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applications, and the overall reasons for firms to consider hosted solutions.

Roman Kepczyk • Aug. 29, 2012

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PARTNER'S GUIDE TO
ACCOUNTING FIRM
OPTIMIZATION

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KEPCZYK

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The “Cloud” and hosted solutions continue to garner interest amongst accounting

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offsite colocation facility. In a hosted solution, the provider not only delivers the application, but they include the entire application support infrastructure which consists of support staff, program updates, security, redundant power and Internet, to optimize the firm or application server environment.

Just about every firm today is already using some hosted applications including online banking/payments and payroll processing, as well as tax and accounting research and forms, which have largely replaced the paper updates and CDs that were prevalent in many firm libraries. Firms are already using or looking at Microsoft's hosted Exchange at \$4/user per month instead of building and maintaining their own Exchange server.

According to a recent Software as a Service Survey conducted by the Association for Accounting Administration (CPAAdmin.org) the two leading hosted applications that have contributed the most to optimizing firm productivity are XpiTax's XCM workflow solution and Thomson's GoFileRoom document management.

In addition CCH is expanding their listing of hosted applications and the Thomson Reuters' Virtual Office offering hosts their entire suite of accounting productivity tools along with QuickBooks and the Microsoft office, so the combination of what applications that firms want to run in a hosted environment are almost endless. Firms are even having their entire network hosted by an independent local network integrator in their own data center and national integrators like Cloud9 Real Tim and Xcentric host the entire network infrastructure and all the firms' custom applications in their facilities.

In general terms, when the cost of a hosted application is less than what the firm is paying to run it themselves, and that application is more secure and better supported, the firm should consider transitioning to the hosted application and below are ten benefits provided by hosted applications for firms to evaluate.

Reduced Costs: Hosted solutions have the ability to bring together enterprise

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significant capital expenditures to build out an infrastructure that has to be large enough to handle the firm's expected growth for the life of the servers. Since the functional window of a server is four or more years, firms project the maximum capacities they could require which often leads to over-buying some components that are not fully utilized or having to add components that were not planned for at a later time.

Scalability: Most hosted providers have "utility pricing" which allows the firm to easily add additional licenses and users when needed such as during busy season, as well as reduce the user count when those licenses are not needed during the summer. This can be very valuable when considering a merger as a large number of new users can be installed into the firm's hosted applications on very short notice to insure a faster integration into the firm's operating environment.

Faster Updates: When application updates are released, they are done for all users simultaneously, compared to having internal IT departments update individual servers and workstations when they have the time available and physical access to machines, which can be a problem for consultants and auditors that are in the field sometimes creating conflicts when application versions are different and those users are trying to collaborate.

Reduced Internal Staffing and Equipment Requirements: Since hosting providers manage the network applications, updates, and maintenance, the firm's technical personnel requirements are significantly reduced for those applications that are externally hosted. This also reduces the firm's requirements for onsite personnel including salary, benefits, and office space. Also, because applications are accessed and run through a browser, the workstations within the firms may not have to be as robust as standalone computers nor updated as frequently as applications maintained internally by the firm.

Increased Mobility: Most hosted applications can be accessed not only on the firm's

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internal IT personnel can cover.

Disaster Recovery: Most hosted providers have multiple data centers where the applications and the firm's data are duplicated for real time redundancy. In the event of any failure, the entire infrastructure can be cutover to the backup system in near real time, which is cost prohibitive for most firms. While many firms talk about disaster recovery, very few actually have invested in a viable solution.

Enterprise Security: Most hosted applications have teams of IT personnel that are constantly monitoring network performance and system trends, including a focus on security and enterprise tools. Very few internal network personnel have expertise in optimizing security properly on an ongoing basis and fewer firms have even had an external security audit performed whereas most hosted solutions are in certified data center and have been through such audits.

Level Field: Smaller firms and individuals can access the same applications and resources as the larger firms which were traditionally cost prohibitive for a smaller number of users to buy the license and manage the application.

By comparing the firm's capabilities in each of these areas against those offered by the hosted solution providers, firms can make a better informed decision as to whether the benefits outweigh the concerns of not having control of those applications.

Roman H. Kepczyk, CPA.CITP is Director of Consulting for Xcentric, LLC. and works exclusively with accounting firms to implement today's leading best practices and technologies. Roman is also author of "Quantum of Paperless: A Partner's Guide to Accounting Firm Optimization" which is [available at Amazon.com](#).

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