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**HOW A CPA
MASTERED
THE ART OF
TECHNOLOGY**

The 5 Key Components
of Your Firm's Brand Image

4 Tips to Improve
Firm Workflow Processes

How Accountants & Tax Pros
Can Manage Business Risk

PRODUCT REVIEWS:
— Professional Payroll Systems



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By M. Darren Root, CPA.CITP, Executive Editor

MY PERSPECTIVE

Looking and Feeling Great!

The Five Key Components of Your Firm's Brand Image

Recently I had a fellow CPA visit our firm in Bloomington, Indiana. We spent a few hours talking about processes, growth, the importance of websites, and staffing... all good stuff.

Before he left our visitor told me, "Your office has a really comfortable feeling to it, when I walked in it just felt right." He also mentioned that the signage outside our office was consistent with the brand inside the office and our landscaping was well-maintained.

In addition, he was impressed by our customer service host. She welcomed him by name and made sure he was seated comfortably in our conference room with his preferred choice of beverage. (She knew what he wanted to drink without asking him because she had taken the time to call ahead to his office and ask his staff.)

I provide this example to make a point: the look and feel of your office and the level of customer service you offer have a huge impact on the way you and your firm are perceived. What the visitor to our firm was really referring to was the effect of these intangibles—an overall impression he couldn't quite put his finger on—that make up the essence of our firm.

Cultivating the right physical environment and firm service culture is like wearing a great suit. A nice suit looks professional, fits well, and makes you feel good in it—which in turn makes you feel confident and ready to excel at the job at hand. It's the same with your firm.

There are five key areas that are crucial to improving the look and feel of your firm, let's take a look them:

1) FIRM LOGO - Do you love your firm's logo? Does it truly represent you and the value you offer to clients? Are you proud to hand your business card to someone knowing they will think, "Wow... this firm pays attention to the details?" If not, then it's time to look at having your logo professionally redesigned to reflect your firm accurately.

2) FIRM WEBSITE - Is your website a place for your clients to do business with you? Does it clearly show what your

firm does and how clients benefit from working with you? Are you proud to send clients and prospects to your website each day knowing that it will provide a positive impression of your firm? Does your website offer features beyond the information in your firm brochure? If you answered "No" to any of these questions, then your firm website needs immediate attention. This is an investment that you can't afford to ignore in today's market.

3) OFFICE EXTERIOR - Does your exterior space represent who you are, or want to be, as a firm? It doesn't matter whether you're in a stand-alone building, a high-rise building, or you are working from home, the experience that people have when they arrive at your office is often their first impression of you and your firm. Give some significant thought to how people perceive your space when they pass by it or come in the door. If you don't have control over the exterior of your workplace, then you should examine the experience anyway... is this really the right place for you to be?

4) INTERIOR SPACE - Evaluate what the first impression is like when people come into your office. Are the colors and scent pleasing? Is it clean and well-organized? Is it a comfortable space to be in? What about mints, candy, business cards, and firm brochures or magazines? Do you have a conference room with good technology and guest wi-fi access? Put some thought into your environment and make it a pleasant place for you, your staff, and your clients to be.

5) CUSTOMER SERVICE HOST - This is one of the most important roles in your firm. The wrong person in this position can create a negative impression

that casts a cloud across every aspect of your business. Is your Customer Service Host/Receptionist trained to deliver a well-orchestrated client or prospect experience? If not, this is an area to focus on. Start by having your Customer Service Host read about the fundamentals of outstanding customer service and help them to develop a vision of the ideal customer experience for your firm.

That's it, these five components of your firm's image may seem like no-brainers, but it is amazing how many firms overlook them. While the knowledge and expertise inside your firm are critical, it's the details—your logo, the quality of your website, the interior and exterior of your office, and the frontline customer service you provide—that can create a positive image for your firm, differentiate it in the market, and increase client confidence, loyalty, and ultimately, business referrals. ●



Darren is the Executive Editor of CPA Practice Advisor. He remains in public practice as the principal of Root & Associates, LLC, in Bloomington, Indiana, and is president of his consulting practice, RootWorks. He formerly served on the Board of the AICPA's CITP Credentials Committee and is a former member of the Board of Directors for the Indiana CPA Society.

CPA Practice Advisor

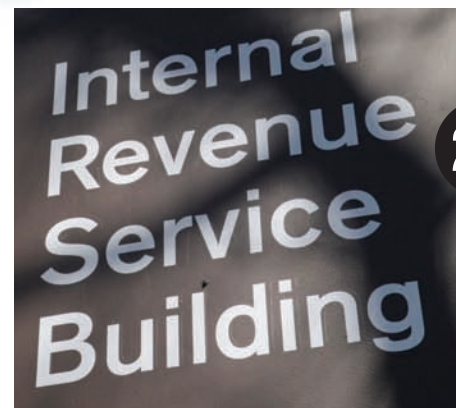
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By Steven M. Phelan, CPA



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REVIEW SECTIONS

BASIC SYSTEM FUNCTIONS

- General Navigation/Ease-of-Use
- Designed for Accounting Professionals
- Concurrent Users
- Scalability (number of payrolls handled)
- Multiple Pricing Options
- Multi-Client Management
- Payroll Tax Tables (for all states, jurisdictions, municipalities)
- After-the-Fact Payroll
- Multi-State Taxes
- Direct Deposit
- Common Paymaster Calculations

REPORTING & MONITORING

- Compliance Due Date Tracking/Monitoring
- Quarterly & Annual Forms for all States
- E-filing & Payment
- Customizable Reports
- Dashboards for Employee Management
- Worker's Comp Tracking

INTEGRATION/IMPORT/EXPORT

- Integration w/programs
- Integration w/external programs (GL export, etc.)
- Built-in Timesheet Management
- Time Clock Import
- Web timesheet/phone time reporting support
- Data import/export formats supported

HELP/SUPPORT

- Built-in Support Features
- System updates (best if downloadable or automatic download)
- Support website/documentation
- Templates for creating employer instructions to employees
- Live Support (includes phone) - weight 40%
- Live Support days/hours/location
- Dedicated account rep assigned

CLIENT SELF-SERVICE FEATURES

- Employee Self-Service Portals
- Client Portals for Data Entry & Reporting
- Firm-Branded
- Paycheck Stub & W-2 Portal Delivery

ADVANCED FEATURES

- Union/Specialized Payroll Calculation Rules
- State Overtime Calculation for Specialized States
- Tracking/Reporting of project/job costs for GL Reporting
- Certified Payroll
- Industry Support
- HR Features/Compliance Tools
- Electronic New Hire Reporting/Termination Reporting
- Two-Factor Authentication into Website

Payroll Systems Becoming More Mobile, with More Employee Self-Service Options

As we began 2013, taxpayers were shrouded in a cloud of uncertainty concerning taxes. That seemed to quickly be resolved for this year and into 2014, but we are now faced with a number of new tax and payroll issues.

At the forefront were increases in federal withholding tax and the expiration of the 2 percent Social Security tax holiday. Add to that a new tier of Social Security and Medicare calculations for high wage earners and many businesses and taxpayers may feel the cloud of uncertainty has not thinned out.

With all of the changes, accounting professionals may find it hard to keep up and many are becoming reliant on payroll tax vendors to track these changes. Thankfully, payroll vendors have diligently updated their tax tables and programs to incorporate all of these changes. As in last year's reviews, the products included this year are from vendors with a notable presence in the tax and accounting professional space.

Today, accounting professionals have a vast array of payroll processing vendors and platforms to choose from. From full in-house software to fully outsourced solutions, and traditional PC software or cloud based solutions, accounting professionals can find a solution to meet their needs as well as for their clients. This also allows custom tailored solutions to meet the needs of organizations of any type and size. Many of the software vendors even offer distinct levels of collaboration with clients allowing clients to participate as much or little as desired, while still relying on the accounting professional for oversight.

With more accounting professionals starting or expanding their payroll service offerings, the options available

also lend well to revenue streams. Most of the vendors have systems that allow accounting firms to set up fixed-fee or other pricing models, which allow professionals to establish a revenue stream from existing or potential clients.

All of the products reviewed this year offer core processing features that are strong enough to handle payroll needs for most business situations. Payroll vendors are working persistently to ensure quick and easy data entry and are starting to build in error checking functions. These error checking functions can easily detect unusual withholding and time data amounts or improperly entered Social Security Numbers. By including these functions, each payroll run is processed with a high level of accuracy.

With all of the changes to payroll and the vendor interfaces, help and support options have increased. Each product reviewed incorporates a help and support system that generally offers strong assistance features and most are US-based. Payroll vendors are also utilizing web-based support models to allow users to easily find common errors and questions and not spend time waiting for telephone or email based support.

Web-based portals are a polarizing issue for many accounting professionals, but payroll seems to allude this stigma. Nearly all payroll products reviewed offer some level of client and employee self-service portal. Many vendors license the use of this function separately, but the features provided are similar across

	Current	YTD
PAYROLL TAXES	254.91	6,504.76
Federal Income Tax	185.32	4,633.10
Social Security (FICA)	43.34	1,083.55
Federal Medicare	136.59	3,465.35
Maryland Income Tax	620.16	15,686.76
TOTAL	77.00	4,000.00

all products. At a minimum, employees have access to current and previous paystub information. Many vendors further enhance their systems to allow timekeeping functions and time off requests.

In addition to web-based portals, a handful of payroll vendors are releasing mobile apps to accompany service offerings. This provides employees direct access to similar information as on the web, but does not require a computer to access. Accounting professionals and clients may also use these apps to perform quick payroll processing or to run basic reports. Those that offer mobile apps typically limit their offerings to iOS and Android mobile devices.

As the landscape of payroll continues to change, payroll vendors will continue to update their solutions. In the meantime, accounting professionals have the opportunity to be well positioned in the payroll service area by creating new revenue streams and profitability. ●



Steven M. Phelan, CPA

Steven is currently a tax manager at North Bay Associates, a family group office based in Oklahoma City, Oklahoma. He also owns a small tax and accounting practice as a side business. Prior to this, he spent 12 years in public accounting practice, with a primary focus on tax and technology consulting. He is active within the CPA profession and is a frequent speaker at various seminars and conferences throughout Oklahoma.

