

# Eide Bailly LLP

*Each finalist was asked to provide responses to a list of questions for posting on this website.*

- 1) Brief description of the company's services and extent of operations.

Eide Bailly LLP is a regional certified public accounting and business advisory firm with diverse talents, industry experience and service specialties. Founded in 1917, Eide Bailly is a Top 25 CPA Firm in the nation, with 11 service centers in eight states, including Oklahoma City and Tulsa. Clients benefit from our core tax, audit and accounting services, as well as our expanded services, including corporate learning, employee benefits, financial services, forensic services, management consulting and technology consulting.

- 2) Brief statement about your organization's guiding principles or core values.

Eide Bailly's core values are summed up in our Culture Statement. Eide Bailly truly expects every member of the Firm to live up to the statements within our culture. It is not something that is taken lightly, but a value that is put at the forefront of the Firm. Our culture covers everything from caring for our clients to integrity to enjoying our jobs and having fun.

- 3) Identify the top three processes, tools or practices that your company uses to reinforce ethical behavior in your business operations. In other words, what do you feel are the most effective methods used by your organization in maintaining its commitment to high standards?

Eide Bailly's top three processes and tools used to reinforce ethical behavior are its Master Plan, Performance Management Process (PMP) and Client Loyalty Survey.

Jerry Topp, Managing Partner/CEO created the Master Plan as a road map to help transform the Firm's dream into a reality. The Master Plan explains our reason for existence, outlines where the Firm wants to grow in the long term, and defines specific goals for the current year. The actions of Eide Bailly staff members and their engagement with clients and prospects should be aligned with the plan. Our Master Plan includes our Culture Statement to emphasize the foundation on which the Firm operates. Eide Bailly has a strong culture, which is documented in our Culture Statement. We also have a Code of Conduct, or *Culture in Action*, that supports and expands upon this statement. It provides members of Eide Bailly with a standard set of principles with which to conduct business, helping ensure that our culture of professionalism is sustained throughout the entire Firm.

Our Performance Management Process (PMP) is an ongoing process that focuses on improving the performance of both the Firm and the Performers of Eide Bailly. All partners and staff participate in this process which helps align personal goals and career interests with the Firm's goals, as well as formally measures an individual's demonstration of our culture.

To ensure we are consistently meeting the Firm's high standards of service, we survey our clients on a regular basis through a Client Loyalty Survey. This survey is given in both a hard copy format and electronically. We believe our relationships with our clients are an integral part of our ability to provide a better client experience. An especially critical component of our relationship is measuring how well we meet the expectations our clients have of our Firm and our people. The results of this survey are a key component of a performer's PMP.

- 4) Short reference to one of the key major ethical issues you anticipate your employees or organization will likely encounter in the future and the proactive steps you are taking now to address this issue.

One major ethical issue in our organization is the ability to maintain independence with our audit clients. Our approach to help solve this issue has been to encourage our non-public clients to adopt some of the rules issued for public companies. We have also developed a checklist within the Firm to make sure we are not crossing the "imaginary" line when audit clients request other services.

Large Sized Companies

# I. Leading with Integrity

*“After leaving the Firm and deciding to come back, I know I couldn’t have made a better decision! I love the culture and the work environment is like no other. On a personal level, this past year was very difficult. Not only did the culture allow me to focus on my family, but everyone did whatever they could to help, and it really meant a lot to me. My supervisor continues to encourage me to manage my schedule around my family life and, at the same time, presents me with many opportunities to enhance my career.”*

*Kirby Ross  
Eide Bailly Tax Manager*

a. Based on the belief that “it all begins at the top”, please describe, with specific examples, how owners and/or senior leaders actively promote an environment that fosters legal and ethical behaviors throughout the organization.

At Eide Bailly, it truly does begin at the “Topp.” Jerry Topp, Managing Partner/CEO of the Firm leads with a dream of growing the Firm, creating leaders and conducting ethical business. To help communicate his vision to the rest of the Firm, he created the Master Plan.

**Master Plan**—A road map to help transform the Firm’s dream into a reality. The Master Plan explains our reason for existence, outlines where the Firm wants to grow in the long term, and defines specific goals for the current year. In most cases, the Master Plan is an internal plan and not for public communication. However, the actions of Eide Bailly staff members and their engagement with clients and prospects should be aligned with the plan.

