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Practice Advisor, (ISSN #2160-8725 (print), ISSN #2160-8733 (digital); USPS #017-576) is published eight times a year (April/May, June, July, August, September, October, November and December) by Cygnus Business Media, Inc., incorporating two editions known as CPA Practice Advisor and NSA Practice Advisor, 1233 Janesville Avenue, Fort Atkinson, Wisconsin 53538. Periodicals postage paid at Fort Atkinson, WI 53538 and at additional mailing offices. Printed in the U.S.A.

Send all subscription inquiries or change of address to:

Practice Advisor,

PO Box 3258, Northbrook, IL 60065-3258.

Phone: (877) 382-9187 (toll free); 847-559-7598 (local)

Fax: (847) 564-9453

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Subscription Rates: The basic annual rate is \$3, based on qualifying associations of 10,000 or more public accountants that may also subscribe for all their public accountant members (certain restrictive covenants apply) for a basic subscription rate of \$9 per member for a three-year subscription.

One year subscription for all others: USA - \$48; CAN \$70 GST; INT'L \$99 GST

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POSTMASTER, please send address changes to:

Practice Advisor, P.O. Box 3258, Northbrook, IL 60065-3258.

Canadian address changes to:

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By M. Darren Root, CPA, CITP, Executive Editor

MY PERSPECTIVE

# Five Core Principles to Work By...

**A**s many of you know, I co-authored a book a few years ago with acclaimed author Michael Gerber titled *The E-Myth Accountant - Why Most Accounting Practices Don't Work and What to Do About It*. This proved to be a great experience for me.

First and foremost, just the opportunity to get to know and work with someone whose work I had admired for so long was an honor. After all, it was Michael's original *E-Myth* book that inspired me to change my accounting practice so many years ago, and it continues to inspire me today.

Michael has done some really good work helping small business owners realize greater potential from their businesses—and accounting firms are no different. I was recently reviewing some of the material from the *E-Myth Accountant* for a presentation I'm giving in the coming weeks. I feel like I had my own little refresher course, and I believe the concepts that I reviewed are worth mentioning to all of you as well.

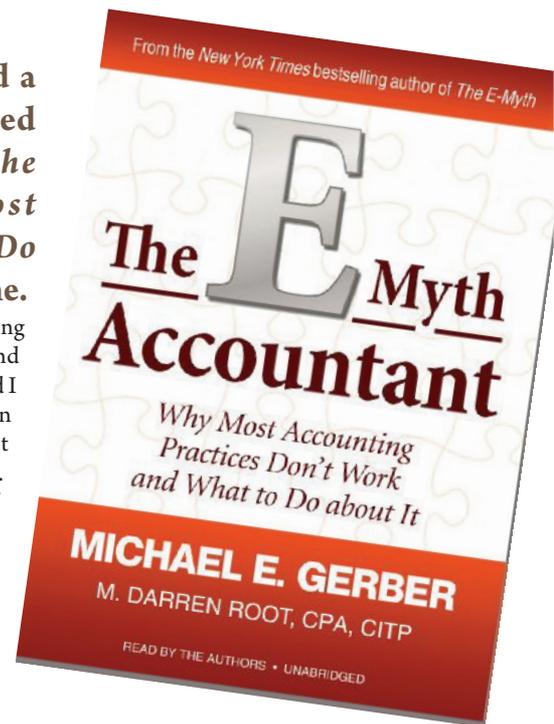
There are five core principles of the *E-Myth*, and they go like this:

- **LIFE** — Your business should be a way to get more of what you want out of life... “a vehicle through which you gain personal and financial freedom.”
- **LEADERSHIP** — In order to lead your business into the future, you must have a clear and compelling vision that inspires you and your staff.
- **WORKING “ON” IT, NOT “IN” IT** — Working “on” your business means building it as a franchise prototype, even if you never plan on franchising.
- **SYSTEMIZATION** — If you want to create a business that provides you with a high-equity return, you need to create a proprietary system.
- **BUSINESS DEVELOPMENT** — This is the secret to realizing your vision... the methodology behind working on your business, and not just in it. It's a continuous cycle of innovation, quantification and orchestration.

I speak with so many accounting firm practitioners, partners and owners throughout the year and I often hear a lot of frustration because they tell me that their business is overwhelming. This always leads me to think of Gerber's #1 principle—Life. I try and explain that the business is a vehicle, a tool, through which we gain personal and financial freedom. If it's overwhelming, then you are doing something wrong and it's time to reevaluate your entire operation.

So I ask you: Do you see your business as a vehicle through which you are gaining personal and financial freedom? If the answer is “No” or “I don't know,” it's time for change. With this in mind, I want to share an exercise that I put myself through periodically, which is to stand back from the daily operations of my firm and really look at what is going on.

Then, I ask myself: Am I really in control of my business or is it controlling me? From there I revisit my firm's vision to ensure I've not gotten off track. Firm leaders need to go through this same exercise. If the business is in control, then you are most certainly not meeting the core principle of Life. Keep in mind that just because something has always been done a certain way, doesn't mean it's the right way... especially if it's barring you from gaining personal and financial freedom! ●



Darren is the Executive Editor of CPA Practice Advisor. He remains in public practice as the principal of Root & Associates, LLC, in Bloomington, Indiana, and is president of his consulting practice, RootWorks. He formerly served on the Board of the AICPA's CITP Credentials Committee and is a former member of the Board of Directors for the Indiana CPA Society. He speaks at dozens of professional organizations each year and frequently serves as a guest lecturer at Indiana University's Kelley School of Business.

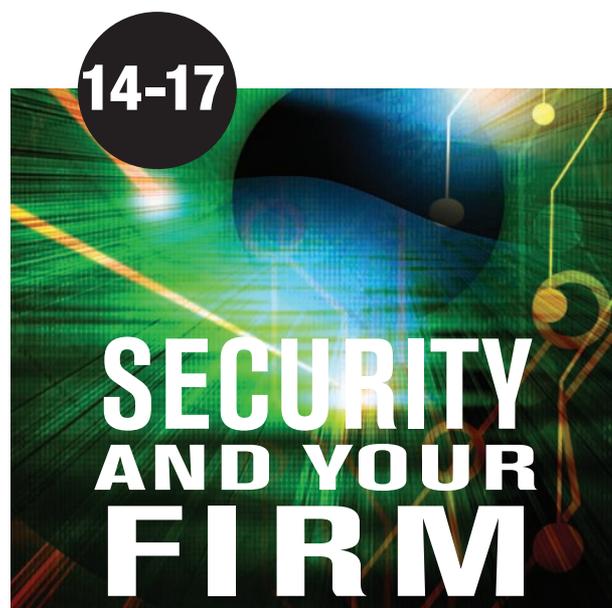
# CPA Practice Advisor

VOLUME 23, NUMBER 8 Today's Technology for Tomorrow's Firm



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Cover Image: Staff of Knutson CPAs.



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From the New York Times bestselling author of *The E-Myth*

## The E-Myth Accountant

*Why Most Accounting Practices Don't Work and What to Do about It*

**MICHAEL E. GERBER**  
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# Taking Your Firm and Clients to the Cloud

**C**loud server based hosting of applications which have historically run on desktop or laptop Windows computers is a hot trend with accounting professionals. *CPA Practice Advisor* recently completed the 2013 Reader Survey, which will be featured in a future issue, and reveals that just under 10% of survey participants have their network hosted completely in the cloud (either hosted by a primary vendor or a specialized hosting company).

Although accountants have been experimenting with the cloud for some time, the pace of change has accelerated in recent years. The primary responsibility for maintaining a secure operating environment lies with the service provider, but tax and accounting professionals are still ultimately responsible for all data given to them by clients.

Accountants are not very tolerant of problems in the cloud, whether they are unwittingly self-created due to a lack of IT knowledge, or due to service provider failures. We believe that stability and support are at least as important to prospects as the breadth of products which the company is willing to host for customers.

We reviewed seven hosting providers for our 2013 review. These are:

- **Cloud9 Real Time**
- **Cloudvara**
- **InsynQ**
- **Qutera**
- **Right Networks**
- **Swizznet**
- **Xcentric**

Some of the major attributes we looked for included:

- **Quality, Reliability, and Redundancy of Hosting Facilities** - We looked for features such as colocation in a Tier 2 or higher public data center, backup data centers (and an assertion about whether the backup location is a cold site, a warm site, or a hot site).
- **Types of Hosting Offered**, as well as membership in software publisher

certifications/programs for those commercially hosting their applications. The three types of hosting typically offered include:

- **Hosting of a single application**
- **Hosting of dedicated virtual server**
- **Other types of hosting**
- **Software Applications Supported**
- **Client Accounting Products** such as QuickBooks Pro, Premier, and Enterprise, Sage 50 US, Sage 50 Canada, and Sage 100 ERP.
- **Support for Add-on Applications** Users should also confirm that any third party applications they use are also supported in the hosting environment. Examples of such applications include ODBC drivers, importing tools, as well as any other applications which automatically access and write data to the accounting software database.
- **Professional Tax and Accounting Tools** like the Thomson Reuters CS/ES Suites, the ProSystem fx and Access suites from Wolters Kluwer/CCH, as well as products from other professional tax and accounting publishers such as Drake and Intuit.
- **Security and Regulatory Compliance** requirements were also considered. Key features to look for from a hosting provider include:
- **US-Based Servers** (commonly required of tax preparers by regulations under IRC §7216) - (Although *CPA Practice Advisor* is not widely distributed in Canada, it is important to note that Canadian accounting professionals (including Chartered Accountants, Certified Management Accountants, Certified General Accountants, and Certified Professional Accountants) have regulatory requirements which make it preferable to host data for Canadian citizens and companies in Canada. Two providers, Cloud9 Real Time and InsynQ, offer services with separate, Canadian-based data centers for use by accounting professionals in Canada.)
- **HIPAA and PCI compliance**, which are required of those handling

healthcare patient data and those accepting credit cards. While not all organizations need HIPAA/PCI compliant systems, the requirements of these certifications place a greater emphasis on securing data, which is desirable by all users. (It is important to note that some accounting applications include a provision in their end user license agreements which put users on notice that they are neither "HIPAA-ready" nor "HIPAA-compliant". Such applications commonly require users to agree that the end user is solely responsible for compliance with all applicable state and federal privacy laws related to medical or health information.)