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2.

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3.

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Paychex Online

2013
OVERALL
RATING

5

BEST FIRM FIT

Accounting professionals looking to service a number of clients through a streamlined, web-based payroll solution

STRENGTHS

- Outsourced payroll reducing the need for accountant to cue up all required payments
- May access service through web browser or dedicated mobile apps

- Single sign-on access for accounting professional prevents toggling between multiple client files

POTENTIAL LIMITATIONS

- Limited HR functions without subscribing to additional services

SUMMARY & PRICING

Paychex Online is a web-based

Read the full review and see expanded ratings for this product online at:
www.CPAPracticeAdvisor.com/11148066

payroll solution designed to quickly process payroll. Though not specifically designed with accounting professionals in mind, the service provides a number of accountant centric features. One feature, single sign on access, allows accounting professionals access to all payroll clients on the Paychex Online platform removing the need for multiple user name and login combinations.

Pricing for Paychex Online is typically done through package offerings based on user needs. Package pricing is largely dependent on the number of paychecks to process and the payroll cycle. The average cost to process 10 employee paychecks per week starts at around \$50 per payroll run.

www.Paychex.com

CYMA Systems CYMA 13 Payroll

2013
OVERALL
RATING

4.75

BEST FIRM FIT

Larger organizations looking to upgrade existing in-house payroll system or accounting professionals looking for an in-house solution to manage a large number of payroll clients

STRENGTHS

- Customizable to fit needs of any size organization

- Strong database level security over employee data
- Reports may be fully customized, through users will need access to Crystal Reports
- Newly enhanced employee self-service portal

POTENTIAL LIMITATIONS

- Not suited for smaller organizations
- No web based payroll solution

Read the full review and see expanded ratings for this product online at:
www.CPAPracticeAdvisor.com/11147893

without extensive IT involvement

SUMMARY & PRICING

CYMA 13 Payroll is a payroll processing solution that is highly customizable to suit needs of any size organization or business type. Though not specifically designed for accounting professionals, the system can be used to process payroll for multiple companies.

CYMA 13 Payroll is priced through a tiered model based on the number of employees processed. Pricing for unlimited client files starts around \$750 and includes processing capabilities for up to 25 employees within each payroll company file. The CYMA Employee Self Service module has a starting price point of \$495.

www.CYMA.com

Advanced Micro Solutions 1099-ETC

2013
OVERALL
RATING

4.5

BEST FIRM FIT

Small accounting practices that focus on after-the-fact payroll compliance or need an easy to implement compliance reporting solution

STRENGTHS

- Easy to implement payroll compliance system
- Integration points with popular small business software solutions

- All help and support options are included in pricing

POTENTIAL LIMITATIONS

- No web-based offering for payroll clients or their employees
- Many state income tax payment coupons will need to be processed manually through an add-on module

Read the full review and see expanded ratings for this product online at:
www.CPAPracticeAdvisor.com/11147840

SUMMARY & PRICING

1099-Etc. is a payroll system designed to quickly and easily process quarterly and annual payroll forms. Though capable of processing live payroll, the system is primarily designed for after-the-fact payroll. The system is reliant on a number of available modules, each centering on a base product. The base product is priced at \$75 and is required to run the system and

processes all required federal forms. Additional modules are available starting at \$75 per module with each module adding functionality to the base product. The complete system may be purchased for around \$400 and includes all updates and technical support for the year.

www.1099-etc.com

Thomson Reuters Accounting CS Payroll

2013
OVERALL
RATING

5

BEST FIRM FIT

Accounting professionals processing large volumes of payroll clients

STRENGTHS

- Built for smaller clients but scalable to meet needs of large companies if necessary
- Payroll setup is maintained by software for accuracy and consistency

- Strong reporting options
- Tight integration with other CS Professional Suite products

POTENTIAL LIMITATIONS

- Must purchase accounting solution to process payroll
- Very little human resource management capabilities
- Some remote access features require purchase and configuration of NetClient CS


Read the full review and see expanded ratings for this product online at:
www.CPAPracticeAdvisor.com/11147819

SUMMARY & PRICING

Accounting CS Payroll is a payroll solution designed for accounting professionals processing large volumes of payroll data. The system is designed for batch payroll processing, allowing multiple payrolls to be processed simultaneously. Though intended for smaller payroll organizations, Accounting CS Payroll will scale to meet the needs of organizations of any size. Pricing

for Accounting CS Payroll starts at \$1,800 for 20 payroll companies. Additional processing may be purchased in bundles of five. Annual renewal pricing is based on the initial purchase price and is renewed as a minimal percentage.

cs.thomsonreuters.com/accountingcs

A close-up photograph of a middle-aged man with glasses, looking upwards and to the right. He has a mustache made of several US dollar bills, with the faces of the bills visible. He is wearing a dark suit jacket, a red shirt, and a red tie.

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HR. Payroll. Benefits.

CCH Small Firm Services Payroll

2013
OVERALL
RATING

4.5

BEST FIRM FIT

Accounting professionals processing a large number of small business payrolls

STRENGTHS

- Cost effective method of processing multiple payroll clients
- Unlimited support included with license cost

- Unlimited processing of payroll clients and employees

POTENTIAL LIMITATIONS

- No web-based portal for employees to access paystubs
- Limited report options

SUMMARY & PRICING

Payroll is a payroll system designed

Read the full review and see expanded ratings for this product online at:
www.CPAPracticeAdvisor.com/11147857

for simple data entry and easy processing of multiple small business payroll clients. The solution may be purchased as a standalone product or through the available Client Accounting Suite for a comprehensive accounting system. Pricing for Payroll is currently set at \$399 per year and includes all features and support options noted.

The Client Accounting Suite with Payroll solution is currently priced at \$1,009 and includes all accounting modules as well as a webinar training session.

www.ATXinc.com
www.TaxWise.com

SurePayroll for Accountants

2013
OVERALL
RATING

4.75

BEST FIRM FIT

Accounting professionals looking to build or expand their payroll service offerings through a web-based interface

STRENGTHS

- Quick and easy generation of payroll, especially for salary employees
- Includes a number of accountant centric tools for free
- Mobile apps are significantly

more refined than competitors

- Integration points for other web-based benefit providers

POTENTIAL LIMITATIONS

- Employee limitation of around 100 employees within each payroll company
- No custom reporting options

SUMMARY & PRICING

SurePayroll for Accountants is a web-based payroll platform

Read the full review and see expanded ratings for this product online at:
www.CPAPracticeAdvisor.com/11147912

designed for accounting professionals to manage payroll. The platform includes a number of tools for accounting professionals to brand themselves as payroll specialists and provides opportunities to resell payroll services through a wholesale pricing model. Currently the wholesale pricing model consists of four separate tiers determined solely by the number of payroll clients processed.

unlimited payroll processing each month for each respective payroll client and also includes all direct deposit options. Example pricing for an accounting professional processing 10 payroll clients with 10 employees each would be priced at \$50/month for each payroll client. Nominal fees apply per additional employee and for all annual W-2 and 1099 processing.

All pricing options include

www.SurePayroll.com

ZenPayroll

2013
OVERALL
RATING

4.5

BEST FIRM FIT

Businesses or accounting professionals who want a streamlined, online payroll processing system that is primarily designed for managing up to 20 paid employees. However, the system can manage larger employee bases.

STRENGTHS

- Accessible from virtually any web connected device
- Simple interface design

- Up-front pricing model
- Employee portal included in pricing

POTENTIAL LIMITATIONS

- Currently limited to six states
- No time import capabilities
- Reporting options are not as complete as competitors

SUMMARY & PRICING

ZenPayroll is a web-based payroll solution designed to quickly pro-

Read the full review and see expanded ratings for this product online at:
www.CPAPracticeAdvisor.com/11148042

cess payroll. As a fully outsourced solution, all payments and reporting are processed automatically by ZenPayroll. Currently the payroll solution is only available in a few states, but is rapidly expanding. The pricing model for ZenPayroll is simple and straightforward and consists of a monthly base fee of \$25 per month per company with the first ten employees processed at \$4 per month.

After the first 10, each additional employee or contractor can be processed for only \$2 per month. As an example, pricing to process 10 employees is \$65 per month and includes all items noted in the review. The eleventh employee would raise the total to \$67 per month.

www.ZenPayroll.com

Intuit Online Payroll for Accountants

2013
OVERALL
RATING

4.75

BEST FIRM FIT

Accounting professionals looking for an Internet based payroll solution to process small business payroll

STRENGTHS

- Upfront pricing model to aid in service pricing
- Strong mobile platform to accompany service

- Ability to tailor collaboration efforts with clients

POTENTIAL LIMITATIONS

- No HR functions provided

SUMMARY & PRICING

Intuit Online Payroll for Accountants is an Internet-based solution designed for accounting professionals to efficiently process small

Read the full review and see expanded ratings for this product online at:
www.CPAPracticeAdvisor.com/11143911

business payroll. The solution provides a platform for accounting professionals and their clients to collaborate as much or little as necessary. Pricing is presented in a wholesale approach and is dependent on the number of clients processed. Pricing is a flat rate per payroll client plus a nominal monthly fee for each employee. The time tracking capabilities are

available for \$2 per month per employee.

accountants.intuit.com

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RUN Powered by ADP Payroll for Accountants

2013
OVERALL
RATING

4.75

BEST FIRM FIT

Accounting professionals looking to provide full service payroll options to small businesses with 100 or fewer employees and prefer a web-based interface

STRENGTHS

- Web-based payroll with comprehensive support for all jurisdictions
- Integrates with most accounting software currently used by small businesses
- Phone and e-mail support is provided and on-demand help is accessible from virtually every screen
- Fully outsourced compliance filing and tax payment is

included with the service

- Scalable to meet the growing demands of client needs
- Included HR suite (HR411) provides basic compliance tools to end users

POTENTIAL LIMITATIONS

- Employee self-service portal is not as fully-featured as competitors
- Add-on services may be needed to achieve full HR and employee management functions

SUMMARY & PRICING

RUN Powered by ADP Payroll for Accountants is designed for accounting professionals looking to provide full service payroll options

Read the full review and see expanded ratings for this product online at:
www.CPAPracticeAdvisor.com/11147802

to small business clients with 100 or fewer employees who prefer a web-based payroll solution. Built on the RUN platform offered by ADP to small businesses, this service is modified to allow accounting professionals to turn payroll service offerings into a revenue stream, quickly and efficiently.