Within the Master Plan, our Culture Statement was used to emphasize the foundation on which the Firm operates. Our culture fits right after our dream. Eide Bailly has a strong culture, which is documented in our Culture Statement. We also have a Code of Conduct, or *Culture in Action* (as referred to throughout the rest of this document), that supports and expands upon this statement. It provides members of Eide Bailly with a standard set of principles with which to conduct business, helping ensure that our culture of professionalism is sustained throughout the entire Firm.

Jerry and the Chair of the Board of Directors, visit each office on an annual basis to deliver a consistent message about the Master Plan and our Culture Statement. The Firm believes that each staff member should hear this message from top management and understand the importance of this topic.

b. How is the performance of your senior leaders evaluated in relation to their ability to operate within an ethical framework?

Eide Bailly has an evaluation process called Performance Management Process (PMP). PMP is an ongoing process focused on improving the performance of both the Firm and the Performers of Eide Bailly. All partners and staff participate in this process and it helps to align personal goals and career interests with the Firm’s goals, office goals and industry group’s goals while identifying competencies requiring further development.

Within this process, there is an entire section designated to our Culture Statement and ethical conduct. Each Performer is to choose a section of the Culture Statement to focus on for the year and exemplify this area everyday at Eide Bailly. Performers also look at ways to improve not only how they conduct themselves, but also how the Firm, as a whole, can continue to improve.

Through automated feedback from peers and the Performance Manager, Performers are assessed mid-year and at the end of the year on how well they are performing. These results are closely monitored and each Performer must be truly living the culture to advance in their individual career at Eide Bailly.

To ensure we are consistently meeting the Firm's high standards of service, we survey our clients on a regular basis through a Client Loyalty Survey. This survey is given in both a hard copy format and electronically. If clients choose to complete the survey electronically, they are given a username and password to provide us feedback on a secure website. We believe our relationships with our clients are an integral part of our ability to provide a better client experience. An especially critical component of our relationship is measuring how well we meet the expectations our clients have of our Firm and our people.

The results of this survey are a key component of the Performers PMP. We want each Performer to be accountable for the work they do with clients and, therefore, client ratings and comments are used as part of Performers review. The Firm feels strongly about meeting the expectations of our clients—and delivering ethical business solutions. By directly tying the results of the Client Loyalty Survey to the PMP process, we are keeping our staff members accountable for their actions and it allows us to evaluate their client relationships. The Firm believes that if we are truly living the Culture Statement, it will show in client satisfaction.

**c. How do your senior leaders use the results of these evaluations in enhancing their ability to operate within an ethical framework?**

The Performance Management Process (PMP) is designed to build leaders within the Firm. During the mid-year check-in and at the end of the year, Performance Managers share feedback that has been submitted with the Performer.

The feedback received from managers, peers, subordinates and clients is shared with each Performer, in confidence, so s/he can individually learn from her/his own performance. As leaders of the Firm, everyone is expected to transfer their knowledge gained throughout the Firm.

Partner and manager-level staff members are looked to as mentors and coaches for other staff to grow and learn from prior experiences. We believe in open communication within our offices and have a very friendly work environment so staff members feel comfortable talking to senior-level managers and partners about questions or situations. This is a win-win situation as the senior-level staff members are enhancing their leadership abilities and enhancing their business practices. The other staff members are able to gain valuable knowledge from our experienced professionals.

## II. Cultivating an Ethical Culture

*“Everyone in the Firm defines their success differently—and Eide Bailly’s Performance Management Process allows everyone to be actively involved in developing their own skills and talents in order to achieve the success they desire. I have chosen to be involved in many challenging and exciting opportunities, including campus recruiting and staff training. The Firm supports my involvement and I know I’m a valued member of the Eide Bailly team.”*

*Melissa White, CPA  
Eide Bailly Audit Manager*

a. Please provide a definition of ethical behavior as it relates to your particular organization. Additionally, please explain how you ascertained your definition(s).

Ethical behavior in our organization can be defined and expressed in a single concept—doing the right thing. We each have a personal responsibility to pay attention to what is happening in our particular areas and strive to do what is right versus doing just enough to get by.