- **Third Party Security Reviews** in the recent past, including SOC 1 Type II and SOC 2 Type II evaluations (commonly referred to as SSAE 16 engagements). (While we would prefer a SOC 2, Type II examination (which uses Trust Services Criteria), some providers provided a SOC 1, Type II examinations (which focus primarily on Internal Control over Financial Reporting [ICFR]). A short article on SOC reports which provides some explanation of the two reports is at <http://bit.ly/soc-1-2-3>.)
- **Support and Self-Service Assistance**
- **Service Hours** and availability of off-hours emergency support
- **Service Delivery Options**, including web, chat, and telephone support.
- **Location of Call Centers** providing technical support (e.g. onshore or offshore).
- **Automation of End User Administration** and setup and provisioning of new customers without the manual intervention of technical support personnel.

A common misconception is that users should not worry about backing up their data because the hosting provider creates a backup of their data for them. While many hosting providers profess excellent backup procedures, we

have no way of testing the accuracy of their statements or the ability of the provider to retrieve data from backups. We believe that users should, wherever possible, make their own local (on end user's premises) backups of any data stored in the cloud, including data stored by hosting providers. Local backups under the control of the end user protect against unexpected catastrophic loss of data due to unforeseen circumstances such as hosting provider bankruptcy.

It is important to remember that third party hosting providers are not the only solution for hosting a suite of business applications. Some software publishers such as Thomson Reuters and Drake offer cloud-hosted versions of their traditional application suites, and others, including Intuit and Thomson Reuters, offer versions of traditional accounting firm applications which run in a web browser. These suites are run from in-house data centers operated by each company, and represent a software as a service alternative to the traditional, on-premises applications. Larger firms with an in-house IT department may find it more economical to run their own hosting platform to deliver applications to employees across the country. ●



**Brian F. Tankersley, CPA, CITP, CGMA Technology Editor**

*Brian is the Technology Editor for CPA*

*Practice Advisor, and is a frequent speaker at national continuing education courses on auditing and technology, as well as a consultant, coach and instructor for K2 Enterprises. He can be reached at [brian@k2e.com](mailto:brian@k2e.com).*

## Xcentric

### BEST FIRM FIT

Professional tax & accounting firms who wish to outsource their IT infrastructure and desktop hosting functions to a specialized national provider which serves tax and accounting professionals exclusively.

### STRENGTHS

- Xcentric has experience hosting and supporting all of the major CPA firm application suites used by mid-sized CPA firms, including Thomson Reuters, Intuit, and CCH, a Wolters Kluwer business.

- The Xcentric Cloud service uses the Citrix hosting technology, which works well with a wide range of hardware devices, including scanners, printers, and mobile devices. This approach allows them to replace the centralized IT server infrastructure in a firm and host the applications from their highly redundant public hosting facility.
- Xcentric's website has a resources page with a number of white papers and templates for accounting firms considering a move to a hosting provider.
- Company personnel answer the sup-

port line 24 hours a day, 365 days a year, and emergency support for mission-critical applications is provided outside of the company's standard business hours (weekdays, 8A-6P ET).

### POTENTIAL LIMITATIONS

- The company's primary data center in the Southeastern US, and while this may be attractive to firms in the Southeast, it may represent a drawback to firms in the Northwest. Xcentric does not offer a hosting product which they will certify as HIPAA compliant at this time.

- Xcentric is focused on using its U.S.-based personnel to provide the server provisioning, maintenance, and hosting for professional accounting firms. The company does not offer retail hosting of single applications such as QuickBooks.

### SUMMARY & PRICING

Since Xcentric is focused on custom hosting exclusively, the company prices its Xcentric Cloud services on an individualized basis.

878-297-0066  
[www.xcentric.com](http://www.xcentric.com)

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[www.CPAPracticeAdvisor.com/10988959](http://www.CPAPracticeAdvisor.com/10988959)

## Cloudvara

### BEST FIT

Organizations who need to host a small number of non-standard applications in a high availability environment for access in multiple locations. Also, small to mid-sized firms (1-50 users) and small businesses who wish to host all of their applications on a cloud server. The company considers itself a "boutique" hosting firm that understands clients' needs.

### STRENGTHS

Technical support is available 24 hours

per day, 365 days a year from personnel in the US and New Delhi, India.

- Cloudvara is a relatively small hosting company, and focuses on providing customized solutions and personalized service to its customers. The company's website indicates that they will host "any application which may be required to support a customer's operations".
- Servers are hosted in a major provider's central US data center designed for high availability (Tier IV). The hosting product utilizes standard

technologies like Windows Server 2008 R2, Microsoft HyperV, and Citrix Xen.

- At approximately \$37 per month (plus the cost of licensing), the company's single application hosting is affordable for those who want to host a small number of applications.

### POTENTIAL LIMITATIONS

- Cloudvara is not a member of the Authorized Commercial Hosting Program for QuickBooks.

### SUMMARY & PRICING

Cloudvara offers a number of hosting plans, beginning with a Starter plan (1 user, 1 application, 3 GB storage) for \$37 per month, and go up to a Corporate plan (10 users, 4 applications, 30 GB storage) for \$349 per month. Additional applications can be added to all accounts except the Starter account for \$10 per month per application, and extra users can be added for between \$34 and \$37 depending on the plan selected.

855-601-2821  
[www.Cloudvara.com](http://www.Cloudvara.com)

Read the full review and see expanded ratings for this product online at:  
[www.CPAPracticeAdvisor.com/10988957](http://www.CPAPracticeAdvisor.com/10988957)

## Qutera

### BEST FIT

Organizations looking for basic QuickBooks or multi-user Sage 50 hosting at an attractive price, or those who need hosted virtual servers. Also, firms with an IT department who need expertise in some, but not all, areas of hosting data online and would like an outside technical resource to serve as a backup to the in-house IT department.

### STRENGTHS

- At \$29.95 per user, per month (including QuickBooks Pro), Qutera's base offering is the least expensive commercial QuickBooks host reviewed here. Qutera also offers Microsoft Office 365 to customers for hosted Exchange and hosted SharePoint services.
- Qutera offers a wide range of dedicated virtual server cloud hosting

options to firms with an IT department who would like the personalized service not available with cloud giants like Rackspace and Amazon.

- The company offers the free Open Office productivity suite for those who need a simple, inexpensive tool for editing documents, spreadsheets, and presentations, and also refers customers to Microsoft Office 365 for Exchange and SharePoint hosting needs.
- The company is smaller than some of the large hosting providers such as Cloud 9 Real Time, Right Networks, Xcentric, and InsynQ, and is designed to offer a range of higher level hosting services to firms with a front line IT professional. The organization also provides low cost hosting, with hosted QuickBooks Pro at \$29.95/month including a rented product license.

### POTENTIAL LIMITATIONS

- Qutera has a single data center (in the SouthEast USA, more than 150 miles inland) with significant redundancy within the Tier 2+ facility, but a catastrophic failure in their facility could destroy both the originals and backups of all data and applications.
- The company's data centers are based in the Southeastern US, and while this may be attractive to firms in the Southeast, it may represent a drawback to firms in the Northwest.
- The organization does not provide off-site backups for hosted data, although customer directed backup options are available using technologies like WebDAV or backup of applications installed on a dedicated virtual server.

### SUMMARY & PRICING

Qutera is the low price leader in QuickBooks hosting, and offers hosting of QuickBooks Pro, along with a rented license and all Intuit fees for \$29.95 per user, per month. The company will also host QuickBooks Premier and QuickBooks Enterprise Solutions for the same price if the user provides their own licenses to these products. Sage 50 US Edition hosting is priced starting at \$175 per month for a dedicated virtual server configured to host five named users in Sage 50. Custom server hosting is available, with prices based on the amount of computing resources ordered by the client. More information on virtual server pricing is available on the company's website.

800-969-9524  
[www.qutera.com](http://www.qutera.com)

Read the full review and see expanded ratings for this product online at:  
[www.CPAPracticeAdvisor.com/10988953](http://www.CPAPracticeAdvisor.com/10988953)

# HOSTING PROVIDERS

## Cloud9 Real Time

### BEST FIT

Cloud9 hosts numerous applications and custom virtual servers for a wide range of industries, including accounting firms, law firms, and general small businesses. The company reports that 65% of their users work with professional tax and accounting firms. Also, as one of two providers in this review which offer hosting of Canadian tax and accounting applications, firms with operations in both the US and Canada may be particularly interested in this company's offerings.

### STRENGTHS

- Offer custom server hosting of a wide

range of applications (currently reported as over 400 programs) and databases used by accounting professionals, law firms, non-profit organizations, and other businesses.

- A standardized app hosting package is also available, with a more limited offering that includes QuickBooks, Sage 50, Microsoft Word and Excel 2010, as well as SpringAhead, Bill.com, and SmartVault.
- Cloud9's President/CEO is a former accountant with years of experience operating his own practice, and the company hosts an impressive listing of applications for accounting professionals.