All payroll compliance is processed through the RUN platform and is handled by ADP which relieves the compliance burdens from the accounting professional. Standard pricing for the full service offerings is \$60 per client, per month plus a nominal per check processing fee.

Scaled back service offerings are available and are priced at \$22 per

client, per month, for unlimited payrolls. The HR411 add-on module to manage employees and benefits is offered in payroll service bundles and is generally priced around \$40 per month, per client.

www.adp.com/payroll

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RED WING SOFTWARE

For more information, please visit CPAPracticeAdvisor.com/10015491

Red Wing Software CenterPoint Payroll

2013
OVERALL
RATING

4.5

Read the full review and see expanded ratings for this product online at:
www.CPAPracticeAdvisor.com/11147901

BEST FIRM FIT

Accounting professionals looking for a customizable, in-house solution to process payroll.

STRENGTHS

- Customizable to meet needs of practically any payroll client
- Strong reporting features

POTENTIAL LIMITATIONS

- No built-in HR functions
- May not meet needs of high volume payroll processors

SUMMARY & PRICING

CenterPoint Payroll is a flexible payroll solution designed to handle multiple deduction and earning codes as well as unique and complicated payroll situations. Though offered as a stand-alone solution, CenterPoint provides a number of integration points to share data with third-party software. Pricing for a single company and one state starts at \$795. Multiple company files and states may be processed from \$995. Add-on options and modules, such as time import and unlimited direct deposit start at \$195 per module. Pricing for the Silver level of help and support starts at \$550 per year and includes all support and product enhancements.

www.RedWingSoftware.com

AccountantsWorld Payroll Relief



BEST FIRM FIT

Accounting professionals looking to create or enhance their payroll service offerings through a web-based solution

STRENGTHS

- Built specifically for accountants in function and pricing
- Accounting firm branding options for web interface and marketing materials
- Ability to process with mobile devices

POTENTIAL LIMITATIONS

- No management features for HR or benefits

SUMMARY & PRICING

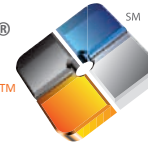
Payroll Relief is a wholly web-based payroll solution designed specifically for accountants. With a simple design and strong client level

Read the full review and see expanded ratings for this product online at:
www.CPAPracticeAdvisor.com/11148051

Several pricing options are available and range from unlimited payroll processing to per paycheck or per payroll processing. First year pricing for accountants is \$997 and

Per payroll pricing is available for \$5.95 per payroll run and is based on a 10 paycheck weekly cycle. Additional fees apply depending on the payroll time cycle and number of paychecks in each payroll run.

AccountantsWorld®
Do More. Do Better.™



www.AccountantsWorld.com

dashboard reporting, Payroll Relief is a strong offering for accounting professionals looking to add or enhance their payroll service offerings.

includes unlimited processing of payroll for twelve months. Per paycheck pricing is available as low as \$0.45 per paycheck for large volume users.

FIRST-HAND

SPONSORED CONTENT

Profitable and Painless Payroll

When Mauro Adornetto decided to focus more on providing payroll services to business clients, he didn't just dabble with it: He jumped in with both feet. With an already successful full service tax, accounting and consulting firm in Mount Kisco, New York (www.adornettoaccounting.com), he started his payroll business eight years ago by forming a separate entity, with separate office space and staff, for the new APS Payroll (www.adornettopayroll.com) firm and then looked at professional payroll solutions that would fit his needs and those of his clients.

While his firm had previously managed a handful of payrolls for clients, mostly manually, his goal was to grow the service into a profitable stand-alone entity that could handle all of the payroll needs that businesses face, including live processing, full state and federal compliance reporting, direct deposit and year-end production of forms.

When he found Payroll Relief, a completely

online payroll solution from AccountantsWorld, he knew he had found the perfect fit. Over the past eight years he has grown the service to about 60 business clients and the firm now processes about 1,500 checks per month, of which close to 90 percent are direct deposit transfers. His clients include a wide array of business types, including auto dealerships, consulting firms, restaurants, construction firms and nonprofits.

"Payroll Relief is very good overall and very easy to learn for staff and for clients to understand," Mauro said. "It's amazing how much the system automates all of the wage reporting and 1099 and W-2 processing, and the new dashboard is one of my favorite features because it shows everything that's important, like a road map. It's just very well presented even for people who don't really understand payroll, like clients."

Since the program is completely online, his payroll staff can give secure access to clients so that they can upload employee hour and wage information or check on reporting. It works similar to online banking, with clients able to access only their own information, and Mauro having the abil-

ity to give some clients more or less functionality, depending on whether they want to enter their own information.

The system also can be set up to allow client's employees to view and download their own paystubs from a computer or mobile device, once again with bank-like security, with employees only having access to their own information.

"We really like that it's online so that we can check it from anywhere, and our clients love it, too, since it gives them the freedom to check reporting when they have the time and to do some of their own data entry," he added.

Mauro also applauds the customer service that AccountantsWorld provides and gives them a "AAA rating," noting that he can always talk to a live representative and that the technology company treats him like he treats his own clients.

"Payroll Relief has helped us turn payroll into a profitable revenue channel and we plan on growing it even further, since businesses in the area prefer to deal with a trusted local professional."

READ THE 2013 REVIEW OF
ACCOUNTANTSWORLD PAYROLL RELIEF

CPA Practice
Advisor

Payroll – To Be or Not To Be

Both accounting firms and industry accountants ask me regularly about opportunities for their firms. One area that has been avoided by industry and public practice CPAs alike is payroll. We'd prefer to transfer the work, liability, risk, schedule commitment and governmental reporting to someone else. And of course this led to great success by providers like ADP, Paychex and Ceridian who provided this service.

Should we even bother to look at payroll or the broader system of Human Resources (HR)? My answer has always been yes, and most professionals have historically smiled at me, and simply commented "you clearly don't understand the problem". I probably don't

since I have personally written a payroll system that is still in use today. Payroll systems are complex, the regulatory updates are frequent, and increasingly irrational, the restrictions by many states and localities are unreasonable, and the technologies were difficult.

Things are different today, and if you are still "old school" and think "get payroll out of here", you may have an opportunity that you are passing by. If you have a concern for knowing costs, integrating HR or your accounting software or simply want to reduce your costs of producing a payroll, it may be time to revisit the new, simplified payroll and HR world.

In-house or public cloud?

Part of what has made payroll processing take off again is the wide



availability of the internet. If we run applications in a browser, it eliminates the need to install local software. Software applications that run in a browser are called Software as a Service or SaaS. Examples for payroll include: AccountantsWorld PayRoll Relief (among the first!), ADP Run, Intuit Online Payroll (the

old PayCycle), Paychex, SurePayroll and Thomson myPay. Newer, low-cost SaaS payroll competitors include Monchilla, Wave and Xero.

The key advantage to these approaches include: there is no local software to install, low cost per employee per payroll, choice of payment method including debit card, ACH and check, plus the governmental reporting including 941 and W2's are either included or simple to generate at a low cost. If the employees have recurring pay in the form of payroll, a one-time set up at the beginning of the year minimizes the effort for the entire year. Many of the products support

PAYROLL SYSTEMS ARE COMPLEX, THE REGULATORY UPDATES ARE FREQUENT, AND INCREASINGLY IRRATIONAL, THE RESTRICTIONS BY MANY STATES AND LOCALITIES ARE UNREASONABLE, AND THE TECHNOLOGIES WERE DIFFICULT.



Mr. Johnston is executive vice president and partner of K2 Enterprises and Network Management Group, Inc. He is a nationally recognized educator, consultant and writer with over 30 years' experience. He can be contacted at randy.johnston@cpapracticeadvisor.com.



REASONS TO RUN YOUR OWN PAYROLL

- Flexibility
- Integration
- Control
- Security
- Lower cost

REASONS TO OUTSOURCE YOUR PAYROLL

- Confidentiality of executive pay and bonuses
- No internal resources to run the payroll
- Large tax liabilities that will be due by the company where you can transfer the liability to the outsourced company
- Integration to a more sophisticated HR system and integration to 401K or other retirement programs
- You choose only to do those things that are in your core competencies.

Confidentiality of executive pay and bonuses, no internal resources to run the payroll, large tax liabilities that will be due by the company where you can transfer the liability to the outsourced company, integration to a more sophisticated HR system and integration to 401K or other retirement programs may be reasons to outsource. Another reason to outsource may be that you choose only to do those things that are in your core competencies.

So, What Should Be Your Strategy?

As said in more than one prior column, you should look at what you are trying to accomplish as a firm. If you are in public practice, think about the interfaces to your clients first. If you are in industry, think about how you interface with your accounting systems and employees. Payroll systems are easier, more flexible and secure than those of ten years ago. You may save time by doing your payroll in-house. If you are in public practice, you may wind up with a deeper client relationship and another service that ties a client to your firm. Let's face it, most of us don't want to change payroll systems unless we have to.

Think about your payroll and HR requirements. Do you need a self-

service portal? Do you have non-banked employees? Do you need detailed costing information? Do you want to tie labor to a job? Would you like to see the actual blended labor rate on a project? Do you want hourly payroll information during or at the close of a shift? It is pretty clear that each client or firm has different perceived as well as real needs.