Regardless of whether we’re dealing with client situations, internal matters, or representing the Firm externally, doing the right thing is *expected* and should always be the basic principle guiding our behavior.

b. Please describe any codes, principles or values that are inherent in your organization. How do these values manifest themselves in your organization’s culture? Please give specific examples of actions taken that demonstrate these values are actively being applied.

We are governed by the Code of Professional Conduct of the American Institute of Certified Public Accountants (AICPA) in the Performance of Professional Services. We expect the conduct of all partners and staff members and the Firm to be in compliance with the Code of Professional Conduct. Codes, principles and values are incorporated into our Firm Culture Statement which is the cornerstone of our environment and is expected to be embraced by all partners and staff members.

We have developed a *Culture in Action* document to help partners and staff members better understand how our Firm’s values and the Culture Statement are linked together. This document provides general guidelines for ethical behavior and living up to our Culture Statement.

c. What processes does your organization have in place that ensures an ethical culture is consistently reinforced? What measures does your organization use to determine effectiveness and what are the results? In other words, how do you demonstrate that these processes are effective in your organization? In responding to this question, please be mindful that judges are seeking examples of processes that other organizations may be able to adopt in reinforcing ethical standards or behavior.

Eide Bailly places a high level of importance on the culture of the Firm and the values that make up our culture. As Eide Bailly grows and the profession changes, we recognize the need to expand upon these core values. We have developed a document entitled *Culture in Action* to provide additional guidance regarding acceptable behavior for all members of the Firm. This document sets forth a standard set of principles with which to conduct business—it helps ensure that Eide Bailly’s culture of professionalism is sustained throughout the entire Firm, regardless of the office, division, service area, entity or affiliate in which our professionals work. In addition to providing guidance, this

document shows our staff, clients, community members and governing bodies that we are passionate about our culture and the way we do business.

The Firm also has the Performance Management Process (PMP), which is an ongoing process focused on improving the performance of both the Firm and the Performers of Eide Bailly. All partners and staff participate in this process which helps to align personal goals and career interests with the Firm's goals, office goals and industry group's goals, while identifying competencies requiring further development.

Performers have a mid-year check-in with their Performance Manager to make sure they are complying with the Firm's goals and also reaching their goals set in place at the beginning of the fiscal year. At the end of the year, Performers are assessed on their performance through written and verbal feedback.

To ensure we are consistently meeting the Firm's high standards of service, we survey our clients on a regular basis through a Client Loyalty Survey. This survey is given in both a hard copy format and electronically. If clients choose to complete the survey electronically, they are given a username and password to provide us feedback on a secure website. We believe our relationships with our clients are an integral part of our ability to provide a better client experience. An especially critical component of our relationship is measuring how well we meet the expectations our clients have of our Firm and our people.

d. How do you identify the characteristics, behaviors and problem-solving skills possessed by potential new hires? Please be sure to reply in the context of promoting ethical behavior in the organization.

When interviewing applicants, our recruiters are trained to look for candidates that exemplify ethical behavior. Through course work and classroom studies our recruiters have the textbook knowledge of what to look for in candidates. We also identify many ethical characteristics, behaviors and problem-solving skills through our interview questions, two profiling tools and background checks on all new hires. We also make sure we look at potential new hires for a "culture fit" since part of our Culture Statement reads "conducting ourselves with the highest level of integrity at all times."

During the interviews, we ask a number of behavior based questions, such as, "What would you do if your boss asked you to do something you considered unethical," and "When have you felt the most pressure to compromise your personal integrity? How did you handle that?"

Our two profiling tools are very effective and helpful in recruiting qualified individuals. One of the tools focuses on work style and, more specifically, assertiveness, people skills, attention to detail, patience, judgment style, morale and the ability to manage multiple projects. The other profiling tool focuses on emotional intelligence and is used to assess how an individual functions in regards to intrapersonal and interpersonal skills, adaptability, total stress management and general mood. This tool also helps to determine impulse control and reality testing during decision making. Background checks help us

determine if the candidate is being truthful about their application and is a final step in the hiring process.

e. What training does your organization conduct in order to sustain ethical behavior and promote accountability? Please provide evidence as to the impact of this type of training.