- The company provides hosting to firms and their clients, with the income from client QuickBooks hosting offsetting the firm's total IT expenditures.
- New user setup is not automated, and may require intervention of tech support personnel during normal business hours (6A-6P weekdays, excluding holidays).

### POTENTIAL LIMITATIONS

- Data centers are located in the Southwestern U.S.

### SUMMARY & PRICING

Standardized offerings for QuickBooks

and Sage 50 hosting are priced at \$39.99 per month per user (Basic) and \$49.99 per month per user (Plus), and do not include Intuit hosting fees of \$5 per user per month. Users who prepay for these standardized hosting services receive a year of service for the price of ten months of hosting (e.g. \$399 and \$499 for Basic and Plus hosting, respectively.)

Since Cloud9's virtual servers are configured to meet individual needs, the company prices these services on an individualized basis.

888-869-0076

[www.Cloud9RealTime.com](http://www.Cloud9RealTime.com)

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FIRST-HAND

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## Taking His Firm & Clients to the Cloud

When he became a partner in the Ocala, Florida accounting firm Crippen, Trice, Ford and Torres, LLP ([www.ocalacpa.com](http://www.ocalacpa.com)), Mike Torres, CPA, went on a mission to help make the practice more productive and to increase clients.

Like most small businesses, most of the firm's clients are QuickBooks users, but serving them often required moving their data files and accountant copies via flash drive or other method, as well as other inefficient processes. So, his first goal was to find a more effective way to manage these clients and their books.

The solution he found has helped transform much more than his client accounting needs, but almost everything in how the firm works, from internal processes to various client services. He turned to Cloud9 Real Time, a company that allows accounting firms to run virtually all of their software programs online, including write-up, tax preparation, practice management and even Microsoft programs.

Mike's first step, he said, was getting everyone in the firm get used to running their programs via the Cloud9 Real Time servers. Aside from the initial log-in that starts on the firm's website, every other aspect of their programs are the same, so there's no relearning of these critical programs. It also allows the staff to have anytime, anywhere access to any of the programs they need access to, including Thomson Reuters' CS Suite, Ultra Tax plus their hosted Microsoft Exchange services with Cloud9. They even set up their entire server in the cloud.

After getting the firm of about 30 staff using the system, they started moving clients to the cloud, giving them access to QuickBooks via the same convenient, hosted method that then lets the client have access to their own company files from wherever they are. Clients simply login to their QuickBooks via the accounting firm's website. Mike said he also appreciates that the system allows firm staff to have direct access to real-time client data anytime they need to.

Another big advantage is that all of the data, whether client QuickBooks files or company data, is always backed up on servers with the highest

security ratings.

"Having the ability to monitor information in real time, to be able to see their financials more than once a month or quarter, has really been a great benefit," Mike said. "We are now able to give much more proactive advice and suggestions to clients, and to help them make changes where needed."

In the three years since starting with Cloud9 Real Time, the firm has moved nearly 50 of its clients to the hosted services and it has helped them move into providing a greater range of services, including virtual CFO, day-to-day back-office functions, full payroll and payables management. It has also become a key focus of new business development, helping them bring in and manage more new clients each month than they did before, and without increasing staff.

"Hosting our files and our client's QuickBooks files through Cloud9 Real Time has helped us eliminate nearly all of the tedious, after-the-fact work and focus more on helping our business clients be more successful."

READ THE 2013 REVIEW OF  
CLOUD9 REAL TIME

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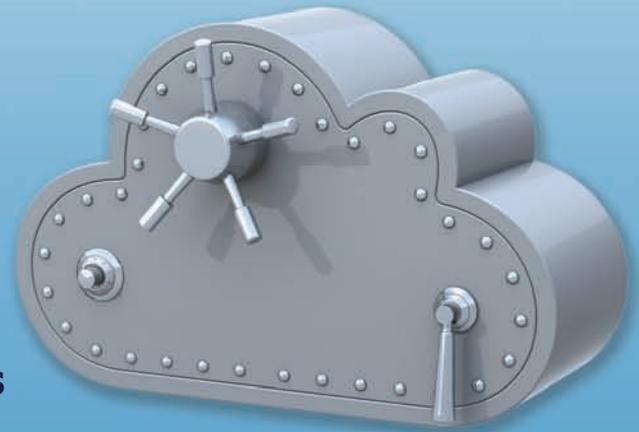


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– Doug Sleeter, Founder, The Sleeter Group, Inc.



888.869.0076 [www.Cloud9RealTime.com](http://www.Cloud9RealTime.com)

# HOSTING PROVIDERS

## Swizznet

### BEST FIRM FIT

Firms who need a QuickBooks host and do not need automatic provisioning of configurations and/or new users.

### STRENGTHS

- The company offers the free Open Office productivity suite for those who need a simple, inexpensive tool for editing documents, spreadsheets, and presentations.
- The only host which offers two factor authentication of users (e.g. validation based on something you physically have in addition to username and password) is available using a mobile

phone and the optional PhoneFactor two factor authentication tool.

- While Swizznet is not the only company which is licensed by Intuit to commercially host the multi-lane version of QuickBooks Point of Sale, they are the only ones offering it.
- All data is mirrored between two commercial hosting centers, and the backup data center can be activated in approximately two hours.
- The company supports many QuickBooks add-ons, including SmartVault, Bill.com, Tallie, SpringAhead, Thomson Reuters' CS QB Data Utility, and the QuickBooks Web Connector.

Read the full review and see expanded ratings for this product online at:  
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### POTENTIAL LIMITATIONS

- Swizznet is one of the newer hosts to compete for the accounting industry's business, and does not support as many applications as some competitors. Notable missing applications include the CCH ProSystem fx suite, the Thomson Reuters CS suite, Adobe Acrobat Standard/Pro, and Sage 50 US (Peachtree Accounting).
- New user provisioning and setup of apps is not automated at this time, and most users who wish to host their entire desktop will have to subscribe to Swizznet's Custom Virtual Server Product.

### SUMMARY & PRICING

Swizznet's QuickBooks Hosting for 2011-2013 Pro, Premier, and Enterprise is priced starting at \$54.99 per month, plus the cost of licensing the product (purchase and leasing options are available). Those who wish to move all network applications and data into the hosted environment will require a custom-configured server, which is priced at \$225 per month, plus \$54.99 per user per month, with a \$250 custom server setup fee.

888-794-9948  
[www.Swizznet.com](http://www.Swizznet.com)

## InsynQ

### BEST FIT

Organizations who use professional tax and accounting applications from multiple providers. InsynQ has a particularly strong reputation for successfully dealing with the challenges of hosting Lacerte Tax and ProSeries Tax Professional, which challenge many providers. Also, as the only provider in this review which offer hosting of Canadian tax and accounting applications on servers based in Canada, firms with operations in both the US and Canada may be particularly interested in this company's offerings.

### STRENGTHS

- Has one of the most automated

company and user setup tools of those companies which commercially host applications and servers for accounting professionals and their firms. InsynQ is one of the more established hosting companies serving the accounting and book-keeping sector.

- Provides hosting services for QuickBooks, Sage 50, Sage 100 ERP, numerous QuickBooks extensions, Microsoft Office, Microsoft Project, and Microsoft Exchange. InsynQ also hosts contact management/CRM applications such as Sage ACT!, Goldmine, Results CRM, and Microsoft Dynamics CRM.

Read the full review and see expanded ratings for this product online at:  
[www.CPAPracticeAdvisor.com/10986956](http://www.CPAPracticeAdvisor.com/10986956)

- One of two companies in this review (along with Cloud9 Real Time) which offer separate hosting services for Canadian accountants and clients, and the only one who offers an optional, separate Canadian server farm location.
- Supports the broadest range of tax software, including US income tax offerings from Intuit, CCH, Drake, and Thomson Reuters, Canadian income tax applications, and sales tax calculation and filing applications from CCH and Avalara.
- Excellent library of self-help documents and white papers explaining common terms and issues sur-

rounding hosted desktops.

### POTENTIAL LIMITATIONS

- Some of the older virtual desktops are hosted on Windows Server 2003, which is nearing its end of life.
- The company's primary US data centers are in the Northwest US, and while this may be attractive to firms in that region, it may represent a drawback to firms in the Southeast.

### SUMMARY & PRICING

Pricing varies by implementation and is listed on the company's website.

866-206-1781  
[www.insynq.com](http://www.insynq.com)

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[www.CPAPracticeAdvisor.com/10986980](http://www.CPAPracticeAdvisor.com/10986980)

## Right Networks

### BEST FIT

Any company looking to leverage the efficiencies of the cloud to successfully grow their business. Also, firms who are looking to expand their practice and provide higher value to clients by offering them a mobile, collaborative, fully managed environment to access their desktop accounting applications.

### STRENGTHS

- The company is an authorized host for QuickBooks, Sage 50 US (Peachtree), and Sage 50 Canada (Simply Accounting). Right Networks powers Intuit's QuickBooks Enterprise Hosting Solution which is sold directly through Intuit representa-

tives. Right Networks' hosting services can also be purchased directly through Thomson Reuters Virtual Office offering.

- Applications are automatically provisioned and are available from two high availability data centers located in different geographic parts of the US.
- Right Networks' HyperRight Technology allows all applications hosted by Right Networks to be accessible on a fully clustered fully redundant infrastructure.
- Right Networks is the only service provider reviewed with true data and application mirroring in real time between two geographically dispersed data centers.

- Live telephone technical support is available 24 hours a day, 365 days a year for all types of support requests.