Payroll is not that hard to process and fairly easy to secure. Is it worthwhile to do now that the hardships are less? Fear and uncertainty unnecessarily surround payroll, and a good business lesson is that there is money to be made from Fear, Uncertainty and Doubt (FUD). Do we want to be involved in payroll or not to be? That is the question. ●

import from Excel or Adobe PDF files that minimize the entry for hourly employees.

Traditional payroll applications can be hosted in a data center or run in-house. CYMA Payroll and HR, Open Systems TRAVERSE Payroll and HR, Paycom, Paycor, QuickBooks Enhanced Payroll, Sage 50 Payroll and Thomson Virtual Office Payroll CS would be examples of products that can be run using hosting services for traditional applications or maintained in-house.

The advantage of many of these products is the ability to run more than one company's payroll. Some systems do not have a per employee

charge. You can run the products at your convenience in your hosting provider or on your own network. You have access to the files so you can interface the results to other systems. You also benefit from the ability to integrate to local time clocks, your own web sites or proprietary systems. The number of traditional payroll providers is long. The products listed above are great products, but there are many other products that are great, too.

Flexibility, integration, control, security, lower cost and many more reasons exist for running your own payroll. However, there are still reasons to outsource your payroll: con-

FEAR AND UNCERTAINTY UNNECESSARILY SURROUND PAYROLL,
AND A GOOD BUSINESS LESSON IS THAT THERE IS MONEY TO BE
MADE FROM FEAR, UNCERTAINTY AND DOUBT (FUD)



Improving Business with a VIRTUAL OFFICE

A firsthand account of how one Intuit customer transformed his business into the Cloud.

By Taija Jenkins, Associate Editor

When Bryce Forney, CPA realized he was duplicating many tasks and wasting countless hours simply checking email, he knew it was time for a change. He transitioned his email from Outlook to Gmail and began looking for other ways to eliminate waste and redundancy in his practice.

“I had Outlook installed on my laptop, desktop and phone and many times I would have to replicate actions across my devices,” said Forney, Owner of Forney Accountancy (www.ForneyCPA.com). “For example, I’d have to delete emails both on my laptop and my desktop separately. Also, if I sent an email

THE PROADVISOR SPOTLIGHT

MY VIRTUAL OFFICE ALLOWS ME TO DO THE SAME THING THAT I WOULD DO AT A DESK. I TRAVEL A LOT, SO OPERATING OUT OF A BROWSER IS THE BEST FIT FOR ME. ANYWHERE I CAN TOUCH DOWN, I CAN WORK – WHILE WAITING FOR A FLIGHT OR IN MY HOTEL ROOM.

Cloud may not be the best fit for every client, he believes that most small business owners can benefit from it. Having anytime, anywhere access to data is very valuable. Small business owners can spend more time focusing on their business and less time managing data or tracking down important information. As clients, they also benefit from Forney's virtual office. Forney is able to provide faster responses to his clients and eliminate many manual tasks that he'd have to bill clients for.

"As a sole proprietor, I pride myself on my response time to my clients, and now both my clients and I are winners. QBO allows me to respond to my clients when I need to from wherever I am. Not only do my clients receive faster responses from me, but they are also saving money on other fees as well," said Forney.

In addition to QBO, Forney also uses Intuit Tax Online, Intuit Payment Solutions and is a beta tester for Intuit's new Virtual Office. Intuit's Virtual Office provides an online homebase from which an accounting professional can access all their online accounting and tax solutions from one place. By integrating Intuit's products, Forney is able to manage his entire business virtually. He has the ability to access his clients' files remotely, record transactions, work on and file tax returns and process payments from a central location.

"One benefit of using Intuit's ecosystem is that I eliminate a lot of manual, data entry tasks. The data integration between QuickBooks Online and Intuit Tax Online eliminates the need for me to enter data twice as financial information automatically transfers into Intuit Tax Online from QuickBooks Online.

With Payment Solutions, clients pay me through ACH and online, and since payments integrate seamlessly into QuickBooks Online, I am able to record and process payments and transactions all in one place. I've been an Intuit customer for more than a decade, but being online is a different world... and I mean that in a good way," said Forney.

As a beta tester of Intuit Virtual Office, Forney is looking forward to the ability to seamlessly track clients and projects. Currently, his own virtual office lacks the ability to manage projects as seamlessly and efficiently as he would like. With the future updated version of Intuit Practice Management, Forney will have the ability to integrate the solution with QuickBooks Online and Intuit Tax Online, offering additional time and cost savings while eliminating the risks for errors because of the data integration across the products. The updated version of Practice Management is expected to launch before the end of the year.

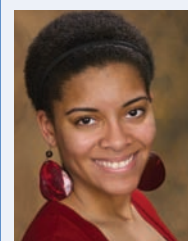
"Since I charge a flat fee, my profitability is directly tied into my ability to process returns in a short amount of time. My virtual office allows me to do the same thing that I would do at a desk. I travel a lot, so operating out of a browser is the best fit for me. Anywhere I can touch down, I can work – while waiting for a flight or in my hotel room," said Forney. ●

from my phone, it wouldn't appear in the Sent folder on my desktop. There was a lot of time wasted just managing my email inboxes that could have been used serving my clients."

By moving from a desktop mail client to a virtual one, Forney was able to realize the benefits of working in the Cloud. After more than a

decade of using desktop accounting software, he decided to shop around for an online solution. Forney selected QuickBooks Online and began transitioning his firm from his desktop to the Cloud. It took him only 30 minutes to import client data into QuickBooks Online and he was up and running using the product proficiently within a week.

While Forney recognizes that the



Taija Jenkins
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CPA Practice
Advisor.

How to Help Clients Avoid the TOP 4 Household Employment Tax Mistakes



By Stephanie Breedlove

When families become employers, they take on many of the same responsibilities that business employers do – although many of the forms, deadlines and labor laws for

household employers are unique. With all of the nuances related to “nanny taxes,” it’s easy for busy families to make an honest mistake. Help your client families avoid these errors by being mindful of these common household employment mistakes.

MISTAKE #1:
Misclassifying the worker as an independent contractor.

The IRS considers household workers to be employees – not independent contractors – if the family controls who, what, when or how the work is performed. Using Form SS-8, our company has petitioned the IRS for rulings in a wide variety of scenarios. In each case, the IRS ruled the worker was an employee.

Misclassifying a worker as an independent contractor (by using Form 1099) is considered tax evasion and the IRS has targeted several industries – household employment among them – and implemented stronger enforcement initiatives. This issue is also one of the five questions people should ask before hiring a tax accountant, according to Childcare.com.

MISTAKE #2:
Failure to properly address overtime.

Nannies and other household employees are considered non-exempt workers under the Fair Labor Standards Act. That means their employer is required to pay overtime for all hours over 40 in a 7-day work week (live-in nannies are generally an exception to this rule, although a few states require live-ins to be paid overtime as well). Overtime hours must be paid at a rate that

is at least 1.5 times the regular rate of pay.

Many families try to side-step overtime by offering a “salary.” In their minds, when a job pays a salary (instead of an hourly wage) the number of hours worked is not relevant. This is true for most professionals because they are considered “exempt” workers as defined in the Fair Labor Standards Act (FLSA). But again, household workers are non-exempt so a fixed salary is illegal.

Note: If the worker and employer agree to a salary amount based on a schedule that regularly includes more than 40 hours, the family should protect itself by addressing overtime in an employment agreement that is signed by the employee. For example: Family and nanny agree to \$500 per week based on a 45-hour work week. The employment agreement should specify that the weekly compensation was calculated based 40 hours at the regular rate of \$10.52/hour plus 5 hours at the overtime rate of \$15.78/hour. Additionally, it must be stated that any hours over 45 in a workweek will be paid at the overtime rate of \$15.78/hr.

Overtime issues are particularly dangerous for employers because a disgruntled former employee can file a wage dispute long after the relationship has terminated. Back wages plus back taxes, penalties and interest can make this a very expensive mistake. The good news is a simple employment agreement makes all the worries go away.

MISTAKE #3:
Putting a household employee on the company payroll.

The IRS has ruled that household employees are not considered “direct contributors” to the success of a business. And since businesses are entitled to tax deductions on payroll expense, it is an illegal tax deduction to include a domestic worker’s payroll expense as part of the company payroll and tax reporting.

Instead, it should be handled separately through the household employment reporting process (see



Publication 926). If the expense is childcare related, the family can take the dependent care tax breaks associated with those wages – but it must be handled on the personal income tax return.

MISTAKE #4:
Waiting until tax time to tackle the “nanny taxes.”

We see a wide variety of mistakes related to tax withholdings and state wage reporting that could be prevented if the family talked to a tax professional at the time of hire. Unfortunately, busy families often procrastinate until “tax time” and then drop a pile of paperwork on their CPA. By then, there are frequently several small mistakes that have grown into an expensive,

time-consuming mess. We strongly recommend that families and tax advisors communicate about topics like household employment early and often so that families don’t wait until next April. An ounce of prevention is definitely worth a pound of cure. Visit the timeline at Childcare.com to learn what you should do and when.

When the “nanny tax” process is handled correctly, in addition to avoiding tax and legal problems, the family will have access to tax breaks that can offset most – if not all – of the employer tax cost. And the employee is then entitled to the benefits she deserves, including Social Security, Medicare and Unemployment Insurance. ●



Stephanie Breedlove is Head of Care.com HomePay, formerly Breedlove & Associates, the nation’s leading household payroll specialist. Care.com helps connect families with care providers, whether a babysitter for an occasional date night, care for seniors, pet companions or housekeeping.

How Accountants and Tax Pros Can Manage Business Risk

By Ted Devine

Summer may seem like a time where accountants can take a breath. They're just past the April tax rush and still a ways ahead of end-of-year planning. But that timing makes August and September the optimum time to work on managing your practice – an essential part of which is managing business risk.

Regardless of the time of year, accountants and tax professionals face risks from a number of fronts: they handle sensitive client information, they depend on easily damaged technology, and they often have to contend with client emotions in discussions about money and financial planning.

Here's a look at five ways accountants and other tax professionals can prevent those risk exposures from triggering a costly data breach, computer failure, or lawsuit – any of which could keep your practice from thriving.

