhode Island's critical transportation finance mechanism. The group is made up of state and local officials, and representatives from business, the FHWA and the American Automobile Association (AAA). The panel is considering a variety of methods to raise money for the state's transportation system and is expected to make recommendations in November, giving them time to act if needed before the next legislative session. Tolls on I-95 and leasing state bridges, or highways to private companies to maintain and operate in return for the tolls they would collect, are all being considered.

"As we look toward the future, the current funding measures are unsustainable," said Shawver. "We need to look at other means of funding these important projects to ensure a safe and efficient transportation system for Rhode Islanders." ❖


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RISCPA Members Collaborate with RIPEC and State Commission on Tax Policy

Individuals and businesses turn to their trusted CPAs for financial counsel regularly, so who better to advise our state's government? Members of the Rhode Island Society of CPAs remain committed to the financial future of Rhode Island as evidenced by the enhanced role they've played in advising state policy groups and legislators on various tax-related issues. Recently, RISCPA members collaborated with the Rhode Island Public Expenditure Council (RIPEC), and a newly-formed tax commission to weigh in on key financial issues.

RISCPA continues counsel to RIPEC

In 2000, the RISCPA Tax Committee assisted RIPEC with a comprehensive report that analyzed various issues pertaining to state tax. The process included an analysis of all different taxpayer profiles at different income levels. For example: A married couple filing jointly with two dependents was analyzed at the \$40,000, \$75,000 and \$100,000 Household Income (HHI) level. These assumptions were compared against all U.S. states to see how Rhode Island stacked up. This past spring, the RISCPA and RIPEC did the same exercise, comparing about 12 states in the Northeast.

"We like to keep the avenues of communication open with RIPEC," said Mary Bernard, RISCPA past president. "The synergy between the two groups is positive and we can offer them our assistance, and benefits, such as software they might not have."

RISCPA members aiding this effort worked closely with John Simmons, executive director of RIPEC, to provide factual analysis for him and tax ramifications of Rhode Island's individual income tax.

"The system is at capacity," said Bernard. "We're still not giving people who are making the higher incomes a reason to stay in Rhode Island financially, and that's not a good thing for our state."

The report *A System at Capacity: Rhode Island's State and Local Tax System* is being issued by Simmons in sections, and is available on RIPEC's web site.

RISCPA members assist on state tax policy panel

A newly formed 21-member Tax Policy Work Group has been assembled by Governor Carcieri to study the state's tax structure and suggest changes. The panel, under the director of Gary Sasse, director of the Department of Revenue, consists of members in government, business, law and special interest groups. From the RISCPA, members Pat Thomson, Grafton "Cap" Willey, Ed Pieroni and Mary Bernard were appointed to the panel by David Sullivan, tax administrator for Rhode Island.

"We're so pleased to provide our input and expertise where it makes a difference," said Bernard. "We're happy to be a resource when our state's government is making important financial decisions for Rhode Islanders."

The work group is divided into three sub groups:

state business taxes, individual taxes and property taxes.

Each is charged with identifying and reviewing the tax burden for its group. Bernard's work with the business tax group has focused on evaluating the corporate tax structure, the cost/benefit of different credits, and reviewing pass-through entities, consumption taxes and wealth taxes. Willey, Pieroni and Thomson participate in the individual tax group.

In a recent interview with *Providence Business News*, Willey said, "The tax study committee is working diligently through the summer and I am very hopeful that it will come out with some significant recommendations to make the Rhode Island tax system more competitive and pro-economic growth."

The tax work groups will meet through November, at which time they'll present recommendations and issue a final report. Each sub group's recommendations will wrap up in October to be ready for the final presentations.

Throughout the process, guest speakers have contributed to the group's analysis by providing expertise on topics, such as gross receipts and streamlined taxes. Two guests included Scott Peterson, former tax commissioner of New Hampshire, and Stan Arnold of the New Hampshire Society of CPAs, who provided insight on their similar experiences for the group to draw upon.

In July, the corporate tax subgroup met for the first time to review Rhode Island's business tax credits and how they stacked up to those offered by neighboring states. The group is analyzing what the benefits are, whose using them and how much money does each mean for the state.

"There are so many credits on the books; some are never even used," said Bernard. "The process needs to be streamlined."

Bernard attests to the trend that RISCPA's overall involvement in government has seen an upturn in recent years. "This past year, there's been a lot of heightened legislative activity and many of us (from RISCPA) are getting involved," said Bernard. Bernard weighed in on the future of the Historic Tax Credit (*refer to Government Affairs, page 3*), a credit which was used more than expected and is being phased out for projects not yet approved. ❖



Annual Dinner Celebrates CPAs of Today and Tomorrow



This year's Annual Meeting was held in April at the Providence Marriott. As is custom, the event not only marked the ending of tax season, but also celebrated RISCPA scholarship winners. Top left: Lou Grumet, executive director of the New York State Society of CPAs and publisher of the *CPA Journal*, was the event's keynote speaker, emphasizing the importance of ethics in the profession. Top right: RISCPA scholarship recipients are pictured with RISCPA President Peter Chatellier. Bottom left: Immediate Past President Mary Bernard passes the torch to new president, Peter Chatellier. ❖



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