### POTENTIAL LIMITATIONS

- Right Networks does not create custom servers for clients, nor do they host many common tax applications, including CCH ProSystem fx Tax, Drake Tax, Thomson Reuters UltraTax CS and many other common applications used by tax and accounting professionals.
- Each additional application added to a user's profile has a per user monthly fee of \$5-20, which could result in a very expensive hosting bill if a user needs a complete desktop hosted.

### SUMMARY & PRICING

Right Networks Advantage hosting service is priced at \$50 per user, per month, plus a \$5 per user, per month hosting fee for all users who access QuickBooks. Subscribers are required to provide or lease their QuickBooks license. Leased licenses are priced at \$7.50 or \$12 per mo, per user for QuickBooks Pro and QuickBooks Premier, respectively. Subscribers are charged \$5-\$20 per month, per user for each additional application.

888-417-4448  
[www.RightNetworks.com](http://www.RightNetworks.com)

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FIRST-HAND

## Building a New Kind of Practice

In the middle of his career as a CPA, during which he'd worked and been a partner in other firms and served as the CFO at a business, Kirby Burnett decided it was time for a change. He was going to create a new accounting firm – one that would work entirely in the cloud.

"After doing things the traditional way for many years, I wanted my new firm to be focused on doing more for fewer clients and helping them better run their businesses," he said. "To realize this, I knew that web-based tools that helped me and my clients better collaborate would be absolutely necessary, but I also wanted to work from a home office. After all, if you're going to work 80 hours a week, you might as well be comfortable."

In his quest, he turned to a variety of information sources for advice and then attended a Rootworks event that showed him how to build "a firm for the future," and for Kirby, that meant taking not only his firm to the cloud, but also moving his clients

to a cloud-based, hosted version of QuickBooks.

To do this, he relied on Right Networks, a company that offers hosted versions of dozens of the programs that accountants and their clients rely on every day. To Kirby, the benefits of using Right Networks for client work have been tremendous. With his firm and his clients all on the same version of QuickBooks and since he can access their live data online at any time, the days of data transfers, accounting firm copies and outdated system versions are gone. His clients love it, too, he said.

"Within a few months, we were able to get all of our clients who use QuickBooks to start using the hosted version," Kirby said. "I told them what I tell new client prospects, that I'm not interested in just doing their tax returns, but that I want help them grow their business. For me to do this, I need to have online access to their online accounting system."

Since each client is different and some want Kirby and his staff to manage more or less of the day-to-day bookkeeping functions, Kirby can easily control client access settings. After they've been set up, all they have to access QuickBooks is to go to his firm's website, [www.burnettecpaconsulting.com](http://www.burnettecpaconsulting.com), and log in, whether they have one business or several different entities.

The system has also helped him grow the firm, with new clients from around his Greenville, South Carolina, community, as well as from other cities and states, because physical location doesn't really matter to a virtual accounting practice.

To keep up with this growth, Kirby said he has hired new staff to do the production work so that he can focus more on continuing to build his practice. Among his goals is to help train clients to better manage their own businesses, to help them truly understand the financials he produces for them so they can see the benefits of the results of changes they make.

"Moving to Right Networks has been a great success," according to Kirby. "The programs are secure and completely reliable, it always works perfectly every day. And the customer support at Right Networks has been excellent."

READ THE 2013 REVIEW OF  
 RIGHT NETWORKS

CPA Practice  
 Advisor

# Tremendous Growth Spurs Future-Focused Firm to Up Their Technology Ante

Kristy Short, Ed.D

**T**he firm of Knutson CPA, PLLC ([www.knutsoncpa.com](http://www.knutsoncpa.com)) has always stayed on top of technology trends—implementing powerful solutions to ensure streamlined internal processes and elevated productivity. And while a highly efficient work environment is key to the business model, firm leaders are clear that the ultimate goal behind maintaining an advanced technology platform is to provide the richest possible experience for clients.

“We always want to offer the highest quality service to our clients,” stated Lindsay Polyak, Business Manager at Knutson CPA. “To do this, we have to maintain a technologically advanced system.”

Polyak has been with the firm since its launch in 2010—when the full team consisted of only three professional staff members. Today, it’s a team of 10. “We just keep growing,” explained Polyak. “Within the last six months alone, we’ve experienced a growth explosion, and that meant we needed to seek out new technology to improve workflow efficiencies.”

According to Polyak, the firm of Knutson CPA has significantly grown its bookkeeping business over the past few years. In fact, bookkeeping makes up 26 percent of the firm’s annual revenue. And with bookkeeping work comes a lot of document and data exchange between firm staff and clients. This meant the firm needed to implement an online document management system that promised both ease of

use and top-notch security.

“Because our firm is always focused on operating within the most efficient system, we adopted QuickBooks Online [QBO] very quickly after its release. When we learned about SmartVault’s integration with QBO, we were immediately interested in using it as our cloud-based document management service,” Polyak explained. “The integration with QuickBooks Online is fabulous...we can attach and view source documents digitally, which saves us so much time. SmartVault allowed us to eliminate paper and manual tasks, but the real selling point was the security.”

Today, the firm is still busting at the seams. Growth had been steady and rapid. In response, firm leaders continue to enhance internal systems to help manage work efficiently.



## AT A GLANCE

- **Firm launch:** 2010
- **Total employees:** 10 F/T
- **Home base:** Southlake, Texas
- **Firm description:** A responsive, full-service accounting firm
- **Technology of Choice:** SmartVault, QuickBooks Online





And working at max productivity is critical, as is evident in the firm's tagline: "a responsive, full-service accounting firm."

"We have a 24-hour return call and email policy. We pride ourselves on being very responsive to clients," stated Polyak. "Having integrated cloud-based applications helps staff adhere to this policy because it enables them to get to the data and get back with clients quickly."

### Beyond the Efficiency...

Polyak was clear to articulate other benefits of working in the cloud... beyond gains in efficiency.

"Because we perform so much bookkeeping work, there's a lot of daily exchange of documents. Just having the ability to get our hands on documents instantly, instead of waiting for drop off of a CD or paper copies, allows our staff to control the workflow. That's important because we can then turn around critical data to our clients much faster."

Old ways of operating, that is, waiting for clients to drop off CD's or paperwork, puts the client in control of the process. Work cannot begin until the client takes action. An advanced online system supports real-time data entry, meaning that the firm has instant access to client information—eliminating bottlenecks in workflow. This also

allows firm staff to deliver the most accurate and current reports and statements to clients.

"Better business intelligence" is how Polyak described this key client deliverable. Bookkeeping data is complex and can get away quickly from a small business owner who isn't always as adept at translating what the numbers mean. Because the firm's advanced technology platform supports real-time information exchange, staff is positioned to work collaboratively with clients and offer up-to-the-minute views of their financial status, complete with guidance from an accounting expert.

"This allows us to provide our clients with the business intelligence they need to make informed financial decisions," stated Polyak. "This level of service is what our clients need to aid in their success."

The collaborative nature of the client-accountant relationship also enables Knutson professional staff to give clients as much attention as required. "Our clients appreciate the personal attention we give them. We do our best to make each feel important," said Polyak.

The use of mobile apps is also part of the firm's advanced platform. "We started using SmartVault's mobile app the first day it was released," Polyak recalled. "It's so convenient and efficient to pull up a document or report on the iPhone while at a client's office. It also makes us look even more technologically advanced."

Lastly, Polyak added that the team stands firm on being 'green.' "It feels good to lose the paper and go digital."

### Savings at a Glance

It's clear that the efficiency gains for Knutson CPA, PLLC since adopting integrated cloud-based technologies have been vast. Polyak provided additional information in regards to time and cost savings:

- **Approximately 15 minutes per client, per month saved across the board** due to the ability to attach

documents directly within the firm's online document management system through QuickBooks Online. This has all but eliminated time spent locating documents manually.

- **Several minutes saved at both the start and end of the tax process.**

The firm uses the SmartVault Portal for exchange of client documents. Clients can easily upload source documents at the beginning of the process. Staff delivers documents within the portal to complete the process. Instant exchange significantly speeds up the tax process.

- **Significant reduction in paper has been a tremendous cost savings.**

There's been a clear savings by reducing the amount of paper used. There is also a noticeable boost in efficiency because the firm now has a central "fishing hole" (portals) to retrieve client files, according to Polyak.

Knutson CPA, PLLC has long been a tech-savvy firm, and they will continue to keep their eye on new technologies to progressively advance their firm and improve the client experience.

"We are able to provide a more valuable experience for our clients at a price that is comfortably affordable. Clients love that, and it's another reason they will stay with us for the long-term. You can't put a price on that level of loyalty...though as CPAs we'd like to," Polyak joked. ●



*Kristy Short, EdD, is president of rwc360, LLC ([rwc360.com](http://rwc360.com))—a firm dedicated to providing branding, marketing, and public relations services exclusively to the accounting profession. She is also a professor of English and marketing.*



## ABOUT KNUTSON CPA

We are focused on the responsibility of understanding each client's needs and the challenges unique to their business. We provide our clients the proper tools to make informed decisions for their current and long-term goals, and are committed to their success.

Our goal is 100% client satisfaction through a high standard of quality, timely work, and ethical standards! Individual or business, large or small, you can depend on Knutson CPA for:

- Individual Taxes
- Corporate Taxes
- Corporate Bookkeeping
- QuickBooks Expertise
- Payroll Services

**If you'd like us to consider sharing your firm's story of innovation in a future issue, go to [www.CPAPracticeAdvisor.com/great-practices](http://www.CPAPracticeAdvisor.com/great-practices) and complete the short form. We'd love to hear from you.**

# Security Issues That Stop You

Someone in your firm needs to be literate on security and managing your risk, because the number of security risks are increasing. This article won't be a comprehensive list, but a good reminder of fundamentals that need to be done by all firms. Being realistic about mitigating security risks will notably reduce your exposure and prevent unnecessary expenses.