1. BACK UP INFORMATION THE 3-2-1 WAY

Sure, we all know it's important to back up our data. But do you know how to create backups that actually work? For accountants and tax professionals, the **3-2-1 Rule is golden**:

- Maintain **three** copies of important documents (an original and two backups).
- Use **two** types of media to store information (e.g., cloud, paper, thumb drive).
- Keep **one** copy outside your office (e.g., satellite office or off-site data center).

This system allows for retrieval of important information in virtually every scenario: loss of power, property damage to your office, corruption of a file, theft of equipment, etc. And that means you'll be able to serve your clients and keep your business afloat no matter what happens.

2. PROTECT VALUABLE RESOURCES PHYSICALLY AND DIGITALLY

Any idea what a data breach costs? According to Symantec, as of May 2013, the average cost for a U.S. company was \$5.4 million. Because they store sensitive information, including bank accounts, Social Security numbers and incomes, accounting practices are hot targets. And studies show that 55 percent of small businesses experienced at least one breach in the last year. How can you prevent these costs from devastating your firm?

Set up robust data protections, including...

- **Physical barriers.** Paper records with sensitive information need to be under lock and key.
- **Passwords.** Both accountants and employees should follow guidelines for creating strong passwords and updating them regularly. More than



three-quarters of data breaches are still caused by hackers guessing too-easy passwords.

- **Encryption.** Investing in software to encrypt your clients' data is essential to not only winning trust, but also preventing hacks.
- **Antivirus protections.** In addition to antivirus software for all machines you use for work, consider requiring your employees to complete a basic training course on avoiding hackers online.
- **Limited access.** Provide access to sensitive data (hard and digital) on an as-needed basis. This limits your exposure points and thus the likelihood of a hack.

Even with all these measures in place, though, you could be victimized by a data breach. Avoid paying out-of-pocket for the cost of reengineering data and client lawsuits by adding a Cyber Liability endorsement to your General Liability Insurance policy.

3. COMMUNICATE WITH YOUR CLIENTS

If you're the type who likes to dial into your work and only surface when you've finished, client communication may not be your forte. But touching base is essential to managing your overall risks.

Here's why: small miscommunications that go unaddressed can lead to seriously unhappy clients. And seriously unhappy people are the kind who file lawsuits. When handling communications, keep two principles in mind: establish expectations at the beginning, and check in on a regular schedule (you can even set up a calendar to make sure you're maintaining contact with everyone).

A calendar system lets you alert clients immediately if a deadline changes or you uncover any problems. It also demonstrates that you're engaged with their account, which helps proactively prevent time-wasting check-in calls and keep client retention high, come next tax season.

4. REMEMBER YOUR PHYSICAL RISKS

Sure, your job exposes you to risks from digital threats, but it's also important to remember the physical risks you face. Your property is susceptible to storm damage, power surges, and theft – but chances are, your Homeowner's Insurance policy doesn't cover you for damages, even if you work from a home office.

Luckily, many small accountants and tax preparers are eligible for an inexpensive type of bundled insurance called a BOP (Business Owner's Policy). This coverage bundles

General Liability and Property coverage for a single premium and can be customized to include the specific coverages your practice needs.

And while it's important to have a backup plan for when lightning fries your laptop, remember that you are your most important asset. Set up a plan to protect your health during the rush season: a timer for regular breaks, a commitment to healthful eating, and a little exercise can go a long way to prevent stress-related illness.

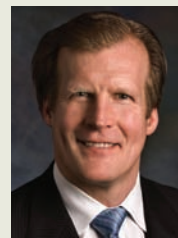
5. BRIDGE THE KNOWLEDGE GAP

Accountants and tax preparers often work with clients who have limited financial knowledge. To help them better understand what you do (and hopefully make your job a little easier), take advantage of your slowest season to send out educational emails or newsletters. In addition to helping your clients manage their finances more efficiently, this will help keep you on

their minds when the rush season rolls around again.

Odds are, your business has changed in the past year. You may have grown. You may have taken on new types of business. To ensure that you're still covered for any new risks that have cropped up in the last several months, complete this five-point mid-year review. When you do, you'll know your business can handle any unexpected shocks and keep serving clients. ●

TO ENSURE THAT YOU'RE STILL COVERED FOR ANY NEW RISKS THAT HAVE CROPPED UP IN THE LAST SEVERAL MONTHS, COMPLETE THIS FIVE-POINT MID-YEAR REVIEW.



Ted Devine is CEO of insureon, the nation's leading online agent for small and micro businesses, including small accounting firms. Prior to joining insureon, Devine held many senior leadership positions at Aon Corporation and spent 12 years as a Director of McKinsey & Company. He lives in Chicago with his family.

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SEEING THROUGH THE CLOUD

Cloud Special Report

Q&A with Jill Ward, Senior Vice President and General Manager, Accountant and Advisor Group, Intuit

What is Intuit's commitment to helping accounting professionals succeed in the cloud?

Over the years, Intuit has evolved from singular solutions to become an ecosystem of online products and services that seamlessly integrate with each other. Working together, this integration creates amazing opportunities to solve important problems and pain points for accountants across their end-to-end workflow.

In order to continue to innovate within this ecosystem, we've realigned our accountant and small business divisions to provide increased focus on accelerating our goal to be the world's operating system behind small business success. We're investing in the next generation of services, including the Virtual Office for Accounting Professionals, the reinvented QuickBooks Online and our Cloud ProAdvisor Program to help accountants shift online and find the "right for them" solutions and services to best serve clients. We provide a data-advantaged cloud ecosystem that allows accounting professionals to add and customize solutions as well.

How is the cloud changing the lives of accounting professionals and small businesses?

Accounting professionals now have the freedom to better serve clients anytime, from anywhere.

The cloud has moved from being a "new" technology to a foundational element for accountants and small businesses. It has helped improve client collaboration, allowing accountants to improve data

collection and data sharing, and enables them to respond more quickly to client needs via nearly any device: laptop, smart phone or tablet.

What are the current trends and adoption rates you are seeing in the cloud?

Trend-wise, accountants are no longer tied to only servicing clients in their vicinity. They can support clients from anywhere in the world. They can also have employees work remotely, and at different hours, providing their clients with more coverage and service when they need it. An increasing number of accounting professionals are taking advantage of these benefits.

Regarding adoption, according to IDC, 38 percent of businesses have already adopted some type of cloud services. At Intuit, QuickBooks Online is the number one cloud accounting solution for small businesses worldwide, with 1.3 million paying users. In addition, customers using Intuit cloud solutions have doubled to 45 million in five years.

The point being – it is clear the market is moving in one direction: toward the cloud. Specifically, it is clear small businesses are moving online and demanding services and support from their accountant that only online and mobile solutions can deliver. It is our job to make sure accountants can join them in the cloud and delight their clients.

How can today's accounting professional use the cloud to stay relevant and grow their practice?

By embracing mobile and online technologies that are available,

accounting professionals can realize the time saving benefits of improved workflows and integration across products and third-party applications. Furthermore, when used in either a connected desktop environment or 100 percent online, mobile technologies and apps provide the ability to work in a seamless, efficient manner.

In addition, accountants who stay current with technologies that offer time-saving benefits are able to focus more effort on strategies to help them and their clients succeed and grow.

What is Intuit's overall strategy when it comes to the cloud and how it relates to accounting professionals?

Only one thing is constant in business and technology – change. New innovations keep coming and it's our job to keep ahead of the curve and help accounting professionals and their clients get ready and be comfortable using cloud solutions.

Accounting professionals have never been more important to Intuit, and they have never been in a better position than right now to use the tools and innovations at their fingertips to help their small business clients succeed.

Intuit is innovating in the cloud and our strategy is to continue to deliver awesome product experiences to accounting professionals in all the work they do to serve clients and to run their firms effectively and efficiently. We provide a data-advantaged cloud ecosystem that allows accounting professionals to choose and customize solutions. We are investing in how we use

the data we capture in our small business ecosystem to deliver better experiences with more tailored offerings and break-through benefits for accounting professionals, so they in turn can deliver those benefits to their clients.

Tell us about the new QuickBooks Online. Why are you so excited about it?

QuickBooks Online has been completely reinvented. We're not just talking about the way it looks, but the ease with which clients use the product without sacrificing the power you expect from the desktop version of QuickBooks. We have created greater efficiencies with seamless integration with Intuit Online Payroll and third party apps as well.

A great new capability for accountants — If you are an accounting and tax professional, simply click on a button that says "Books to Tax" within QuickBooks Online Accountant, and relevant client data can be automatically, immediately, and accurately filled into the right tax data fields in Intuit Tax Online. Talk about a time saver!

As I mentioned earlier, this new version of QuickBooks Online is our first big step toward offering an ecosystem of products and services that look and act as one overall solution.

What is the Virtual Office? Tell us why this innovation is important and how it will change the way accountants work?

The Virtual Office grew from looking at how accounting professionals currently work in comparison to how they want to work. Customer feedback and insight from watching accountants work in their offices made it clear that accountants were using too many disparate systems. Going from one product to another wasted their time and created

inaccuracies because of multi-data entry points across the different products they use.

With Virtual Office, you have a "homebase" from which you have access to all the online solutions you use, and those online solutions all talk to each other, sharing data so you never have to enter data twice....or at all! You choose the access point from which you want to begin your work day, and manage all your clients, all your to-dos, all your important deadlines and deliverables from this "homebase." Accounting professionals can change the way they work and collaborate more efficiently with clients – which will certainly help them save time and grow their business.

What advice can you provide accounting professionals looking to improve their usage of the cloud?

Start with one client. Put just one client on QuickBooks Online and see how it goes. Once you do and experience the benefits of working smarter and more efficiently, we're

confident that you won't be able to imagine going back to the old way.

I think you'll agree that the cloud is not going anywhere. Like all technology advancements, it will continue to evolve and change for the better. But it's moving quickly, so accounting firms need to begin to incorporate cloud solutions in their practices and firms to gain efficiencies and better serve their clients.