We provide a biannual Independence and Ethics course for all staff members who have direct contact with our clients. A sensitivity and understanding of our public service core values is necessary if we are to meet the public trust and expectations of our profession. This session covers Rule 101-Independence, Rule 102-Conflicts of Interest, Rule 301-Confidentiality and other sections of the AICPA Code of Professional Conduct. Also covered are overviews of SEC and GAO Independence requirements. This course is NASBA approved QAS hours and satisfies the AICPA's professional ethics/code of conduct requirement.

The impact this training has on participants allows them to identify issues involved in making professional, ethical and independent decisions, display more confidence in personal and professional independence-related ethical judgments, show increased sensitivity toward accounting independence ethical issues and dilemmas, and recognize familiarity with AICPA, SEC, and GAO independence reporting and compliance procedures.

f. How does your organization recognize and/or reward those employees, customers, vendors or partners who have gone "above and beyond" in their demonstration of support for high ethical standards?

As stated in our Culture Statement, "Conducting ourselves with the highest level of integrity at all time," Eide Bailly truly expects every member of the Firm to live up to this statement. It is not something that is taken lightly, but a value that is put at the forefront of the Firm.

We also expect the same level of ethical standards when working with clients and vendors. New, potential clients are reviewed and looked at to determine their potential risk to the Firm. We will not work with a client that does not match our high ethical standards or our culture. Vendors also have to manage an ethical business practice to continue doing business with our Firm. If there is any doubt there has been a breach of standard ethical business practice, Eide Bailly will not continue doing business with them.

Our Firm *expects* this behavior on a day-to-day basis and we do not recognize or reward our staff members, clients, vendors or partners when they have demonstrated support of high ethical standards.

### III. Forthright Communications

a. How does your company monitor and respond to breaches of ethical behavior? Include both internal and external inputs. In other words, what measures are taken to encourage forthright, two-way communication?

All personnel must complete and sign an annual independence, integrity and objectivity representation form. Any potential issues that may arise during the year are addressed and reviewed for proper disposition. Personnel can address any questions or concerns regarding behavior with the next supervisory-level position, a Performance Manager, a Department Head, or the office Partner-in-Charge.

Eide Bailly also has a policy in place regarding this subject.

Section 6.3:

All employees must use extreme caution to ensure that client information in our possession does not become available to unauthorized third parties. Rule 301 of the Code of Professional ethics stipulates that AICPA members, or their employees, shall not disclose any confidential information obtained in the course of a professional engagement. To maintain all client information in strict confidence, avoid:

- Discussing client affairs with a third party unless the client authorizes such communication. Note oral authorizations in a memo and place in the client's file.
- Disclosing confidential information to unauthorized client personnel.
- Discussing client affairs in public places.
- Talking unnecessarily about client affairs anywhere, including in our own offices or homes.

Employees who violate these rules are subject to disciplinary measures, up to and including discharge.

b. Please give examples of how your employees have demonstrated courage in the face of ethical challenges.

Partners and staff members may be faced with ethical challenges when dealing with client situations, however, we do not share client-related information outside the Firm.

We will terminate existing client relationships and will not pursue potential client engagements when ethical considerations raise a concern.

## IV. Corporate Social Responsibility: Strengthening the Community

*“Simply put, Eide Bailly runs a great campaign. The support from the partners sets the standard, not only for the rest of the company, but for other companies as well. The campaign is run with a high level of enthusiasm and fun, but always with the focus on helping others in our area. Ninety-nine percent of our revenue comes from the annual campaign. Of this amount 70% comes from 50 companies and organizations. Eide Bailly is one of the top 10 contributors in the community.”*

*Scott Crane, President  
United Way of Cass-Clay*

How does your organization actively support and strengthen the communities in which you operate? (Judges will be particularly interested in examples that other local organizations might be able to use.)

At Eide Bailly, we find it rewarding to be involved in our communities—supporting existing programs, developing new initiatives, providing direction for our youth and offering support in time of need. We encourage our partners and staff to reach out and support our communities through the donation of their time, talents and other resources.

