CPA
Practice Advisor

an accounting practice. Potential candidates are usually vetted based on partner and practice compatibility, desired location for expansion, niche specialization ...

Roman Kepczyk • Aug. 22, 2019

Merging or acquiring another firm is one of the most effective methods of growing an accounting practice. Potential candidates are usually vetted based on partner and practice compatibility, desired location for expansion, niche specialization and/or to address retirement and succession issues. With confidential discussions underway, the negotiators most often focus on the practice areas that they are most comfortable talking about (Tax, Assurance, Practice Management), leaving Information Technology considerations to be handled "at a later time." Unfortunately, this has sometimes resulted in disastrous consequences when firms are suddenly surprised with IT costs and production incompatibilities lurking just below the surface. Before inking the deal, firms should include an assessment of IT compatibility as part of

accounting products outside of the firm standard and agree to a single tax production and audit production approach.

Data Integration/Conversion: Firms should inquire about the process to integrate the acquired practices firm/client data into the combined entities selected applications for practice management, tax, and other programs. In the case of practice management, this may have to be done specifically by the application vendor which can be difficult to schedule at yearend when many other firms are also competing for conversion slots. Firms should also inquire if there is a "consulting" fee required to convert the data in the case of a merger which should be factored into the equation.

Licensing: Firms should verify licensing and versions for all applications, as well as long term commitments. This would include all applications and inquiring about the cost of "office vs. firm" licenses which can impact tax production (where each location has a unique preparation address) and inquire whether there is a fee to move to or from an on-premise application and a cloud-based application. Also, regarding licensing, traditionally firms would buy a version of Microsoft Office, Windows, and Adobe Acrobat with a computer and then skip subsequent versions, only upgrading when mandated. Microsoft and Adobe have repackaged their offerings, so it only makes financial sense to go to their subscription model and buy their full Office and Document Cloud offerings or risk losing features and access to support.

Discontinued Applications/Technology
In addition to ongoing lease, IT support and Internet connectivity contracts, firms should specifically document the terms and expiration dates for any applications or equipment that will not be utilized by the combined entity, as long term commitments including duplicators, document management, workflow, CRM and

other licensing agreements are difficult to get out of and may include early

physical size of the server room and necessary air conditioning to keep that room cool. While more and more firms are moving their applications and servers to third party vendors and clouds which handle these components, there is still a percentage of firms that want to control all of their equipment and data and find that their disaster recovery costs make their traditional infrastructure untenantable.

Internet Connectivity
When evaluating a merger and a location for the combined data and applications to be centralized, it is important that this location has reliable and redundant Internet connectivity for the remote users and locations to be able to work effectively. If the primary location does not have adequate Internet connectivity, firms should combine their infrastructures into a colocation or private cloud facility having the required connectivity.

Remote Access
One of the hallmarks of successful mergers is working as "one firm," which includes all applications working as effectively from a remote, client or home office as in the headquarters. This means having an optimized remote access solution either in a vendor cloud or private cloud designed for this purpose. Firms have found that individual remote access solutions do not scale well for multiple users and create significant frustration in mobile users and in most cases the firms do not have adequate resources to implement robust remote access technologies (Citrix and Microsoft RAS).

Communication/Collaboration

Communication with remote users is also a critical component that firms must prioritize from the beginning of the merger. This should not only include integration of phone and email systems but also the use of collaborative tools such as Zoom, Slack, Microsoft Teams and Yammer. These tools work optimally with a video camera, microphone and speakers which do not come standard with desktop

and mandatory Solid State Drives, it may be more cost-effective to schedule those workstations for replacement with the first year machines. They number and size of monitors should also be documented as the screen real-estate for triple 17" monitors (antiquated) would not be adequate compared to dual oversize (28" or larger) which would be able to effectively display four or more applications in full size.

Having a person knowledgeable on information technology requirements involved early on in the merger process will help minimize the number of financial and production surprises that can occur. Focusing on standards and good communications will help make the merger a success.

===========

Roman H. Kepczyk is the Director of Firm Technology Strategy for Right Networks and consults exclusively with accounting firms throughout North America to implement today's digital best practices and technologies. In addition to being a CPA.CITP, CGMA, he is a Lean Six Sigma Black Belt and incorporates Lean Six Sigma methodologies to help firm's optimize their production workflows.

Firm Management • Technology