You will probably need to get some professional help to implement some of the ideas that we discuss, and others simply will take good procedures, diligence and consistency. Again, the intent is not to name all risks, but to provide a reasonable checklist that you can use to improve your firm's safety.

When you reflect on your risks, think through the security issues like you might be working a busi-

ness continuity or disaster (BC/DR) plan. Frankly, many security risks should have responses as part of that plan, but we're betting most of you don't have an active, updated BC/DR plan.

What are some risks? What can we do about it?

Let's consider the impact of some risks in your office. Don't take this table as comprehensive, but as an example of what can happen. This list only contains items that we know happened to CPA firms in the past twelve months. For that matter, update this list to fit your own view of the risks. Add risks that keep you up at night. Note also that this list is focusing primarily on security items, not other elements of a BC/DR plan, such as losing power, weather impacts or having a hard drive crash.

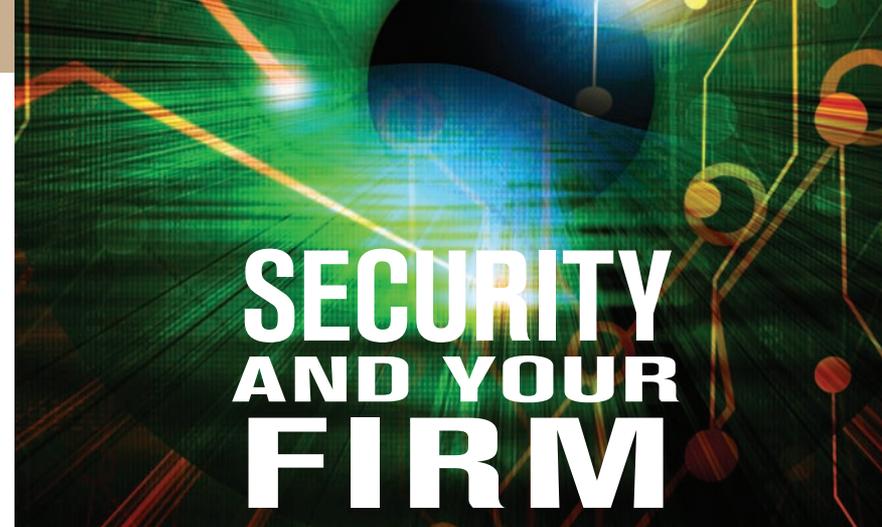
Recall that breach reporting rules are in force in almost all states. Our standard rule to eliminate breach reporting is to encrypt all devices everywhere and have passwords or pin codes on them. However, if you have an incident, you should contact your legal counsel, followed closely by legal authorities and your insurance company. Consider the following:

RISK	RESPONSE
Firewall doesn't block intruders	Power down
Wireless access compromised	Reinstall with proper security
Cleaning crew uses your network	Change services
Partner loses tablet or smartphone	Remotely wipe the entire device
Office Break in and computers are stolen	Call legal counsel and insurance provider
PDF sent via email that is not encrypted	Review procedures with team member
Virus infection	Power off all equipment, disconnect all network cables. Run clean-up software.
Key logger malware makes it through your defenses	Network will run slower, and you may not notice it for a while. Clean as soon as found.
Social network site infects a computer	Power off computer, disconnect all network cables. Run clean-up software.
Cloud provider is attacked with a Distributed Denial of Service attack	Data center is shut down
Email account is compromised	Change password. Consider if this needs reported to legal authorities.
Your domain name is stolen	Contact domain registrar to resolve.
Social Engineering Attack	Contact legal counsel. Instruct team members on how to respond to requests.
Infected PDF file received	Power off computer, disconnect all network cables. Run clean-up software.
End user clicks through a link and installs a fake anti-virus	Power off computer, disconnect all network cables. Run clean-up software.
The firm's web site is taken over and offensive content is placed on your site	Shut down the web site. Repair the content. Try to determine how the compromise occurred.
Bank account of the firm is compromised and a large transfer out is made	Contact bank to resolve. Be prepared to contact legal counsel.
Client confidential data is compromised by team member.	Instruct on appropriate procedures, contact legal counsel.
Vendor loses control during a breach of debit cards that you use for your payroll service	Request new cards and distribute along with instructions to end-users
Shooting occurs inside your firm	Call emergency personnel and police.
Patches not installed on Microsoft software	Update patches.
Anti-virus update keeps applications from running	Try using a prior restore point. Otherwise reload machine.
Client transfers files via the portal that has viruses	Clean infected machines/network. Teach team member the appropriate transfer methodology. Discuss issue with client



Mr. Johnston is executive vice president and partner of K2 Enterprises and Network Management Group, Inc. He is a nationally recognized educator, consultant and writer with over 30 years' experience. He can be contacted at [randy.johnston@cpapracticeadvisor.com](mailto:randy.johnston@cpapracticeadvisor.com).

# in Your Tracks



# SECURITY AND YOUR FIRM

IMPACT	REPORTABLE?
No internet access until repaired	Yes
Network resources used by unauthorized people	Yes
Maintenance personnel might have accessed client records	Yes
Possible loss of data not copied yet	Yes
Loss of data, productivity, loss of image	Yes, if hard drives not encrypted
Data of that client is compromised.	Yes, if it has SS# or Fed ID involved
Probable extended outage involving a day or more. Strong likelihood that some computers will need to be wiped clean and reinstalled.	No
High probability that much client and banking information has been stolen.	Yes
Possible loss of data on computer. Some infections access network data.	Maybe. Discern if the infection had access to your network. If not, no. If you are not sure, yes.
You'll be unable to use your normal cloud services until service resumes. Have manual process ready.	Maybe, but that's the data center's financial responsibility in most cases, not yours
Client information could have been sent, or the email could have been used for illegal or illicit purposes	Maybe. Assess if emails had access to client info. If so, yes.
Web site, email and other internet services won't be available for up to 72 hours after resolved.	No
Client information is likely breached.	Yes
May take one computer or your entire network down.	Maybe. Determine the type of virus and discern if client information was accessible.
May take one computer or your entire network down.	Maybe. Determine the type of virus and discern if client information was accessible.
Professional image damage.	No, unless the web site granted access to your portals or other client information. If so, yes.
Money may be permanently gone.	No
Possible loss of client and/or reputation.	Yes, to client
Possible loss of client and/or reputation.	Yes, to payroll clients
Possible loss of life and reputation.	No
Possible security compromises and infections.	Yes, if client information was compromised
Loss of productivity.	No
Lost time.	No

Again, this table was not intended to be comprehensive, but simply examples. We have to put our firms in a position to protect against common security problems.

## So, What Should You Do About This?

First, you can solve some of these issues by better procedures and training. Many security breaches could have been avoided if team members had just not clicked through a link, read a

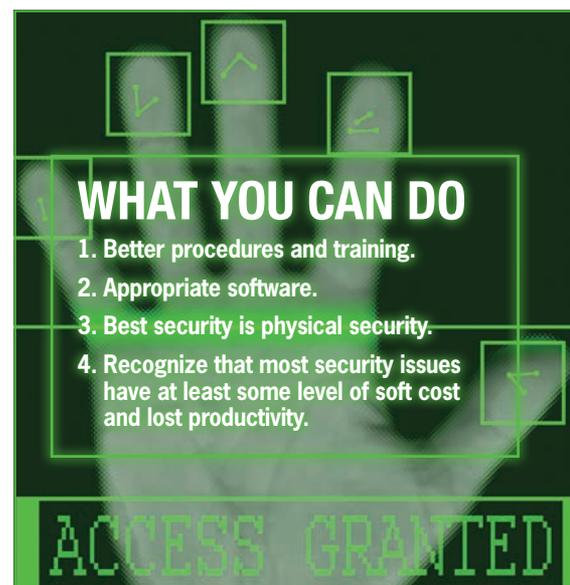
like PGP or Tru-Crypt. Make sure that your software providers have great security. For example, ShareFile and SmartVault are portal and file transfer products that have strong encryption in motion and at rest. Consider an email encryption product like Zixmail or Secured Accountant.

Third, remember that the best security is physical security. Even though you may be practicing in a safe, small town, consider what physical security makes sense. Many firms have

chosen to lock all doors from their lobbies back into the practitioner's office spaces. Others have implemented automatic lock systems on certain doors. Everyone should have their computer server room locked. Motion sensing, night vision cameras can be installed over all doors and the lobby waiting area.

Finally, recognize that most security issues have at least some level of soft cost and lost produc-

tivity. When reportable breaches occur, it costs money to notify and monitor the losses. Some firms have purchased CyberSecurity insurance for this purpose. What can you do to mitigate the risk of a security issue in your firm? ●



## WHAT YOU CAN DO

1. Better procedures and training.
2. Appropriate software.
3. Best security is physical security.
4. Recognize that most security issues have at least some level of soft cost and lost productivity.

message or copied a file. Consider your policies related to BYOD technologies, using public or client network connections or copying files from USB, hard drive or cloud sources.

Second, you can solve some issues with the appropriate software. Open license Microsoft Windows so you can use BitLocker encryption. Alternatively consider encryption products

# 4 Tips for Managing Outsourcing Risks

By Benjamin A. Sady, CIA, CISA, CRISC

**There are numerous benefits to outsourcing business processes and technology resources. You can shift some of the responsibility to another party, gain specialized knowledge and solutions, gain operational and financial efficiencies, increase the ability for management to focus on core business functions, accelerate the delivery of products or services, increase the ability to acquire and support current technology and avoid obsolescence and possibly reduce costs and conserve capital for other business ventures.**

That being said, the perceived and real risk of outsourcing also seems to be increasing daily. News media and published reports frequently highlight cases of data breaches through rogue employees, hackers and lost/stolen devices. Additionally, there is a risk of receiving poor services from a vendor which can result in operational inefficiencies, lower quality of products and decreasing customer satisfaction.