In addition to being actively involved in many organizations, clubs and programs, we encourage our partners and staff to do business with our clients.

We also hold “special events” throughout the year, including Take a Child to Work Day, Meet Eide Bailly Day for the local universities, job shadows, mock interviews on campus, office tours for individuals interested in the accounting profession, board of director’s retreats, Ask a CPA Day and much more.



## IV. Corporate Social Responsibility: Strengthening the Community

The activities listed below are only a sampling of the volunteerism that takes place within our Firm.

### **Emergency Organizations**

- United Way
- Salvation Army
- Red Cross
- Blood Donations

### **Social Needs**

- Homeless Shelters
- Food Pantries
- YMCA
- YWCA
- Literacy Council
- Domestic Abuse shelters
- Head Start Program
- Parks & Recreation
- Care Packages for Troops
- Sharing and Caring Hands

### **Elderly**

- Computers for Seniors
- United Way Annual Day of Caring
- Meals on Wheels
- RSVP & Senior Center

### **Service Clubs**

- Lions, Elks, Men's Clubs
- Rotary, Exchange Clubs
- Shriners
- Kiwanis, Jaycees
- Sertoma, Optimist Clubs
- Knights of Columbus

### **Community Events**

- Corporate Cup
- Cinco de Mayo
- Museums
- Theater/Art Programs
- Neighborhood Watch
- Volunteer Fire Department

### **Local Schools**

- PTA Involvement
- Project Kid Ready
- Adopt a School
- Junior Achievement
- School Board
- Mentoring
- Advisory Board
- School to Work Program

### **Higher Education**

- Tulsa University Friends of Finance
- OSU Accounting Advisory Board
- Training/Instruction
- Presentations
- Interactive Projects
- Mentoring Programs
- Internship Programs
- Alumni Associations
- Fund Raisers
- Scholarship Programs

### **Religious Organizations**

- Council Members
- Executive Board Members
- Officers
- Sunday School Teachers
- Mission Trips
- Youth Leaders
- Stewardship/Finance

### **Youth Programs**

- Boy Scouts of America
- Girl Scouts of the USA
- 4-H Clubs
- Boys and Girls Clubs
- Big Brother/Big Sister
- Youth Enrichment Services
- Sporting Events/Programs
- Junior Achievement

### **Business Development**

- Leadership Oklahoma and Leadership Oklahoma City
- Leadership Tulsa
- OK Business Ethics Consortium
- Downtown Business Improvement
- Community Foundation
- Chamber of Commerce—local and state chapters
- Economic Development
- Business Improvement
- Magic Fund Screening Committee
- Museum Endowment Fund
- Business After Hours

### **Health-Related Activities**

- OK Hospital Association
- Make-a-Wish Foundation
- Special Olympics
- Ronald McDonald House
- Children's Care Hospital
- MS 150 Ride/Walk
- Alzheimer's Association
- Cancer Treatment Center
- American Cancer Society
- Southwest Autism Resource Center
- Lee National Denim Day/Susan Komen Breast Cancer Foundation
- SIDS Research

## V. Building Trust in Relationships

*“Eide Bailly’s health care team has been a source of knowledge for MRMC for many years and we have always experienced top-notch service. After 20-plus years using a Big 4 accounting firm for our audit, we switched to Eide Bailly. My staff commented the audit was conducted much more efficiently. We appreciate the experienced and familiar staff members who are assigned to our audit.”*

*Jim Blair, Senior Vice  
President/CFO  
Muskogee Regional  
Medical Center*

a. How do you ensure that ethical business practices are inherent in your relationships with customers, employees, competitors, vendors, peer organizations and/or communities?

As stated above in Question II(c), Eide Bailly places a high level of importance on the culture of the Firm and the values that make up our culture. This culture is what helps ensure our staff members are always practicing ethical business standards. This practice is *expected* within the Firm. Our staff members are held accountable to this practice through our Performance Management Process (PMP), which was also discussed in Question II(c). This is an ongoing process focused on improving the performance of both the Firm and the staff members of Eide Bailly.

