

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

**ACCOUNTING**

# Caution In The Cloud: 5 Concerns To Consider

Dave McClure • Aug. 22, 2011



Over the past several months, I've had the chance to assess the issue of computing "in the cloud," both in terms of the benefits and the drawbacks.

So far, the benefits outweigh the drawbacks. But this is a very fluid situation that will require some strong due diligence and more than a little caution.

Cloud computing is the idea that we can “rent” space on servers that exists in someone else’s server farm as we need it. Though vaguely similar to the old client/server model of computing that ruled until the advent of the personal computer, the Cloud model of computing allows you to keep both power and storage on your office PCs and servers, but to use the inherent advantages of shared resources to keep your IT costs under control.

In today’s economy, that’s a big positive.

Today, there are four major Cloud applications that have emerged as truly useful in the accounting world. The first and most obvious of these is Software as a Service (SaaS), in which core accounting applications are not stored on your local machine but accessed over the web. Less obvious is the area of Business Processes as a Service (BPaaS), which enables companies to offload some business processes like payroll and billing to a Cloud service — while at the same time converting some variable process costs to fixed monthly costs. A third application is Infrastructure as a Service (IaaS). While this may have less direct bearing on accounting firms, it is useful to keep in mind for times when additional computing power — say, during tax time — might be useful.

Finally, there is the use of the Cloud to do automatic backups to secure and redundant storage facilities. This has been a major game-changer for many accounting firms, enabling them to finally find a disaster recovery solution that is painless and makes economic sense.

For all of this, there are major concerns about the use of Cloud services by accounting firms, and they are worth noting as you begin to craft your own firm’s strategy for their use. Here are the five top concerns:

1. **Data Security.** One problem with the Cloud is that your data can be almost anywhere – including on servers in another country. If that country chooses to nationalize the companies that run those servers — or simply decides to seize access to them — your data and that of your clients may be compromised or gone.
2. **Inadvertent Seizure.** In recent months, the U.S. Department of Homeland Security has also taken on the task of enforcing trademark and copyright violations by seizing servers they suspect may be involved. In most such cases, they simply seize all the data within that server farm’s domain. So if your data resides on a server also used by someone breaking the law, expect your data to be tied up as evidence until they are done with it. This could take months or even years.

3. **Data Caps.** At the same time we are ramping up Cloud services for applications, business processes, computing power and backups, your local Internet Service Provider (ISP) is busy putting usage limits — called ‘data caps’ — on your account. This means that if you are allotted 250GB of downloads on your business account, you could easily exceed that number just doing nightly backups. The costs ramp up quickly, and if you exceed your allocated usage limit consistently, you may find your access curtailed or even cut off.
4. **Denial of Service and hacker attacks.** In spite of every effort taken, major companies are targets of hackers, botnets and other malware. Google and Amazon have been through it. And while I don’t want to point fingers, they are far from alone. If your Cloud service provider is targeted, your business could be sitting and waiting until the attack subsides, even if your data remains secure.
5. **Other service interruptions.** What happens if the tornado strikes the data center? Or a major flood or fire? Or strikes your ISP’s network between you and the data center? Does the Cloud provider have a redundant site in another location?

None of these are sufficient to keep accounting firms from using Cloud services. But in our rush to make optimal use of the cloud, they are red flags that should not be easily set aside. Accounting firms, which are the protectors of their clients’ most valuable data, need to proceed cautiously so as not to put that data at risk.

## Reality Check

*A compendium of ideas, products, rants and raves from the viewpoint of the author. Not 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 [dave.mcclure@cpapracticeadvisor.com](mailto:dave.mcclure@cpapracticeadvisor.com).*

**Internet Site of the Month: Wikipedia on Cloud Computing.**

([http://en.wikipedia.org/wiki/Cloud\\_computing](http://en.wikipedia.org/wiki/Cloud_computing)). Looking for a good basic primer on Cloud computing, its application and benefits? This is an excellent overview in understandable language.

– **Low-Cost Projectors.** Portable, low-cost projectors are changing the way that accounting firms make new client pitches and present findings to management teams. Once forced to resort to paper documents — or computer screens that could barely be seen — these presentations can now be taken from the PC to the big screen with minimal cost and effort.

– **Hollywood & Netflix.** Accounting Road Warriors need the ability to watch streaming content, whether it is a CPE course or a movie at the end of the day. Particularly with hotels increasingly limiting or over-pricing their in-room selections. That’s why it is disconcerting to see major Hollywood studios trying to drive Netflix out of business by keeping them from getting access to the best in film fare. Since they have no offerings of their own to compete with Netflix, consumers who use that service will be left in the lurch.

– **Notification of Data Breaches.** If you’ve watched the news lately, you’ve been inundated with stories of one data breach after another. Credit card information stolen. Secrets hacked. Customer data stolen. And while the number of such hacking incidents is rising, it is not rising as quickly as you might think. The real reason for the increase in news stories? Companies are being required to report the data breaches publicly if they want the insurance companies to cover their losses. A scary increase in reporting, but necessary in the long run.

– **Internet Usage Tools.** As ISPs moved to tiered data usage, one stumbling block has been the inability of users to easily monitor how much of their allotted data they have used. ISPs — particularly the major national ones — have released new and improved tools to keep track of your usage (and avoid high penalty fees). It’s a shame that they are needed ... but useful.

– **The Social Media Wars.** Google+ and Facebook are going to war over the users of their respective social media sites. But the objective is not to win the hearts of consumers or even out-do one another in terms of the services they provide. These two companies — with Yahoo and Microsoft on the sidelines — are going to war over who can collect and sell our personal data to advertisers. The winner will make millions. The loser will as well. Only consumers will be left with less than they have today.

=== ++ ===

Accounting • Backup & Security • Disaster Recovery • Practice Management •  
Product & Service Guide • SaaS Accounting • Article • cloud computing • SaaS •  
Software-as-a-Service (SaaS)

CPAPA is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