Companies should be managing their outsourced vendor relationships to ensure their processes, data and systems are protected. The employees tasked with vendor management and managing these risks should consider implementing the following processes:

- Requirements Definition
- Vendor Selection and Due Diligence
- Contract Negotiation and Implementation
- Ongoing Monitoring

## Requirements Definition

Before the decision is made to use a third party to outsource a process or technology, a company should identify the concerns and pitfalls associated with outsourcing and the risks associated with each perspective vendor. This process should include the appropriate stakeholders (e.g. process owners, IT, legal, internal audit) and can be used as the starting point to create risk-based written requirements. Documented requirements for each outsourced process are important to guide and

manage the process from vendor selection through monitoring.

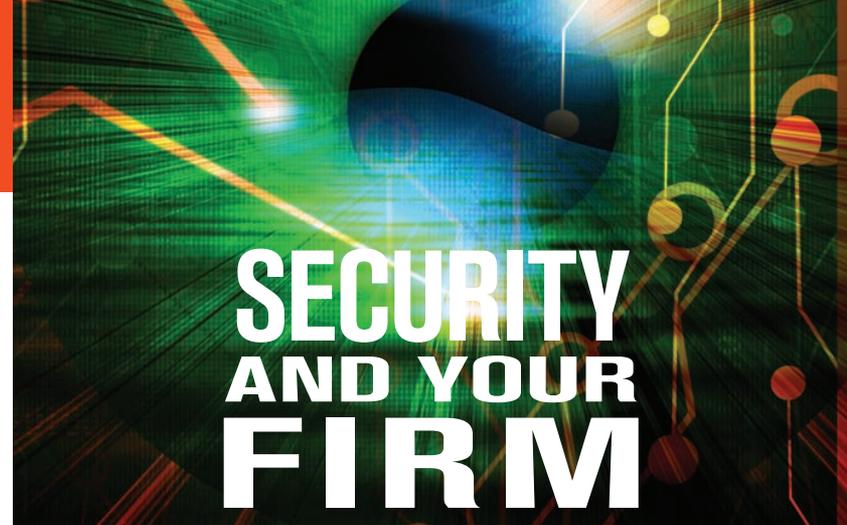
## Vendor Selection and Due Diligence

A well defined vendor selection process will include evaluating proposals against the requirements definitions, performing vendor due diligence, obtaining the necessary approvals and retention of contracts in a central filing system or contract database. Involving the appropriate stakeholders in the vendor selection process is essential and provides the different perspectives needed to make sound decisions. The scope and effort of the vendor selection procedures should be consistent with the riskiness of the outsourced process.

As for due diligence efforts, this should be risk-based and done prior to entering into a contract. For low risk vendors, it may involve phone inquiries and reviewing company websites. For high risk vendors, it may involve site visits, reviewing financials, reviewing policies and procedures, reviewing internal controls and reviewing third party assessments.

## Contract Negotiation and Implementation

The vendor management policy should identify who has the authority to execute contracts. Engage legal counsel to review the contract. You do not want to enter a contract that legal counsel disapproves, so use counsel in contract negotiation



# SECURITY AND YOUR FIRM

to filter out the unfavorable terms. The contract should clearly define the rights and responsibilities of both parties and contain adequate and measurable service level agreements. A few service level agreements to consider, include: timeliness of report delivery, timeliness of transaction processing, percentage of errors in processing, instances of IT security issues and non-compliance, and system uptime.

Most people think that service level agreements are meant only as a protective measure. They are protective, but the measurements can also be used to help identify chronic issues by all parties involved. Look for areas of consistent non-compliance or non-performance and ask your vendor, "Why is that occurring? Does there need to be a personnel, process, or technology change to improve?"

## Ongoing Monitoring

The vendor management policy should identify an annual risk assessment approach that can be followed to identify high, medium and low risk vendors. To begin the monitoring process, you first need to identify your population of vendors and then perform your risk assessment for vendors according to your policy and methodology.

Be careful to avoid the trap of focusing only on traditional IT companies. The topic is bigger than just IT outsourcing. Companies often provide physical access, logical access and share sensitive information with not IT companies. Think about a bank that outsources direct marketing. They are not outsourcing to a traditional IT company, but they are most likely sharing their customers' names, mailing and email addresses, and account numbers. Look out for these types of companies in your population of vendors.

If vendors have access to the businesses data, then the ongoing monitoring program should include a plan on how

to obtain assurance on the vendor's control environment. There are three primary methods to obtain assurance and any combination of them may be used. The first is to require vendors to perform self assessments annually. The business should provide standardized questions to be completed by the vendor. The questions should include a mix of yes/no and open ended questions. Consider requiring evidence to support the questions.

The second is for the business to conduct an assessment annually. Always seek to obtain a "right to audit" clause in the contracts, even if the business does not initially plan to perform an audit. There may be a day when it is needed. The assessment may include interviews of vendor staff, observations of controls, systems, tools, controls and configurations.

The third is to review third party assessments (e.g. SOC 1 / SSAE 16 reports, SOC 2 / 3 reports, PCI compliance, ISO certificate, Agreed Upon Procedures reports). When reviewing reports, there are a few key items to make sure of:

- The report covers the appropriate time-frame.
- The report covers significant services that you use.
- There are no significant control weaknesses identified in the report.
- Management should sign off that they have performed this review. A simple cover sheet, checklist and signature should do.

There is certainly a lot to consider in the outsourcing process. The most important thing to keep in mind is that a business can outsource the process and technology, but not the responsibility. ●



*Benjamin A. Sady, CIA, CISA, CRISC, is the senior manager of Risk Advisory Services at Keiter, one of the largest accounting and business consulting firms in Virginia.*

# Securely Mobilizing the Accounting Profession

By Rama Kolappan

**A**ccounting professionals are like any other information worker – currently trying to keep their head above water and fight the incoming tide of digital documentation. The worldwide volume of data is expected to grow 44-fold between 2009 and 2020, according to EMC, part of which can be attributed to people uploading more than a billion files into online sharing and syncing solutions every single day.

These online file-sharing platforms are now part of everyday life. The problem facing the accounting industry is that the files shared by CPAs are full of clients' sensitive personal information, including bank accounts, social security numbers and work history. What could happen to a firm's liability insurance if that sensitive information was leaked and misused? The disclosure of a client's personal information could bring about a number of legal issues for a firm found in violation of the FTC information security laws and other privacy regulations.

Another factor affecting the industry is an increasingly mobile workforce; rather than being tied to a desk, the typical worker is now working remotely on multiple mobile devices. In 2013, more than 75 percent of the workforce will be mobile, according to Cisco. And work output is booming because of it; three out of five workers in the U.S. say they no longer need to be in the office to be productive.

So now you have productive accountants who are working on the go – sharing, syncing and editing

client documents on their mobile device of choice, but it's a nightmare for the IT and security departments. Fortunately, there are secure file-sharing solutions that meet the security and liability regulations that apply to accounting practitioners. Secure mobile productivity solutions for enterprises should provide the convenience of a public-cloud solution and the ease-of-use of a consumer-grade app, with additional layers of encryption and admin security controls that reduce the risk of data leakage.

There are a number of ways accounting firms can improve the mobile security of business content, without slowing down productivity. Here are five key best practices that accounting firms should follow to ensure confidential data shared via mobile devices is secure:

- **PROTECT CONFIDENTIAL FILES ON ALL DEVICES.** Deploy a file sharing solution that runs on all the mobile devices and OSs that employees are carrying. Even if a firm has deployed a Mobile Device Management (MDM) or Mobile Applications Management (MAM) solution for the basic pro-

sioning and network management of devices, it should also deploy a secure Mobile Content Management (MCM) solution, so mobile security can be controlled at the device, application and file level. Then employees can truly work wherever they want on their device of choice, improving productivity without risking data security.

- **CENTRALIZE CONTROL AND MONITORING.**

Firms should deploy a file-sharing solution with centralized access controls and logging and audit features. Centralized monitoring also allows IT administrators and security officers to monitor the distribution of files and to detect anomalous behavior before it leads to data breaches. Logging also enables accounting firms to demonstrate to clients or regulatory bodies that confidentiality has not been breached.

- **CONNECT TO SHAREPOINT AND OTHER ECM SYSTEMS.**

Many firms have invested in ECM systems such as SharePoint or iManage. Accounting firms should choose a file sharing solution that integrates with these ECM systems, so that secure file-sharing becomes a natural part of doing work, and so that workers in remote locations always have access to the critical files they need.

- **USE PRIVATE, NOT PUBLIC, CLOUDS.**

Cloud architectures are scalable, mobile-friendly and cost-effective—ideal attributes for any firm. However, public clouds are unsafe for confidential data. By deploying a private cloud file sharing capability, IT has complete control over the location, access to, and availability of data.

