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Tri-cities: an office profile, Minneapolis, St Paul, Burnsville

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Minneapolis, seat of Hennepin County, and St. Paul, capital of the State of Minnesota, form an axis that is the undisputed center of finance, commerce, manufacturing, education, transportation, culture and recreation for the upper midwest region of the country. Almost three million people, more than half the population of the state, live in the seven-county metropolitan area called the Twin Cities. (For Deloitte Haskins & Sells, it should be noted, Tri-Cities would probably be more accurate because of the close professional relationships and carefully coordinated practices among the DH&S offices in Minneapolis, St. Paul and Burnsville, to the south.)

Minneapolis sits astride the Mississippi River, marking the start of the navigable portion of that waterway. Father Louis Hennepin, a French Franciscan priest, was the first white man to see the Falls of St. Anthony, one of the city's scenic and historic attractions, when he explored the Mississippi in 1680. In 1819, Fort Snelling was built (not far from where the Minneapolis-St. Paul International Airport sits today) to protect fur traders from the Sioux and Chippewa. The town of St. Anthony was established on the east side of the falls in 1848, while the town that later became Minneapolis began growing on the west bank. Minneapolis—the name comes from the Sioux *minne* for water and the Greek *polis* for city—was incorporated in 1856, and the two towns united under the Minneapolis name in 1872.

Much of the area's character was shaped by the large influx of Swedes and people of Swedish ancestry, who settled there in the late 19th century and now account for about a quarter of the population. Other large population groups are those with Canadian, German and Norwegian backgrounds.

Historically a center of agriculture—Minneapolis remains headquarters for the world's four largest wheat-flour milling companies—the area's industrial base has shifted in past decades to a heavier concentration of high technology and service industries. Minneapolis and environs is home, for example, to many of the country's leading computer, word processing and electronics companies.
Long considered one of the most livable cities in the U.S., Minneapolis has cultural attractions ranging from the world-renowned Guthrie Theater and Walker Art Center, to the Minneapolis Institute of Arts and Orchestra Hall, home of the Minnesota Orchestra. The domed Hubert H. Humphrey Metrodome stadium is the focus for the area's professional sports activities, including the Minnesota Twins baseball club and the Minnesota Vikings football team.

And if Minnesota winters are still the stuff that legends are made of (the state is second to none in the availability of outdoor recreational activities and facilities in all seasons), Minneapolis' famed Skyway system of enclosed walkways—currently undergoing expansion—connects many of the major downtown buildings and permits strolling, shopping and sightseeing during the day without the need for an overcoat even on the coldest day. And the city's reputation as a center for first-class dining continues undimmed.

Not to be outdone, St. Paul also is in the midst of a downtown economic development and revitalization program highlighted by Town Square Park, an indoor complex of hotel, stores, entertainment, restaurants and a park-like atrium. The development program includes plans for a skyway system similar to the one in Minneapolis.
or Fred Bassinger, who is completing a decade as partner in charge of the Minneapolis office, meeting the challenge of a changing economy, a changing profession and a changing practice has been not just a necessity but, even more, an opportunity. Listening to Fred, one hears echoes of a top-flight military commander or a first-class football coach talking of tactics and strategy, methods and opportunities. He speaks particularly of the opportunities to offer more services to a wider diversity of clients, and to provide those services even more efficiently at a time when words like efficiency and productivity have taken on a new significance and become far more than mere business buzzwords.

This past summer the office moved into spanking new quarters in a striking building owned and managed by the Lutheran Brotherhood, a fraternal insurance company. The move was dictated by a need for more space than was available in the former location. The move also gave Fred the chance to lay out the office exactly as needed and wanted for both comfort and efficiency. The new building is closer to the Metrodome, in a section of the city toward which the business district is shifting and an area already marked by several major construction projects that are underway or on the drafting board.

"We've had a lot of foreign money—particularly Canadian—invested in Minneapolis," Fred pointed out, "and that's both in existing businesses and real estate as well as in new projects. I think such massive infusions of capital from other countries reflects recognition in those quarters of this area's inherent stability and potential for growth".

DH&S has always been strong in Minneapolis, but, according to Fred, the merger last year with the public
accounting firm of Robert G. Engelhart & Company substantially expanded the resources available to the Twin Cities offices and, of course, to the firm. The Engelhart organization, based in Burnsville, a suburb to the south of Minneapolis, had an especially strong practice in the health-care industry. At the time, Engelhart also had an office in Newport Beach, California. The California people transferred to the DH&S office in Orange County.