Still not convinced? Think about how often your clients interact with their other service providers on-the-go via their mobile devices. Or how often you use your mobile phone to do business and answer questions. Ask yourself if your firm is part of that solution set and are you best meeting your clients' expectations.

On-the-go access, mobile collaboration, convenient and easy-to-use self-service tools are no longer "nice to have's," they are crucial to delivering for your clients. We're here to help you make sure you don't get left behind.

JILL WARD

**Senior Vice President and General Manager,
Accountant & Advisor Group, Intuit Inc.**



Jill Ward oversees Intuit's newly established Accountant & Advisor Group, which ensures that accountants around the world have the products, programs and services they need to best serve and collaborate with their small business clients – including Intuit QuickBooks Online for Accountants, QuickBooks Desktop for Accountants, Practice Management/Virtual Office products as well as the ProAdvisor and partner programs, worldwide.

She also currently oversees Intuit's ProTax Group, whose offerings help accounting professionals prepare and file tax returns on behalf of their clients. Products include Intuit's ProSeries, Lacerte, Intuit Tax Online, Canada ProTax, and related solutions like Tax Research and TurboTax CPA Select.

Ward's passion for the accounting profession and deep understanding of the ever-changing accounting landscape can hardly be matched and has resulted in the creation of accounting and tax solutions and services that help 50 percent of all accounting firms in the U.S. save time, increase their productivity and grow their practices. Under her leadership, the QuickBooks ProAdvisor Program has grown to more than 70,000 U.S. members trained to help their small business clients succeed.

Previously, Ward held senior positions at financial and business services companies, including Fidelity Investments, and Bain and Company. She holds a bachelor's degree from Wellesley College and a master's in business administration from the Amos Tuck School at Dartmouth.

Benefits of Benchmarking: Tactics and Techniques to Maximize Financial Analysis

By Brad Schaefer

Business owners are often interested in learning how their company performs as compared to their competition; unfortunately it can be difficult to find reliable data from private company

competitors. CPAs who are able to effectively provide this service can be invaluable resource for their clients, which is a valuable asset when trying to transition from quarterly CPA to trusted business advisor. When providing this kind of analysis, it is important to seek out data with the following characteristics:

- **Relevancy:** It is not sufficient merely to compare one company to another, similar company. Differences in business size, location, and industry can vary greatly, and these differences if unaccounted for can skew benchmarking data and affect the quality of your analysis. Whenever possible you should seek to identify and use data that is highly specific and tangibly relevant to the business being analyzed.
- **Accuracy:** Benchmarking analysis cannot provide beneficial insights if your data is not accurate. Oftentimes this presents a problem, as each dataset will have its own strengths and weaknesses. Data sources, definitions, sample size, and boundaries tend to vary. It is therefore important to be mindful of data being as accurate as possible in order to avoid apples-to-oranges comparisons.
- **Timeliness:** Unfortunately financial data isn't always published in real-time; however, businesses oftentimes must make quick decisions in response to rapidly changing industry trends. When available, make sure that your benchmark data is from the same year as the company data. Otherwise the resulting analysis has the potential to be ineffective or altogether misleading.

Prioritizing Benchmarks

After ensuring that your data is relevant, accurate, and current the question turns to which metrics deserve analysis and can be used to identify business

strengths and weaknesses. This can be deceptively difficult, as different companies and industries will have their own unique metrics for measuring successes and shortcomings. While industry-specific performance indicators can provide highly specialized information, the following financial metrics are almost universally important to businesses and should allow you to give your client a high-level snapshot of their company's comparative performance.

Net Profit Margin

One of the most basic and fundamentally important financial metrics, net profit margin, measures how many cents of profit a business earns from each dollar it generates in revenue. Although raw financial data or the formula used by the data source are not always available, seek out these metrics and use them whenever possible to validate that they are consistent with the company's calculations. Verification is especially important for this metric, as other firms may make their own adjustments to assist in their analyses. For example, at Sageworks, net profit margin is adjusted to exclude taxes and include owner compensation in excess of their market-rate salaries -- adjustments commonly made to private company financials to provide a more accurate picture of a company's operational performance.

Liquidity

When looking at liquidity, there are two ratios that must be considered. The company's Current Ratio -- measured as

current assets divided by liabilities -- measures a company's general liquidity. However, when including inventory in the calculation the ratio may be misleading in trying to analyze short term cash flow. This problem is resolved by examining the Quick Ratio - cash plus accounts receivables divided by current liabilities - which provides a shorter term view of the cash situation.

Turnover Ratios

There are three fundamental turnover ratios to calculate:

- **Accounts Receivable (AR) Days** (accounts receivable divided by sales, multiplied by 365 days) can help your client see roughly the number of days a company takes to turn accounts receivable into cash. Help your client understand that lower numbers are more desirable, since it is better to have cash in the bank than extra receivables on the books.
- **Accounts Payable (AP) Days** (accounts payable divided by cost of goods sold, multiplied by 365 days) helps clients assess how quickly they are paying their own vendors. Here, higher numbers are better because it means the company is able to hold onto cash longer.
- **Inventory Days** (inventory divided by cost of goods sold, multiplied by 365 days) measures the number of days it takes to sell off inventory, but it is very specific to the industry. Imagine how long wine is stored at a winery compared to how long eggs are on grocery stores shelves. The key takeaway for clients is that generally, lower numbers are better.

Benchmarking Mistakes To Avoid

Benchmarking is an incredibly useful tool, but there are a few easy-to-make mistakes that can lead your analysis astray. Be aware of the following pitfalls of successful benchmarking to ensure

that you don't fall for these commonly seen mistakes:

Comparing Company A to Company B is something that we see all the time. Comparison to a similar group can be useful so long as the group is relevant to the industry, but when analysis becomes focused on specific business to business comparisons there are oftentimes too many significant differences that preclude useful comparisons.

Reporting inconsistencies are another common problem with benchmarking analysis. The metrics discussed in this article are common measurements in financial analysis, and their relevancy is generally not questioned nor their definitions significantly altered. However, should you choose to include other industry-specific performance metrics, make sure that you consistently use the same calculations period after period.

Finally, it is important to remember that a benchmark report is not the conclusion of your analysis, but rather the beginning. Once you have created a report that can clearly display these metrics as compared to the industry at large, you can begin to create a plan of action. Try to frame problematic areas as opportunities to improve the business, and point out in which areas the business is really excelling. Encourage the client to take pride in their strengths, and work with them to try to replicate the winning strategy in other areas of the company. ●



Brad Schaefer is an analyst for Sageworks, a North Carolina-based financial information company.



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Mastering the Art of Technology

Kristy Short, Ed.D

If there's one thing Charlie Jones, CPA has learned after years of managing his accounting firm, it's that working with technology is an art.

"You can't just adopt stand alone applications here and there, you have to envision a complete *system* and how disparate technologies fit together to support end-to-end digital processes," stated Jones. "It's an art that has taken me years to understand."

Charlie Jones is managing partner of Marshall, Jones & Co, a full-service accounting firm. He is also managing partner of OnDemand Accountant, a separately branded Virtual Accounting service. Over the years, Jones has honed his technology skills—having built a highly efficient, streamlined technology infrastructure within his own accounting firm.

His insight into technology and how to piece the right applications together for maximum workflow productivity not only advanced his firm's operations, but enabled him to launch OnDemand Accountant and enter the growing Virtual Accounting arena.

"I've learned a great deal over the years in relation to the technologies required to run an efficient operation," stated Jones. "I took this knowledge and launched OnDemand Accountant, a service where clients outsource their accounting work to us, while always staying connected because work is completed within our online, collabora-

tive platform. Clients love it!"

His Virtual Accounting service was just the start for Jones. He recently launched a new offering that promises a healthy revenue stream. That service is Technology Consulting.

Technology Consulting: Profitable Revenue Stream and Gateway to Virtual Accounting

Before he launched OnDemand Accountant, Jones took the time to understand today's leading cloud-based technologies and how they fit together. He then parlayed this knowledge into his newest service.

"Having built a highly efficient infrastructure upon which Marshall Jones and OnDemand Accountant run, I am more than confident in advising my clients on technology. So, I thought: why not offer this as a new service?"

Jones is currently marketing his technology consulting service to CPAs in industry and a few select business niches.

"I want to help businesses and CPAs within corporate accounting departments understand how to build a streamlined system to significantly reduce costs, improve productivity, and ultimately increase revenue," Jones explained. "Of course, I plan to market to other niches as the service grows."

With so many powerful cloud-based apps available, and with so many that integrate with one another, it's easier than ever to create end-to-



MARSHALL, JONES & CO.
CERTIFIED PUBLIC ACCOUNTANTS



end digital systems. You just have to put in the time and research. Of course, many business owners don't have the time to dedicate...and that's where Jones comes in.

"Business owners know how important technology is to operations. The real issue is time. A lot of folks also don't want to deal with the learning curve; technology can be intimidating."

A savvy business person, Jones is also quick to point out that technology consulting can lead to a larger and longer-term engagement—virtual accounting. "Once you have a client set up with the right solution set and they begin to see the extreme increase in efficiency, they tend to start looking for other areas to improve. Once up and running within a digital system, clients also have a better understanding of how easy it is to outsource back office work."

While technology consulting is a sustainable service, it's clear that it can also serve as the gateway to value-added virtual accounting engagements.

"Business owners are always looking for ways to reduce costs and improve the bottom line. Outsourcing back office work, like

bookkeeping, can immediately reduce onsite hours. The fact is that virtual accounting services are often less expensive than a full-time bookkeeper."

Technology is Where It's At

"You can't exist in the profession today if you don't stay somewhat updated on technology; it's the key to success. If you aren't operating efficiently, you can't adequately grow," asserted Jones.

Technology is not only at the heart of an efficient operation, it's also core to the quality of client services. Clients of today are vastly different from those just 10 years ago; they expect online access and real-time views into their data. They also look to their accounting professional for far more than financial statements and annual services.