- **BLOCK RISKY SERVICES.** By providing a secure mobile file sharing service, firms can eliminate most of the temptation for employees to try a

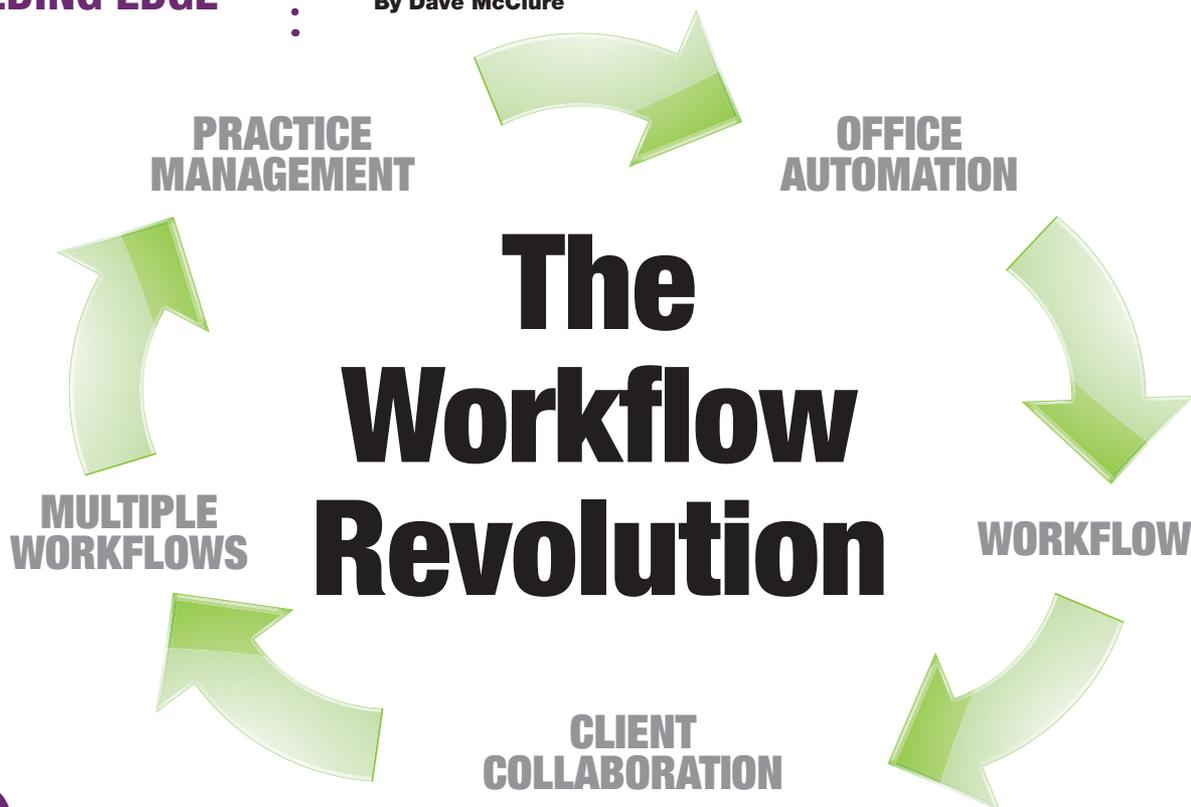
service like Dropbox or iCloud for business purposes. By also proactively blocking consumer-grade file sharing services, firms can be confident that users won't attempt to circumvent the IT department, jeopardizing the confidentiality of the firm's data. Another way to secure mobile data is through "open-in" features, which control what apps can access data. Finally, there is the "carrot and stick" approach, which provides employees with a generous amount of online storage space to store work, making the cost and complexity of a public service significantly less attractive.

By following these five best practices, accounting firms can ensure they're improving the mobile productivity of their workforce, without sacrificing the security of sensitive customer information. Mobile file sharing and synchronization is here to stay, and firms that figure out how to do it securely will be positioned to win more business, and grow their mobile-enabled organization. ●



Rama Kolappan is the director of mobile product marketing and product management at Accellion. Kolappan is an accomplished leader with more than 12 years of experience and a successful track record of developing innovative technological solutions and new business opportunities.

By Dave McClure



**S**ome of the greatest revolutions in technology arrive with a whisper rather than a bang.

The introduction of Microsoft Word for Windows was released in 1989, it gave little indication that it would – within just a few years – obliterate the market-leading WordPerfect and revolutionize word processing. The Internet, as a commercial venture, was so pathetically crude that no one really cared – until the advent of the World Wide Web in 1990.



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This is relevant because the accounting industry is at one of those moments when we realize that a revolution is underway. A revolution in what we have been calling “workflow.”

It began two decades ago with a concept called the “paperless office.” Great concept, but since the technology really did not exist to make it possible, it languished. Even the introduction of the Portable Document File (PDF) format in 1993 didn’t make much of an impact. That changed when Adobe released PDF as an open format in 2008.

Five years ago, we were wondering whether this new class of office automation software for accounting was even worth covering. Today we understand that this was the first volley in a revolution that will fundamentally change how accounting is practiced.

Office automation began as an extension of tax preparation, which required massive inputs of data, tall spires of paper and endless reviews by professionals within the office. Automation streamlined the inputs, eliminated the paper and made reviews

faster and more efficient. But the concepts of collaboration and communication soon began to spread beyond the tax department, creating the concept of workflow within the accounting office.

Workflow in and of itself is not a revolutionary concept, but its application within accounting firms is. Because we now understand that practice management is not about engagement letters and trial balances, but rather the management of multiple workflows within the accounting firm at the same time.

The revolution is that when accounting is viewed as the effective blending of multiple workflows – tax, bookkeeping, payroll, audit, technology consulting and planning – it becomes easier to visualize how each member of the staff contributes to each flow. The revolution is in a new-found way to eliminate inefficiencies in each of the flows. It is in a better ability to eliminate unnecessary steps and allocate human and physical resources more effectively.

Partners within the firm are better able to anticipate peak work periods and respond to them rapidly.

This has evolved over the past five years because the technologies have been created to enable it:

- Software-as-a-Service
- Cloud Computing
- Small-footprint scanners
- Client Portals.
- Software to automatically populate forms
- Software to track compliance measures
- Hardware to support mobile computing.

What this ultimately means is that accounting professionals spend less time populating forms and creating documents. And more time getting face-to-face with their clients. These technologies are bringing reality to the concept of accountants as a trusted business partner.

Naturally, this brings about a major shift in how we will train the next generation of accountants. Because they will need to be experts not only in tax law and compliance, but also human resources management, health care, strategic planning and business management. And as much as you may want to think your firm has expertise in all these areas, chances are that you have only scratched the surface.

Which is what is making the concepts of workflow revolutionary for accounting.

## REALITY CHECK

A compendium of ideas, products, rants and raves from the viewpoint of the author. Note that the author has no financial interests in any of the products mentioned. Feel free to disagree, or to share your ideas on our website.

### INTERNET SITE OF THE MONTH.

#### The IRS Scandal

[http://en.wikipedia.org/wiki/2013\\_IRS\\_scandal](http://en.wikipedia.org/wiki/2013_IRS_scandal)

Call it what you will, this scandal just doesn't seem to want to go away. This site has Wikipedia's take on developments, which may prove helpful in sorting out the reality from the politicking.



#### iProp.

<http://www.i-prop.net/us/>

I don't spend a lot of time beta testing hard-

ware these days, but this gadget has some strong appeal. It solves the problem of how to balance a tablet in those awkward places where the usual type of stand doesn't work ... like when you want to balance it on your knees. It's marketed as an iPad device, but works well with any tablet.



**Windows 8.1.** Well, the patch that was supposed to "fix" all of the problems of Windows 8 has been released, and it fixes nothing of note. Worse yet, it brings back the popular "Start" button, but without the functionality of the "Start" button. Virtually all of the applications have had features added, though these still do not make the applications as functional as the same apps were in Windows 7. The whole of Windows 8 joins the small but distinguished list of really stupid ideas from Microsoft, which includes "Desktop Channels," "Web TV" and

that talking paperclip thing they put into Microsoft Office a few years ago.



#### The Samsung Galaxy.

Since the introduction of the iPhone, virtually every cell phone manufacturer has tried – and failed – to take the lead away from Apple. But if there is one product line that Apple truly seems to fear, it is neither Microsoft nor Blackberry. It is Samsung. With its line of Galaxy S smartphones and accompanying Tab and Note tablet products, Samsung is building both a strong reputation and a legion of users. Worth watching.



#### Cameras in Cell Phones.

Someday, when historians and archeologists look back on the 21<sup>st</sup> Century, they will dub this the "Era of bad photography and Stupid Videos." Much of that is due to the use of cameras built into cell phones, which give teens the ability

to take pictures of virtually everything but provides no training whatsoever in how to take good pictures. My evidence? FaceBook, Tumblr, Flickr, Pinterest ... If you want to take pictures, get a decent digital camera and take a photography course in your local Adult Ed program.



#### Computers on eBay.

There used to be a computer parts store on almost every corner in this country, but today it's hard to find even a Radio Shack store. That's where eBay fills a critical gap. You'll find refurbished computers, used laptops, parts and pieces, and almost anything else you need for computer repair – all at bargain prices. Between eBay and Craigslist, you can build a thriving business in computer sales and repair.



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# Change Management Doesn't Work

**If you Google the phrase “change management” you’ll get 724 million results! And you can find over 80,000 books on the topic. So I guess it’s a popular phrase, but it simply doesn’t work.**

Ever since my days as a Macintosh evangelist in the 1980s, I’ve been involved with change management. In those days, I spent all my waking hours trying to convince people that the mouse is a very useful device and that fonts and graphics on the computer screen would be something they would never want to be without. Apple had a laser-sharp vision about the future of the personal computer, and we set our sights on dramatically changing the way people work. But getting people to adopt Apple’s vision was much harder than convincing cus-

tomers to implement a change management program.