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Watching as technician adjusts equipment in "clean room" at Honeywell's Solid State Electronics Division are (l. to r.) Jim Berrett, vice president and group executive, Honeywell Information Systems; Jim Grenell, Honeywell vice president and controller; DH&S manager Marlin Berkland; and Minneapolis partner Lynn Odland. Special outer garments and protective glasses are required in dust-free clean-room areas. Activity at the facility concentrates on the design and development of wafer circuitry and technology. In photo below, Irma Wyman (r.), Honeywell vice president for corporate information management, and DH&S MAS manager Laurel Zima talk in central network operation area at Honeywell's Minneapolis headquarters. The data-processing facility serves as Honeywell's central EDP service bureau.
Relaxing on a bus after tour of the Metropolitan Transit Commission's sprawling South Garage facilities are (l. to r.) DH&S audit senior Cindy Anderson, St. Paul partner Ed Robinson, MTC South Garage manager Jerry Gudim, audit manager Cliff Hoffman, and senior consultant Dave Sutton. DH&S provides audit and consulting services for the MTC, one of the largest transit systems in the country, whose buses serve a seven-county area in and around Minneapolis and St. Paul. Ed Robinson is the firm's national industry director for the transportation industry sector.
Steve Faunce, head of the management advisory services department, speaks of the Minneapolis consulting group as though it were an Olympic team which had already won several gold medals. The only question remaining is how many more will be won.

The MAS department includes twelve professionals in Minneapolis/St. Paul and another fifteen in Burnsville. As in the case of audit and tax, the Burnsville MAS group specializes in services for the health-care industry.

"We've had a substantial increase in our consulting practice over the past six or seven years," Steve said, "and this past year has been really outstanding. We've increased our personnel in the Minneapolis MAS department by fifty percent in the last year alone, and I expect that's just the start. The Burnsville MAS practice has always been a significant contributor to the success of that office. With their strength added to our own, we now have the highest percentage of MAS fees to total office fees of any major practice office in the firm!"

Steve argues that both consulting and tax services represent areas for major practice expansion in the future.

"It's partially due to the nature of our economy—the nature of our system of government with its tax laws and regulations. In addition, there is a growing realization in this country that business competition is becoming more intense and that the race will go to those who are more productive and more efficient," he said.

The MAS director talks in terms of "critical mass" when describing the past, present and future of our consulting practice in the Twin-Cities area. "You must have enough good people with the necessary skills and experience in order to make your presence known in the community," he insists. "Once you've established this internal critical mass—the necessary people with the requisite expertise—then you have to make yourself known in the business community as a reputable supplier of these vital services!"

Although some may argue that this is a chicken-or-egg situation, Steve clearly believes that his department has reached that critical mass and that the MAS group is on the threshold of a major long-term expansion.

He is particularly excited about the success the office has had in marketing ARMS/80 (the name is an acronym for Accounting and Resource Management System), a financial management system for government which DH&S is implementing in a cooperative effort with Sartoris, a software development company. In simpler terms, ARMS/80 can be described as an automated government accounting package that can be used by governments at virtually every level, from federal agencies to states, counties and cities. Steve credits Minneapolis manager Rory McLaughlin for their string of highly successful ARMS/80 implementation projects.

Data processing and systems work also accounts for a large portion of the overall practice of the Twin Cities MAS department. This group, under the direction of managers Laurel Zima and Bob McNulty, is involved in substantial engagements with the Burlington Northern Railroad, the Minnesota Gas Company and the Minnesota Higher Education Coordinating Board.

Human resource consulting—areas such as compensation, organization and staffing studies—is another growing sector for the MAS department. Manager Tom Howard has worked closely with both the Burnsville office and with other DH&S offices in this specialized area.
The largest ongoing segment of the Burnsville MAS practice, headed by manager Mel Verly, is one in which we advise hospitals and nursing homes on how they can maximize their revenue from various third-party reimbursement sources. The preparation of feasibility studies for the financing of new health-care-related construction is another important service.

Steve recently started bringing people into his consulting group from the MBA program at the University of Minnesota. "What we want," he said, "are people who returned to the university for their MBA after acquiring some relevant work experience. That is, people who had on-the-job experience before returning to school to earn their graduate degree. I believe that this provides us with men and women possessing the ideal combination of practical work experience and a highly respected business education." Steve already has hired three such individuals to work with him in the consulting group.