"CPAs aren't simply number crunchers to clients anymore. They

look to us to be their trusted business advisor...to coach them on business decisions and guide them toward success all year round," Jones explained. "With the right technology, we can easily collaborate with clients at any point of the work process, deliver information immediately, and provide sophisticated business intelligence. You can't offer any of this if you are still living in the pen-and-ink era."

With years of technology experience under his belt, Jones is armed with the hands-on knowledge necessary to make his new service offering a success. And with the success of his technology consulting service comes great opportunity to advance his virtual accounting business as well. With a well-defined vision, and having put in his time ascending the technology learning curve, I say "go forth and prosper!" ●



Kristy Short, EdD, is president of *rwc360, LLC* (rwc360.com)—a firm dedicated to providing branding, marketing, and public relations services exclusively to the accounting profession. She is also a professor of English and marketing. Reach her at kristy.short@cpapracticeadvisor.com.



CORE VALUES

The essential and enduring tenets held by team members of Marshall Jones.

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We strive to understand the needs of others and commission all of our talents and resources to fulfill them. We are responsive to those we serve and do so loyally with sincerity and humility.

INTEGRITY

We approach all interactions with fairness and candor. We honor those who have entrusted us by conducting ourselves in a manner beyond reproach.

QUALITY

We nurture a team culture that provides each individual with an opportunity to thrive in all areas of their life. We have a passion for excellence and take pride in all we do.

Living these shared values enables us to fulfill our commitments to one another, our clients, our peers and our communities.

If you'd like us to consider sharing your firm's story of innovation in a future issue, go to www.CPAPracticeAdvisor.com/great-practices and complete the short form. We'd love to hear from you.

Will New Healthcare Laws Hurt the CPA-Client Relationship?

For the quarter-century or so I have worked with and alongside tax and accounting professionals and firms, the mantra has always been that CPAs aspire to become “trusted business advisors” to their clients. Not mere purveyors of mechanical reports and double-entry bookkeeping, but true business advisors who use their skills to become valued advisors to the businesses they serve.

In truth, many CPAs do in fact reach this status – the accountants who served me in the businesses I ran did so, and became friends as well as accountants. But this kind of relationship, built on trust and mutual success, is now threatened by a regulatory

whim that will forever change the relationships between clients and their accounting firms. Or their tax preparation firms.

As this column goes to print, provisions of the Patient Protection and Affordable Care Act (also known as the “ACA,” or ObamaCare) will change accountants and tax preparers from “trusted advisors” to a more derogatory status:

Government snitches. Narcs. Rats and informants.

Some accounting firms and organizations seem to welcome this change in status, for all the wrong reasons:

- **Accountants are by nature conservative people.** Not necessarily in the political sense of this term, but rather in the fact that they believe that order and laws are the foundations of an orderly and working society. While they may not agree with all of the provisions of the ACA, it is the law of the land and they will support it until or unless the law is altered.



Mr. McClure is a consultant and widely published writer on technology issues. He can be contacted at dave.mcclure@cpapracticeadvisor.com



- **They do not understand what the law requires.** In this they are joined by the members of Congress who passed the law, as well as the people within Federal and state governments who are expected to make it work. Those entities simply exempted themselves from its provisions. Accountants are not so lucky. In fact, many of the regulations that the ACA will implement have not yet come into

play, so tax and accounting professionals may be forgiven for not understanding that it will change forever how they are viewed by their clients.

- **They see opportunity in the chaos.** The ACA will, by all reasonable measures, wreak havoc on businesses large and small. It will require significant new compliance measures and attestation, off of which will add more billable hours for the accounting firms. In this sense, CPA firms and tax preparers may profit in the short term

CPAS AND TAX PROFESSIONALS ARE NOT IN A POSITION
TO RESIST THE PROVISIONS OF THE ACA,
BUT THEY WILL WANT TO FOLLOW CLOSELY THE
POLITICAL BATTLE OVER ITS IMPLEMENTATION.



individual, every family and every company in America.

For many CPAs, particularly those who do not understand that they will be required to snitch on their clients under regulations that have not yet been written, this is not a big deal. Under Sarbanes-Oxley, they note, auditors have similar reporting requirements. But Sarbanes-Oxley is a narrowly tailed law that affects only public companies and requires reporting only under certain conditions. The ACA applies to the entire American population and is not even defined, much less defined narrowly.

CPAs and tax professionals are not in a position to resist the provisions of the ACA, but they will want to follow closely the political battle over its implementation. Because at the end of the day, a CPA cannot be both the defense attorney serving as the trusted business advisor to clients and the prosecutor who will rat them out to the IRS. And no matter how you wish to sugar-coat it, this is a major shift in the perception of the profession.

REALITY CHECK

A compendium of ideas, products, rants and raves from the viewpoint of the author. Note that the author has no financial interests in any of the products mentioned. Feel free to disagree, or to share your ideas by sending them to davemcclure@cpata.com.

INTERNET SITE OF THE MONTH.

US Department of Health and Human Services ACA Page
(www.hhs.gov/opa/affordable-care-act/index.html)

This site and others are not much help yet to accountants and tax preparers, so I am compiling a list of web sites that will carry up to the minute information for the industry. Consider this web site a starting point, and if you know of another good ACA news and insight site geared to the industry, please drop me a note.

Travitek's TravelScan App (www.travitek.com)

Got a receipt or a client document that needs scanning, with no scanner in sight? This IOS application for Apple phones will allow you to take a picture of the document(s), save as multi-page PDF files, and email it to where it needs to be. An Android version is in the works as well.



Microsoft Office 365 (www.office.microsoft.com)



What on earth has happened to Microsoft? They have gone from the top-tier business application provider to a failure-ridden junk pile, and

Office 365 now joins the undistinguished list of bad implementations. Let's just start with the fact that there is no web access to Outlook (your calendar, contacts, notes, etc.). Then remember that there are a lot of work places that you simply can't access the Internet without additional cost or risk. And what if your access goes down for a day? If Microsoft can't get this cloud computing thing down, how will the rest of the accounting and business software companies?

Failure As A Service (FaaS)

Moving to the cloud has so many workflow and productivity benefits for accounting firms that I almost hate to be the one to mention that the emperor isn't wearing any clothes. Admittedly, the failure rates are not high, but failures do exist – often at the worst possible moments. I am not suggesting that accountants not move to cloud-based storage and solutions, only that they have realistic expectations for failure rates of those services. They may only fail .01 percent of the time, but if that .01 occurs on April 15, we may have a problem.



Investigate, and demand redundancy in place of failure.

Federal Intrusions Into Your Data.

Okay, this is going to sound a little weird and paranoid, but it turns out that Internet companies are being compelled to turn over their data to the National Security Agency, DEA and other federal bureaucracies without a warrant or even a good excuse. This means that it is only a matter of time until your cloud storage company is compelled to hand over your client data under similar conditions. What becomes of your guarantee of privacy then? I posed this question to some accounting cloud purveyors in the past month, and mostly got murmured responses and a lot of shuffling feet. Not good.

Scott Cook (en.wikipedia.org/wiki/Scott_Cook)

In a time when many Internet and accounting firm founders act more like robber barons and scoundrels than chief executives, it was a pleasure to spend a few hours with Intuit founder Scott Cook last month at the Intuit VIP Conference in Palo Alto. I was in the business in 1983 when he founded Intuit, and made his mark by following customers home to study how easy it was for them to use the software he created. For many years, if you called Intuit's tech support, you would find yourself talking to Scott himself. This year he is a little older, but still carefully listens to what you have to say and remembers it. And shares some of the luscious pinot noir from his own vineyard. And laughs with you. But mostly listens. He remains one of the very best of our industry, and a national treasure. ●



while destroying client relationships for the future.

Trouble for tax and accounting professionals began when the Obama Administration was forced by law to treat the collection of health care obligations of the ACA as taxes – which occurred when state and private lawsuits took the case to the US Supreme Court. Compliance was then given wholly to the Internal Revenue Service.

But the Internal Revenue service is not on the front lines of this battle, and does not have the manpower to monitor compliance. So they have simply shifted this compliance requirement to accountants and tax preparers, threatening them with prosecution for fraud if they fail to report non-compliance.

And so, with a stroke of a pen, they make CPAs the equivalent of IRS-deputized fraud detectors for every



By Isaac M. O'Bannon, Editor

Change comes in waves that sometimes are less astounding when looking at them in the present, but can be dramatic when their cumulative effects are viewed after several years.

If you've been in practice for several years, the most significant changes to the profession, particularly for tax and accounting professionals in public practice, have come through technology, of course. While there have been a few major alterations of accounting standards and tax laws, the real changes have been seen through new ways of doing business, both in interacting with clients and the functions that take place in the back office of your firm.

A little more than two decades ago, firms were largely paper-based, with the desktop computer only slowly starting to edge its way into the tax and accounting practice. The internet may have debuted in its public form around 1994, but didn't fully blossom until around the year 2000. Then, about a decade ago, came the concept of the paperless office: changing paper binders and client folders into digital documents that could be more easily managed and searched.

Over the past five years or so, the accounting profession has largely

started adopting cloud-based accounting and tax compliance systems, as well as encouraging their clients to do so as well. And in just the last two or three years, the widespread use of mobile apps and systems by consumers and small business owners has driven accounting professionals to also adapt and encourage the use of these systems.

These tools and technologies have had monumental impact when you look at the difference between a tax and accounting practice in the year 2013, compared to such a practice in the year 1993. But these are only the tools by which specific tasks are performed, they are not a reflection of how client and firm management is processed,

and they certainly are not an indicator of whether a firm is performing efficiently.

There may be a hundred definitions of the term "workflow," but all look at the broader, big picture aspect of how client engagements and back system processes progress. Just using the most modern tools does not protect against productivity-sapping logjams or misallocation of firm resources.

THE REAL CHANGES HAVE BEEN SEEN THROUGH NEW WAYS OF DOING BUSINESS, BOTH IN INTERACTING WITH CLIENTS AND THE FUNCTIONS THAT TAKE PLACE IN THE BACK OFFICE OF YOUR FIRM.

