

## Fall of auditing giant opened a market for local firm



JOAN FAIRMAN KANES / Inquirer Suburban Staff  
**Jeffrey Westphal** heads **Vertex**, a Berwyn software firm. With him is Jennifer Treston, an employee. Vertex bought an Arthur Andersen tax software unit.

Although the collapse of Enron Corp. left a cloud over corporate America, there's a silver lining in that sorry episode.

While bringing disgrace to the nation's free enterprise system, Enron's executives inadvertently — and indirectly — offered a growth opportunity for a tax-processing software company in Berwyn.

For, in the aftermath of that scandal, privately held Vertex Inc., which had 2002 sales of \$68.5 million, gained an important new line of business.

The opportunity arose after Arthur Andersen, Enron's principal accounting firm, was convicted of obstructing a federal investigation into the finances of the Houston-based energy broker.

With its clients jumping ship and its operations crumbling, Andersen was forced to close down its audit prac-

tice. It shuttered offices across the country. And in June 2002, it sold its income-tax software business in Sarasota, Fla., to Vertex.

The all-cash transaction put the Main Line company into the world of corporate income-tax software for the first time. Previously, it had specialized in helping companies compute their sales and payroll taxes, property taxes, value-added taxes, and telecommunications taxes, but not income taxes.

With the Andersen acquisition, Vertex added about 190 employees in Sarasota to its Berwyn workforce of 440. And it entered a crucially important market.

"It was a new industry for us, and we didn't know it very well," said Jeffrey Westphal, second-generation head of the family-owned firm.

"We stuck to the staff until we un-

derstood the business. Now, having learned the business, we've made some adjustments, but we haven't done anything to rock the boat."

Westphal, 41, declined to cite the purchase price. "There were other competitors, but we made the best offer," he said.

He described the acquisition as an "\$18 million business."

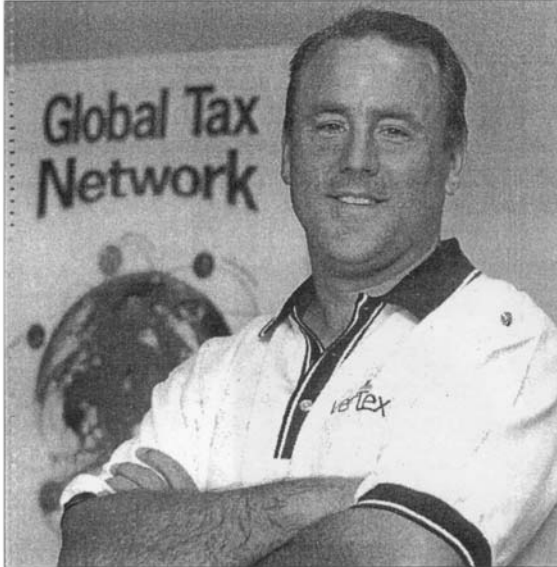
Jim Shedivy, senior vice president for business development, heads the Vertex unit in Sarasota. He had worked there for Andersen for 32 years.

At its peak, Arthur Andersen's Sarasota operations employed close to 1,000 people, Shedivy said. Now there are none. Vertex hired 190 former Andersen employees, and 125 others joined a Sarasota firm that processes individual tax returns. The rest were let go, Shedivy said.

With Andersen disappearing so quickly and with Vertex "ripping a di-



**Peter Binzen**  
*On Business*



**Jeffrey Westphal of Vertex**, a tax-processing software firm in Berwyn. With the Arthur Andersen buy, Vertex entered an important market.

vision out of a huge organization, it was very traumatic" for those who had worked for the giant accounting and consulting firm, Shedivy said.

"But the people are tough," he said. "They have hung in here and worked real hard."

Shedivy said his Vertex unit in Sarasota has 900 to 1,000 corporate clients. He said that the total might have declined slightly since the changeover, but that he didn't think the decrease was significant.

"You always lose a certain percentage [of clients] because of mergers, acquisitions, bankruptcies, what have you," he said. "But we've been stabilizing our organization, and now we're looking to the future."

Whereas its original focus was on software that automated

state and local tax-administration processes, Vertex now provides a portfolio of services for all major business taxes. With more than 10,000 corporate customers, it's the self-described industry leader, with 44 percent of the business-tax software market.

More than 80 percent of the 2,000 largest companies in the United States use Vertex software, the company said. It maintains small offices in five cities, including Chicago, Dallas and Washington. And it has partnerships with SAP America, J.D. Edwards & Co., Oracle Corp., and others.

"No other company comes close to the breadth of our offerings," said Jeffrey Westphal, who succeeded his father in 2000 as CEO of Vertex.

Following the Enron debacle,

legislation introduced in Congress by Sen. Paul Sarbanes (D., Md.) and Rep. Michael Oxley (R., Ohio) challenged American corporations to improve the accuracy of their financial reporting.

This, too, proved to be a boon for Vertex. The company was already at work on technology that Westphal said would help companies achieve the accuracy called for in the new law.

"It helps to be in the right place at the right time," he said.

Westphal said Vertex invested more than \$30 million over three years in developing what it termed its new O Series software.

The funding came "from current cash flow in the teeth of a recession," he said.

Westphal said the new system, which should be in use this fall, would provide "better reporting, better predictability, and more efficient tax administration" in processing corporate tax returns over the Internet.

Under the current system, the tax departments of corporations with many subsidiaries must compute taxes at each location separately, Westphal said. That puts a heavy burden on their tax departments.

The new Vertex system centralizes the work of many subsidiaries. "It improves control and reduces costs," Westphal said.

"It's like an epiphany, like our dream come true," he continued. "We've finally done what we've always wanted to do."

He credited his father, Rainer J. "Ray" Westphal, with the foresight to develop the new software. "He envisioned the whole thing," Jeffrey Westphal said.

Ray Westphal took publicly owned Vertex private 25 years ago. Nothing has been the same since. Vertex had produced directories of state sales-tax rates as a small subsidiary of a public company, Management Assistance Inc., of New York.

Ray Westphal, a Drexel University graduate with years of experience as a computer programmer, helped to develop the directories while working for another MAI unit.

In 1978, he purchased the business for \$50,000, taking out a second mortgage on his house to finance the deal. Initially, he and his wife, Antoinette, ran the firm in Devon with a third employee, Tome Lyda. All three are now retired.

Jeffrey Westphal and his two sisters, Stefanie Lucas and Amanda Radcliffe, control Vertex; their parents hold minority shares.

"We're together in the business as a family, and we exist as a family outside the business as well," Jeffrey Westphal said.

He takes pride in the company's commitment to its 440 Berwyn employees, as reflected in its day-care center for the children of workers and its low "quit rate."

He said Vertex's employee turnover was about 5 percent a year compared to close to 20 percent for the industry.

Vertex was one of three companies honored last year by the Delaware Valley Children Care Council as the area's Best Employer for Working Parents.

The company also is known for flexible work hours.

Westphal said: "We ask people to work the hours that get the job done."

### The new Vertex system centralizes the work of tax departments at corporations' subsidiaries.