**Tom McShane**, CPA, Director of Audit and Accounting, is a partner and acts as a primary resource for quality control of audit engagements. He ensures we are complying with ethical business practices and acts as a “checks and balances” for our field work. Our Firm feels very strong about the ethics and integrity of the work we conduct—therefore, we have dedicated the necessary internal resources to ensure our client work is always completed within the high expectations of both the Firm and the clients.

We also have a Professional Practices Committee, chaired by **Jeff Strand**, CPA, Regional Director. This committee addresses issues concerning elements of quality control for Eide Bailly and all related entities. The committee also addresses issues concerning efficiency in the delivery of work with respect to Eide Bailly. The objective of this committee is to assure we are delivering quality products in accordance with applicable standards and regulations with the most efficient processes available to our staff.

Our Firm uses a process called “Proposing to Win” to help evaluate new clients, their potential risk to the Firm and to ensure they have ethical business practices. We also have an Audit Committee that is made up of various partners from across our Firm who review clients on an annual basis to make sure they are on target with our business strategy.

We also expect the same level of ethical standards when working with vendors, peer organizations, volunteer committees or whomever we are in contact with. Ethical behavior is something we do not take lightly; we truly expect all individuals to practice ethical business standards when working with any member of Eide Bailly. If this is not the case, then the Firm will not continue their relationship with the person or organization.

All of these standards help to ensure internal and external interactions fall within our expectations of conducting ethical business practices.

## V. Building Trust in Relationships

b. Demonstrate that your organization's sales and marketing approach exemplifies a high standard of ethical values as indicated by a customer letter or business case study. The documents provided should demonstrate that an ethical approach has been taken in responding to the customer and/or vendor. This process should place an appropriate balance on the customers' best interest as well as the organization's desire to achieve revenue goals, so that ethical considerations are not compromised.

In an effort to ensure that we work with the right clients, Eide Bailly has adopted a Business Development Process. Much of this process is built on the foundation that we only want to work with clients that are a mutual "good fit." We also document client experiences through testimonials, case studies and proven results. An example of a case study is attached; you will find testimonials throughout this document.

When we are approached for client work or seek a new business opportunity, we first go through a process to make sure that it is a "good fit" for the Firm—and in return that we are the best service provider for that opportunity. Each opportunity must meet certain criteria such as industry, scope of work, past performance, independence conflicts and potential risk before we will pursue a new business relationship.

Additionally, we maintain a firmwide Restricted Entity list of organizations with a known conflict of interest from which we cannot accept new work. The Firm's policies and procedures provide reasonable assurance that 1) the likelihood of association with a client whose management lacks integrity is minimized, 2) the Firm undertakes only those engagements that can be completed with professional competence, 3) the risks associated with providing professional services in particular circumstances are appropriately considered, and 4) an understanding with the client regarding the services to be performed is reached.

## VI. Looking to the Future

*"The Eide Bailly team that deals with the Golden West account has many years of experience in the rural utility industry. Their experience, along with their financial expertise, makes Eide Bailly an invaluable resource we just couldn't do without. My experiences with Eide Bailly have given me a real sense of well-being because of the integrity and business ethics the Firm continuously displays."*

*George Strandell  
General Manager/CEO  
Golden West  
Telecommunications  
Cooperative, Inc.*

a. What are some of the major ethical issues that you anticipate your employees or organization will likely encounter in the future?

The major ethical issue in our organization and in the entire accounting industry is the ability to maintain independence with our audit clients. The problem lies with where to draw the line between trying to help your clients, while remaining an independent auditor for the board of directors. Our Firm has already addressed this with public companies, but we are now considering how far to implement the same rules for non-public companies, including small businesses, governmental entities and non-profit organizations.

b. What proactive approaches are you taking now, or considering taking in the near future, so that your organization is better prepared to effectively handle these types of issues?

Our approach has been to encourage our non-public clients to adopt some of the rules issued for public companies. One of those rules includes setting up an audit committee made up of a board of directors. This allows us, as the auditor, to be directly responsible in our reporting.

We have also developed a checklist within the Firm to make sure we are not crossing the "imaginary" line when audit clients request other services. This checklist helps us review the request in light of our independence.

We have expanded our fieldwork requirements to have a second and independent review of our audit reports so someone unassociated with the client approves the final report. Our continual challenge is how we can best serve our clients while maintaining the level of independence the public expects.