Workflow touches every part of an accounting firm, whether you have adopted a workflow management strategy or not. Every firm has a workflow, it just may not be working – or flowing – very well. And as new technologies and tools enter the everyday client services and practice management functions of an accounting firm, it is necessary to stand back and

assess how those processes may need to be reconfigured in order to optimize the benefit of the new technologies.

As an example, in 1993 virtually all small accounting practices (1-5 total staff) would likely have had at least two of those staff members devoted entirely to clerical and administrative duties. Today, it would likely be one. Twenty years ago, there were large file rooms that had to be maintained, folders logged, messengers used, master calendars managed, libraries of books on tax law and code. Today,

while you likely still have an office manager as a chief firm administrator, the other tasks are mostly managed through very simple, every day computer programs.

The key to workflow management is optimization. How each part of your firm's client services and internal management practices interact with each other, and how best to optimize their effectiveness.

"Before any changes can be made to existing processes, a firm must understand how work is assigned and travels through the organization," says Brock Philp, CEO and President of Doc.IT, a company that makes workflow solutions for accounting professionals.

"Firms must start with the "as is" and then move to the "to be." In order for the most optimal "to be" state to occur it is important that



DOC.IT

the workflow exercise is not influenced by who does what in the organization today. The very act of examining and then standardizing your processes allows you to re-define them and remove inefficient



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cies. The end-result is standardized workflow processes being written as firm policy.”

It was once a widely-held belief that the best way to ensure more streamlined workflow was to use a comprehensive suite of programs, which would generally guarantee



that all aspects of client service and firm management would be able to integrate. This does have benefits, and systems like the CS Suite from Thomson Reuters, the singular database that drives the new CCH Axess, and the new Intuit Practice Management are excellent examples.

However, as accounting and small business tech expert Doug Sleeter looks at it, this only guarantees interactivity, not the perfect fit for the firm. In his concept of “chunkification,” (read about it at www.CPAPracticeAdvisor.com/10452665) sometimes firms benefit by seeking out the best tools and technologies for each specific task as it relates to their needs and the needs of their clients, regardless of the vendor. Then they bring these disparate systems together and work on making them integrate.

When looking at workflow in your firm, think about how your practice manages these processes:

In-Firm Functions

- Time and Billing
- Document Management
- Due Date Management



Client Services

- Tax Document Automation
- Payroll
- Client Accounting
- Portals
- Hosting services

Ideally, an efficient workflow would automatically track time

spent by a staff member working on an engagement. Even in the preferred method of billing with a flat fee or fixed rate, knowing the efficiency and time-cost spent on tasks and client work is essential to managing productivity. Likewise, workflow systems geared toward tax preparation and payroll have greatly streamlined these processes, in many cases dramatically reducing manual data entry and turning once tedious and low-margin services into potentially greater revenue centers.

The move toward web-based client accounting systems, such as QuickBooks Online, Xero, Freshbooks, Kashoo and Wave (and others) have not only helped more small businesses better manage their books and businesses, but also allow their public accountant real-time access to their books and accounts. This keeps books cleaner and fundamentally changes to definition of write-up functions. Our technology editor, Brian Tankersley, CPA, wrote on the subject at www.cpapracticeadvisor.com/10822924.

The same, of course, can be said for document management and



THOMSON REUTERS

online payables management, where systems from SmartVault and Bill.com, among others, have streamlined often time-intensive and low yield functions.

In addition to individual in-firm practice management and client service functions, there are also broader workflow management systems that are designed to take a more holistic approach to helping firms oversee workflow from a more comprehensive, end-to-end perspective for their entire practice.

processes and engagements document management, time and calendar management, task routing, invoicing and client service, while also tying into project and resource management, and enabling process control and standardization.

Over the past few years, many of these systems often were introduced as either a separately-branded offering from a technology vendor or evolved from the practice management systems that were already on the market. In both



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- Doc.IT Suite (www.doc-it.com/docit-suite.html)
- Office Tools Professional (www.officetoolspro.com)
- Thomson Reuters Workflow Manager (cs.thomsonreuters.com/workflow-manager)
- XCM Solutions (www.xcmsolutions.com)

These systems bridge firm work

cases, however, the changing technology usage and changing needs of firms and clients are diving the need for changes in how work processes flow through a professional practice.

Workflow will always be an evolving trend within firms, and so it is a concept that firm partners need to be not only aware of, but constantly assessing in order to ensure optimal productivity in an increasingly competitive marketplace. ●



Isaac is the Editor for CPA Practice Advisor, having joined the publication in September 2002. Through his experience in the areas of consumer and professional-level software and peripherals, as well as knowledge of the public accounting field, he provides reviews of technologies used by accountants and their business clients as well as contributing a regular column that provides helpful information that ranges from improving search techniques to when to upgrade a computer to computing security issues. He can be reached at isaac.obannon@cpapracticeadvisor.com.

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4 Tips to Improve Firm Workflow Processes

Process improvement has been a stated goal in most firms for some time now. Looking for ways to do more with less became even more important during the economic downturn. And the concepts of Lean Six Sigma that started in manufacturing are now making their way into professional services firms, including accounting.

So what is Lean Six Sigma, two concepts that have been applied in manufacturing for years? Reduced to the most fundamental of definitions, “Lean” purposefully eliminates so-called wasteful activities. “Six Sigma” is a business problem-solving model designed to up profit-

ability by improving quality and eliminating variation. Combine these two concepts, and the result is processes that will ultimately lead to efficient, high-quality, consistent results.

Too often, however, we want immediate satisfaction, so we quite naturally focus on short-term tweaks in our processes or technology, quick fixes that will have immediate impact. We often consistently avoid doing deep process analyses and improvements because they don’t provide instant gratification. Doing so would create a cost today that does not have a corresponding payoff until an undefined time down the road. However, process improvement will help create the infrastructure necessary for the firm’s long-term success. And that’s what really counts.

Do Clients Care About Processes?

Clients don’t directly care about our everyday processes. So why invest the time and effort to analyze, improve, and document? The bottom line is that standardizing, documenting, and communicating processes helps eliminate inconsistency and redundancy throughout the firm. Standardizing, documenting, and communicating, then, lead directly to results and that’s

what clients really care about! The fact of the matter is that clients, results, and processes cannot and should not be separated.

Tunnel Vision

We each have “our” work that we perform on a consistent basis, work that has become so routine to each individual that we assume that everyone else in the organization knows what everyone else does and how. Further, we assume that others know how to do one another’s work correctly and consistently. The role of the firm managers and partners is to take a step back and look at the bigger picture, studying entire processes to ensure completeness and efficiency. To get an accurate view, such processes must be documented.

Steps to Process Improvement

The first step in documenting a process is identifying the organized group of related activities that together create value to clients. Once you have identified the process, you should follow the following steps:

- **Document the process as it currently stands today.**
- **Assemble the team that is involved in the process, and tear that process apart. Make sure that you have participation at all levels to ensure that you consider all perspectives. Ask why things are done the way they are today.**
- **Document the new process based on improvements identified in the previous step.**
- **Communicate, train, and roll out the new-and-improved process.**

Potential Results of Process Improvement

There are a number of potential results from process improvement. Some of the more prevalent are listed below:

- Wasted time and money are ferreted out.
- Hidden dollars show themselves.
- Morale and job satisfaction improve.
- Work gets done with more consistency and effectiveness.
- Ramp up time for new hires and/or existing employees transitioning to new roles is reduced.

Where To Start?

Obviously, with hundreds of processes in the firm, no one has the time to document all of them at the same time. However, you can slowly chip away, using a phased approach. The key is to start by focusing on the most critical processes, those that will also provide the biggest payoffs. The three processes that will have the largest impact in most firms are:

- Tax Preparation
- Financial Statement Preparation
- Billing & Collection

My advice is to pick one major process and set your focus keenly on that workflow. Select an internal resource to attain Lean Six Sigma training/certification or bring in another outside expert to help guide you initially. Once one process analysis is successfully completed, you’ll have the confidence and energy to take on more areas of your firm.

Today’s question, then, is this: How do we focus on process improvement when the future is looking more positive, our backs no longer to the wall? The answer: It takes discipline and an eye toward the future. ●

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Jim Boomer is a shareholder and the CIO for Boomer Consulting, Inc. He is the director of the Boomer Technology Circles™ and an expert on managing technology within an accounting firm. He also serves as a strategic planning and technology consultant and firm adviser in the areas of performance and risk management. In addition, Jim is leading a new program, The Producer Circle, in collaboration with CPA2BIZ and the AICPA.

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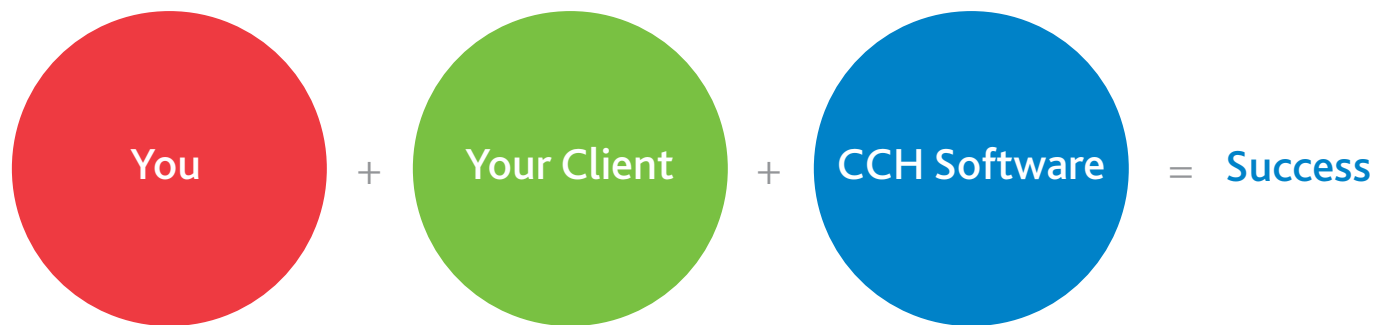
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