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### Cloud Hosted Services: Positive ROI for Accounting Firms

In order to be competitive, small to mid-size accounting firms need to offer the most advanced technology to their clients, but that can entail significant up-front investment in equipment, software and applications.

One route, which an increasing number of businesses are taking, involves moving to a cloud-hosted service model. The advantages are many, including lower costs for new applications and being able to scale incrementally as your business grows.

Working “in the cloud” also offers peace of mind, since your data is no longer at the mercy of a physical plant with its attendant risks of downtime, be they electrical failures, catastrophic weather or other circumstances beyond your control.

In the traditional IT model, an accounting firm would make a sizable investment in hardware to support data operations, then be faced with expensive upgrades as hardware inevitably becomes obsolete. Similarly, the firm would have expenditures in advanced software required to serve their client’s complex financial needs. By moving to a cloud hosted operation an accounting firm realizes savings in both hardware and software costs.

The cloud hosting provider is bearing the upfront investment costs in server hardware and software and in server licensing. Cloud customers can pay a per monthly fee, for example, which comes at a decidedly lower cost than buying

equipment outright. Cloud hosting also offers economies in paying for internet

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**Working in the cloud offers other advantages:** an accounting firm can share the QuickBooks data with their clients, anywhere in the world, and, because they're spending substantially less on equipment and technical support than they would under the traditional IT model, accountancies can pass those savings on to clients. These benefits of lower costs and greater flexibility within a apply as well to other key software programs such as Peachtree (Sage 50), Lacerte and Mas 90.

While transitioning to a hosted cloud environment makes sense from a cost perspective, it's just as compelling for accounting firms when the subject is data protection and data security. Your clients have entrusted you with their sensitive financial data, so issues of security and privacy are paramount. If you are also managing a client's day-to-day business operations – besides audit, advisory and consulting services – security and privacy are even more critical.

The good news: data residing in the cloud can be more secure than data housed in typical enterprise IT silos. Cloud hosted software provides accountancies with the security of knowing their data is protected 24 x 7 and that in the event of a data loss – or system failure – data can be restored and services resumed expeditiously.

The owner of one accounting firm decided it was time to move operations to the cloud when he realized that a tornado or hurricane could literally stop his business in its tracks. With his business-critical operations hosted in the cloud, all he would need to get back in business quickly is a laptop.

To many, the cloud does seem ephemeral (even, well, cloud-like). After all, if I can't see the servers, or walk into a data center jam-packed with hardware, how secure could my data possibly be? Actually, it's probably more secure than it has ever been. Indeed, today's high-end security and backup systems ensure that data in the cloud is both secure and restorable.

That said, it's still **important to be an informed buyer**. When considering a cloud

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**Another question to ask:** does the hosting provider place your servers in isolated Virtual Local Area Networks (VLANs) – situated beyond a firewall – to prevent any cross-traffic security breach between your servers and other customers' servers? In the case of accounting services – where so much confidential data is involved — isolated VLANs should be a mandatory part of your security system.

Even with the most sophisticated IDPS in place, data loss can occur. Two backup methods are popular in the cloud: “crash-consistent” backup and “application-consistent” backup. The latter is preferable since it flushes the database and file system transactions prior to taking a point-in-time snapshot. That means the file systems will be clean and without corruption, the databases will be consistent, and restoration can be quick.

Curious about whether your cloud provider offers the optimum security and backup? Ask if the company has completed a Standards for Attestation Engagements (SSAE) No. 16 Type II audit. The SSAE audit confirms the provider's level of service and reliability and includes background checks on technical employees.

It's also wise to inquire about the level of training and technical support to which your provider has committed as part of its service.

For middle market accounting firms, transitioning to the cloud offers a means of being more competitive by offering high quality services at low cost, but backed up by the most reliable security system on the market. Done properly, transitioning to the cloud increases the ROI for both you and your clients.

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