What lies ahead for the Minneapolis MAS practice? Those in the consulting group tend to be rather objective, little given to idle speculation or blue-sky predictions. But when Steve Faunce talks about the first-class team he has working with him, when he talks about the new services that can be offered to clients, about how much more can be done for clients, one thing is obvious—he and his group will be out there taking their best shot at winning more of the gold.
At North Memorial Medical Center in Minneapolis, Scott R. Anderson (2nd r.), president of the medical center, and David Cress (l.), vice president for financial services, discuss diagnostic advantages of CT scanner with DH&S Burnsville partner Michael Engelhart (2nd l.). In inset photo, trio is accompanied by Al Wolff (2nd l.), treasurer of North Memorial's board of directors, as they tour construction site for a new garage and parking facilities adjacent to the busy hospital. North Memorial Medical Center treats almost 50,000 emergency cases each year.
Our tax practice was expanding steadily before the bottom fell out of the economy," observed Minneapolis partner Bill Brown, "and then it stabilized. Now it's on the upswing again and it looks like it's going to keep growing in the foreseeable future!"

Bill, who as partner in charge of the tax practice in Minneapolis heads a cadre of more than twenty professionals, credits the high degree of diversification of the tax practice for his optimistic outlook. "The tax practice here is extremely broad-based," he said, citing the variety of clients for which the office provides tax services as well as the range of size of those clients. "We do much tax work for the high tech industries, as well as for public utilities and in the real estate and limited partnership areas. Our group is quite heavily involved in tax services for the construction industry," according to Bill, who is tax coordinator for the DH&S construction industry specialization group.

He points, however, to three areas where the firm's tax practice has been making particularly strong inroads and showing substantial growth. Two of these are the leasing and not-for-profit sectors. The third area has involved Minneapolis tax professionals in a considerable amount of international tax work.

"In the high tech industries, for example," Bill explained, "the larger companies like Honeywell already have extensive operations abroad. Lately, however, we're finding the medium-size and even some of the smaller computer hardware, word-processing equipment and related electronics firms setting up manufacturing abroad. Canada, for example, is becoming a popular base of operations for companies wanting to establish production facilities outside the territorial United States."

Bill said that the recent change in the tax laws affecting U.S. citizens working abroad, and foreign executives working in this country, has spurred a growing demand for sophisticated tax services. DH&S tax people, for example, are frequently called on to construct tax equalization programs for executives working abroad to ensure that these people are not, in effect, penalized from a tax standpoint because they are working overseas. "These plans often are very complex to develop and we usually have to coordinate closely with DH&S offices in other parts of the world," Bill said. "However, this is an important service, indeed, a most vital service that we provide to clients who find it necessary to have key executive and management personnel stationed abroad. Not unexpectedly, we frequently are called on to handle the individual income taxes for executives at clients we have assisted with services such as equalization plans."

Financial and estate planning is another area that holds great promise for the future, Bill said. "I think there's growing recognition by executives and management-level people that up-to-date and sophisticated financial and estate planning can make a real difference to their future as well as to that of their families. We have the capability and expertise to provide those services and..."
we're getting more and more requests for the services from our client executives as well as from others.

Burnsville has a five-member resident tax group—headed by partner Bill Perron—with a specialized background in tax services for the health-care industry.

"Health care is a very specialized area," Bill said, "and it adds considerably to our capability and resources to be able to provide the services needed by this growing industry."

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While the tax group gets its share of new work from audit clients and from proposals, Bill said, he points with pride to the new tax clients who are referred to DH&S by other clients and by business associates and acquaintances.

"I don't think there's any question that our tax practice in Minnesota has enormous potential for growth in the future," Bill summed up. "The only question in my mind is just how much it will grow. But we've got the people and the resources and the inner drive to be the best, so we're ready to meet any challenge that may arise tomorrow, next year, or any time in the future."
John M. Lee (2nd r.), president and chairman of Lee Data Corporation, Minneapolis, and Duane S. Carlson (l.), chief financial officer, discuss stringent quality-control procedures with DH&S Minneapolis partner Bob Knoll (2nd l.) and DH&S tax manager Lou Belle Davenport (r.). Lee Data produces highly successful lines of peripheral computer equipment, such as the terminals shown here in the final test area, and printers and associated equipment, which are distributed internationally.
Clair E. Strommen (r.), president and chief executive officer of the Lutheran Brotherhood, a major fraternal insurance company, presents electronic "key" card to Minneapolis partner in charge Fred Bassinger to celebrate the office's move to the new Lutheran Brotherhood building this past summer. The need for additional space was one of the major reasons for the relocation.

