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**ACCOUNTING**

# Client Accounting Online: Taking Back Control of Your Clients' Data

Special Feature

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**Column: My Perspective**

I remember the days as a kid when I would go to my dad's accounting practice and spend the day helping him. The process was fairly complex ... and completely manual. Clients would handwrite checks and, at month's end, deliver their check stubs, bank statements, sales receipts, and other manual documents. Data would then be manually posted in a journal or ledger, and eventually a financial statement would be typed out. I clearly remember learning to perform client accounting services the old fashioned way.

Fast-forward a few years. QuickBooks came on the scene and things started changing ... fast. Many small business clients are now using QuickBooks, Peachtree or other leading client accounting applications to do much of the work that used to be done by hand. These products were certainly a great invention for clients, but they did not come without issues. Most firm leaders will agree that the advent of the client accounting movement has also brought its own set of issues. The primary issue: bad data. These new applications allowed control of data entry to change hands. Clients were empowered to enter their own information. And soon enough, the phrase "garbage in, garbage out" was coined.

Now we have clients using accounting packages, and for the most part many do not have the level of accounting knowledge required to operate them effectively. The end result is an expectation for the accountant to clean up the mess each month. It's a vicious cycle. I get tired just thinking about it.

So, what's the solution? To identify the solution, we must first look at the end goal and the core problem.

**The goal:** The client, the bank, and the IRS all want and expect good, accurate data.

**The problem:** This is nearly impossible when each client is operating their own accounting system, living in isolated silos, and eliminating a firm's ability to implement a standard, uniform workflow process.

**The solution:** Share!

Firms need to collaborate with clients to accomplish uniform goals. That means sharing data. Firms must have real-time access to all clients' data in order to monitor issues throughout the month instead of cleaning up one big mess at month's end. To

accomplish this, firms are encouraged (strongly!) to take advantage of the Internet. It's time for the cloud.

## **WHAT IS CLOUD COMPUTING?**

Cloud computing simply means having access to a client's data via the Web. This enables simultaneous access — sharing! There are a few different ways this can be accomplished using one or more technologies, including hosted and SaaS-based software.

Hosted software is really just a desktop solution that is hosted on an off-site server. Servers are housed in world-class, highly secure data centers. Hosted software provides the firm and their clients with immediate access to their applications and data.

SaaS (Software as a Service) is a solution that actually lives on the Internet (a desktop version does not exist), making it extremely convenient and accessible by all authorized parties. An example of the SaaS model is online banking. You perform banking tasks via the Web. Data is synchronized through the system's advanced technology. You do not access a software application of any kind.

## **MORE DETAIL ON HOSTED SOLUTIONS**

Many of you probably have clients that use or have used QuickBooks. One of the challenges of using the desktop version is having real-time access to the same set of data as the client. Another challenge is how the QuickBooks file is exchanged. Another problem, which I'm confident most firms experience, is changes to data made by the client AFTER data files are handed over to the firm. And the list could go on and on.

By using a hosted version of a client accounting solution, whether it is QuickBooks, Peachtree or Thomson's Client Bookkeeping Solution, the firm takes back control of the data. A single copy of the client's data now exists online, meaning that version control is no longer a problem.

## **MORE DETAIL ON SAAS SOLUTIONS**

SaaS solutions are software written to run on a Web browser. A few examples of solutions that fit this category are online banking, QuickBooks Online edition, AccountantsWorld's Accounting Relief, Intacct's Accountants Program, and NetSuite. Each solution is written specifically to run in a web browser, and all client data resides on the solution's servers. Although these solutions have been around for

awhile, they are just starting to gain some real momentum ... especially as accountants get more and more frustrated dealing with “garbage in.”

I want to mention just a word about niche SaaS solutions while we are on the subject. Client accounting would not be complete without the profession’s niche solutions, such as applications that enable you to turn your accounts payable into a digital payment and electronic storage system. There are several exceptional vendors that have emerged to help with the digital accounts payable process, such as Bill.Com, SmartVault and Cabinet NG. The efficiency gain these solutions provide is unprecedented.

### **ESTABLISHING YOUR CLIENT ACCOUNTING ONLINE STRATEGY**

Now that you understand the terminology, you need to decide which solution or solutions make sense for your practice. The best strategy is to first define your goals: What do you want to accomplish in your firm? Next, perform exhaustive research to identify the right solutions to accomplish your goals. And finally, implement your new solution and properly communicate the process to staff and your clients.

Additionally, I don’t believe most firms will be effective with just one solution. Most often, to cover differences in your client base, you should consider supporting two or three solutions. Remember, one size does not always fit all.

The overriding strategy is to have access and support clients in real-time. For example, firms may want to implement SaaS solutions for low-end needs and a hosted solution for mid-range needs.

While the core strategy is to encourage clients to collaborate with their accountant using live data, firms should also be looking at niche solutions that allow clients online access to their static documents. Many of us have been working on making our firms paperless; it is now time to work on helping our clients accomplish a paperless environment, as well. It’s time to stop exchanging paper.

### **ACCESS**

The Internet provides clients access to their data anytime and from anywhere on a 24/7 basis. Just imagine when it comes time for tax planning and having real-time access to live client data. Also consider when it’s time to prepare annual clients’ corporate or partnership tax returns. Having access to their data immediately will offer tremendous time savings at year-end. And who couldn’t use that?

## **SECURITY**

Security should be considered a core element of your online strategy. Many of our clients are not backing up their data. That's just a fact. Others are not securing their data, even if they are backing it up. With security as a main concern, it's important to research vendors with a Type II SAS 70 certified facility.

What does this mean to firms? A quick SAS 70 lesson: SAS 70 (Statement on Auditing Standards Number 70) is an internationally recognized standard developed by the AICPA. SAS 70 was designed to provide a highly specialized audit of an organization's internal controls to ensure the proper handling of client data. A SAS 70 facility ensures maximum data security.

## **LEADERSHIP**

Many years ago, the accountant maintained the GL for clients; the process was completely manual and not very efficient. However, the accountant was the true keeper of the information. With the advent of entry-level accounting solutions, data control was passed on to the client, which brought about a whole new set of headaches for firms.

Taking back control of a client's data is the answer. With all the advanced solutions available, it's possible. This section is titled "Leadership" for a reason. As a client's trusted advisor, the accountant should be leading the process and guiding clients in the right financial direction. In the end, everyone comes out a winner, including the accountant, firm staff and, most importantly, the clients.

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