John O'Malley (l.), controller of Dayton Rogers Manufacturing Co., and Steve Wennes (2nd r.), manufacturing manager, explain operation of automated turret punch press to DH&S tax manager Michele Marrinan (2nd l.) and audit manager Mike O'Hern (r.). Dayton Rogers Manufacturing, which has its headquarters in Minneapolis and additional facilities in other parts of the U.S., specializes in short-run metal stampings, and also has a machine-products division which produces punch-press accessories.
As Dale Clift (l.), chief financial officer for CPT Corporation, and Minneapolis partner Lynn Odland (2nd l.) talk to worker, CPT vice president of operations Jerry Galush (2nd r.) points out features of highly automated materials-delivery systems to DH&S senior accountant Mike Kennedy. CPT is a fast-growing manufacturer of word-processing systems. The plant, only part of which is shown here, is considered one of the most advanced and highly automated in the electronics industry.
It is the mix and the diversity of the economic base here in the Twin Cities area that gives our auditing practice its strength. And I mean both from the point of view of our business and from the point of view of the new staff accountant who wants the maximum opportunity to learn as much as he or she can in their chosen profession," said Bob Knoll, Minneapolis accounting and auditing coordinator.

Bob, like all DH&S people in the area, automatically includes the Burnsville office in his discussions of the Twin-Cities economy. "The diversity of the economy has played a strong role in minimizing the effects of the current recession," Bob said. "We've had a strong agricultural base here for a very long time, and that certainly has been hurt. But Minneapolis is also a major center for the computer, word processing and related industries, and these have been affected somewhat less by the downturn of the overall economy. I'm sure they'd be doing better if the economy were stronger, but considering their performance now, I think they'll really take off once the country turns around."

Bob heads a group of about 125 audit professionals based in Minneapolis, St. Paul and Burnsville. Burnsville also is home-base for partner Fred Heinzeller, national accounting and auditing coordinator for the health-care industry specialization group, and deputy A&A coordinator for Burnsville. Although the bulk of the practice is concentrated in the Twin Cities area, the three offices do serve clients in the Dakotas and parts of Iowa and Wisconsin. The clientele in more distant locations tends to be utilities, agribusiness and smaller operations.

In the Twin Cities, Deloitte Haskins & Sells has staked out a very strong position in key areas, Bob said. "We have a solid client base in high tech—computers, word processing, related areas—we have a very strong practice in health care, agribusiness, in utilities, in transportation (St. Paul audit partner Ed Robinson is national industry director for the firm's group of transportation industry specialists), in not-for-profit, and in government. And those are only the major groups," he added.

According to Bob, the office is moving to build its small-business practice in Minneapolis and St. Paul, with early results termed "highly gratifying." Burnsville had a substantial small-business practice at the time of the Englehart merger and that practice also has been growing.

The diversity of the audit practice is considered at least one of the reasons why it has been relatively easy to recruit top staff people. The recruiting program is under the direction of Minneapolis audit manager Cliff Hoffman. Probably more than half the new people are recruited from the Minneapolis campus of the University of Minnesota. Others come from the University of North Dakota and, indeed, from schools in the midwest and even further away.

"The best people, when they are ready to leave school and join a public accounting firm, recognize that it is to their advantage to join a firm that can offer exposure to a broad diversity of clients, the diversity of clients that we have here in Minneapolis, St. Paul and Burnsville. In addition, we have a strong tax practice, a strong consulting practice and a growing small-business practice. This certainly is one reason why we have been able to recruit the better people and why they stay with us."

While the nature of the audit function has not changed dramatically in recent years (excepting perhaps the introduction of a whole new spectrum of computer-based audit techniques), Bob says that there has been a marked change on the part of the firm's clientele.

"Clients are more demanding today because they're generally more sensitive to and aware of what they need to operate their business most efficiently—and what they should be getting from their auditors," he said. "Frankly, we're delighted because it's really easier to work with an informed management. And just as important, it represents a constant challenge to us to do not only the best we can, but in a very real sense to go beyond the bottom line."
Discussing computerized reservation system with operator at Minneapolis headquarters of National Car Rental System, Inc. are (l. to r.) Bemiss A. Rolfs, president and chief executive officer of National Car Rental; DH&S audit partner Burnie Larson; National Car corporate vice president and controller Jerry Halldorson; DH&S tax partner Jack Reif; and Bernie Thompson, corporate vice president-finance for National Car. The central reservations office reserved cars for more than four million National Car customers last year.
Peter R. Hinsch (left, in foreground), senior vice president of Deluxe Check Printers, Inc., Shoreview, discusses operation of tape-driven typesetting machines with Minneapolis partner Ken Swanson (right, foreground). Behind them, the equipment's features are explained to DH&S manager Dan Hagen (c.) by Mark Leseman (l.), manager of administration for Deluxe Check Printers, and Gary Kunzer (r.), assistant plant manager of the Shoreview facility. The plant, one of sixty printing facilities operated by Deluxe Check Printers, produces more than 20,000 orders for imprinted checks per day.