Fast forward to today where it seems everyone is talking about the cloud, and that every business should move all their systems to the cloud. Some firms are implementing change management programs in the old fashioned way in hopes that their managers can somehow force the organization to switch all their processes and systems to the cloud. But I think managers are missing the concept that most people are allergic to “change management.” People don’t like to be managed, but they will always follow good leadership, backed by a solid vision. In fact, most people are desperate to find good leadership.

So the question for you is not about how you manage, but how you lead your firm and your clients to better success. Missing from all the talk about moving to the cloud are two key questions: What is the vision, and what is the roadmap?

To develop your vision, let’s pretend you’re starting a new firm. Would you buy servers, LANs, firewalls, and expensive software that only runs on Windows PCs? Would you buy dozens of file cabinets to store paper-based records? Would you buy high-volume copy machines, and high-speed printers?

What about the phone system? Would you buy long-distance plans, or use hosted VOIP systems with forwarding to cell phones, speech to text messaging, and voicemail forwarding by email?

Would you invest in separate office spaces for your staff and a large client reception area? Will you expect your staff to be in the office every day? Will you clients bring their records in

shoebboxes, and pick up their printed financial statements and tax returns?

I’m sure you’ll find many of the answers to the questions above are different today than they were just five years ago. So as you build your vision of your future firm and of your client’s businesses, consider each of today’s entrenched, traditional technologies, and design new-world approaches to replace those systems.

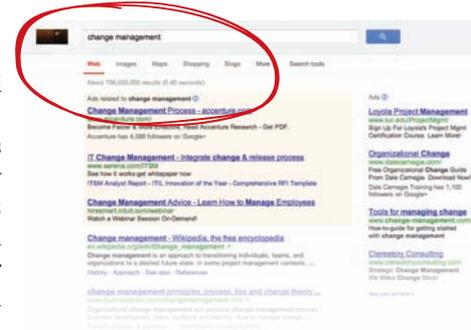
Let’s start with the following vision:

## 1. LOCATION

In today’s business world, your selection of a physical location for your offices is not nearly as important as it used to be. Your new firm should focus more on providing a home base where your staff will meet and coordinate activities, but less on the size of individual offices and facilities. Perhaps focus on a large common area or meeting room, as opposed to lots of cubicles or offices. The office will become a gathering place as opposed to living quarters for your staff. Make sure you locate in an area with high-bandwidth Internet access, and close to services you’ll need at the office such as food, supplies, and deliveries.

## 2. ANYTIME/ANYWHERE ACCESS TO ALL FIRM AND CLIENT INFORMATION

For every piece of technology you select, the goal should be to provide every employee with web access to all data and applications they need to perform their jobs. The vision is to provide a way for every employee or contractor to perform all of their job duties from anywhere. Even if you decide not to allow people to work from home, you want systems in place so people can work from anywhere.



## 3. PAPERLESS DOCUMENT MANAGEMENT SYSTEMS

Embrace paperless document management systems. If your firm relies on paper to operate, you won’t be able to achieve most of the goals contained in the vision of your new firm.

## 4. FRAUD PREVENTION AND SECURITY CONTROLS

- Invest in systems to implement information security and fraud prevention. The best way to prevent fraud is to remove the opportunity for fraud to occur.
- Implement password management systems like Lastpass.com that will lock down all passwords in your firm, allowing management to share (and unshare) access to software and websites. Enforce strong passwords, and educate your employees about best practices for password management.
- Select cloud service providers that have strong security compliance certificates (SOC2).

## 5. AUTOMATED WORKFLOWS

- Invest in systems that provide automated workflow.
- Think zero-entry at every step, and automation of every business process. Zero-entry technologies allow accountants to be collaborators with small business owners. For the first time ever, we can now help clients manage their accounting data in



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# — Change Leadership Does

real-time. This is a key philosophical difference from the old desktop software world because it allows accountants to reclaim “control” of the general ledger, while at the same time providing a much higher level of service to their clients.

## 6. MANAGEMENT DASHBOARDS WITH REAL TIME, ACTIONABLE INFORMATION

Managers should not live in the accounting software. They should have a full management dashboard available via the web that provides access to real-time information about their company’s operations and financial performance. This new firm you’re creating would have a web-based real-time view of the relevant KPIs that management should use to make informed decisions about the business.

## 7. CRM WITH A 365-DEGREE VIEW OF EVERY CUSTOMER AND VENDOR RELATIONSHIP

CRM should be at the core of your new firm. The CRM should be accessible by all members of the staff, and it should contain all relevant contact information, purchasing history, documents (or links to documents), email conversations, and projects for each customer. You want to be able to look at your CRM and instantly see all relevant activities for any client. You also want to be able to search, sort, and tag records in the CRM so that you can group your customers according to how you plan your marketing efforts.

## 8. COLLABORATION TOOLS

In your new firm, you want to have a system whereby you can provide workplaces for your team members to participate in projects. Team members may be inside or outside

your firm, and you want to be able to control access and workflow between the various stages of each project.

So that’s your vision for your firm, if you were lucky enough to start all over. But the reality for most of us, is that we won’t start from scratch, so we need to build a bridge, or a road map from today’s systems to our new firm that matches the vision.

To build a roadmap, start with the vision and work backwards. Then chunkify and make a schedule. What must happen today vs. tomorrow, next month, next year, and so on. As you make your plan, keep in mind that you cannot stop the world while you re-engineer all your processes and convert your systems. Imagine you’re driving a bus at 60 MPH while simultaneously changing the tires and adding wings. It seems impossible, but the alternative is to continue down a road full of potholes that leads nowhere, and ends in the not-too-distant future.

Ask yourself this question: How can I remain efficient and profitable in serving today’s desktop technology clients, while simultaneously implementing new technologies, processes, and business models to serve tomorrow’s clients who will insist on working with me in the online world?

Here are some steps you can begin taking today to implement the vision. Think about your firm and also about your client’s businesses as you go through this list. You don’t have to do it all at once, but start today, measure your progress, and communicate your vision to your staff. Involve your entire team to build the vision so they have a stake in the success. If you lead, they’ll follow, but they need to understand WHY these changes will benefit the firm:

**1. If you’re still addicted to using Windows applications,** get them hosted by a reputable hosting com-

pany. See my article on this topic at: [www.sleeter.com/blog/2013/02/moving-to-hosted-virtual-servers](http://www.sleeter.com/blog/2013/02/moving-to-hosted-virtual-servers). This step will help you achieve many of the benefits of the cloud without having to convert data or retrain your employees. But it’s only the first step in completing your vision.

**2. Go Paperless Now.** Purchase scanners and scan all paper as it comes into the office. You don’t have to scan everything from the file cabinets, but at least you should stop contributing more paper to the file cabinets. See Randy Johnston’s site [www.totallypaperless.com](http://www.totallypaperless.com) for product recommendations and reviews.

**3. Beef up your Internet access.** If you don’t have redundant Internet access, and/or high-bandwidth connections, many of the pieces of your vision cannot succeed. Embark on a project to enhance your office Internet connectivity to the fastest and most reliable provider in your area. You need at least 30 megabits per second (Mbps) download speed and 5 Mbps upload speed for every 10 users in your office. More is always better, especially if you plan to use VOIP phones and video conferencing.

**4. Consider re-arranging your office space** to provide more common-area and meeting areas, as opposed to smaller offices. The goal is to increase collaboration between staff members when they are in the office. Individual work can be done away from the office, while the office environment should foster collaborative activities among the staff.

**5. Focus on Security and Fraud Prevention.** Stop sending QuickBooks data files (not even the Accountant’s Copy) back and forth between client and accountant. Every time we make copies of the QuickBooks file, we’re taking another risk with our client’s data. Stop storing customer credit cards in QuickBooks files and local

databases. Remove all paper check writing systems. Implement [www.bill.com](http://www.bill.com) for managing all cash transactions. This single decision could completely eliminate the huge risk your firm takes by handling paper checks.

**6. Implement zero-entry systems everywhere possible.** If you have a web store, implement systems to connect the web store to the back end accounting system so there is no human data entry needed. Check out [www.ltduzzit.com](http://www.ltduzzit.com), [www.zapier.com](http://www.zapier.com), [www.onesaas.com](http://www.onesaas.com). Implement electronic invoicing and urge all vendors to submit bills to you electronically. Implement scan and populate systems for tax. Implement CRM that captures email traffic into each customer record. Implement connections between CRM and web stores as well as back end accounting. [www.Zoho.com](http://www.Zoho.com) CRM is an affordable, web-based solution that provides deep functionality for small business.

**7. Implement project tracking systems.** Microsoft OneNote is a great system for keeping track of policies and procedures in a team environment. For more robust project management, consider an online project management system such as Zoho Projects <http://projects.Zoho.com>.

You can decide how to prioritize the steps above, but they should give you a good list of actions to begin taking today so that you can move closer to your vision, and so you can move closer to providing clients with services they will demand from you in the future.

The one thing I can promise you about the future that you cannot prevent it from happening. Your success will depend how well you “lead” your firm and your clients towards the inevitable changes that are changing virtually everything about how businesses operate. ●

# Tablets - Tech Toys or Tools?

**Y**ou have a tablet. Hey, maybe you're on your second or third generation. And you're still trying to figure out exactly how this device can make you more productive in the workplace. You're not alone. Apple redefined an entire product category when it introduced the iPad and, in the process, they sold over 100 million devices (and sparked countless competitive offerings).

Today, many tablet owners are pondering the question, "Is it just a tech toy? Or is it a true productivity tool?"

## Individual Success – A Mixed Bag

The stories I hear from across the country vary in terms of the success professionals have had using the tablet as a true work machine. There are some that claim it will never be



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useful for anything beyond email, calendaring and surfing the web.

In the opposite camp are those who have figured out a combination of apps (including remote desktop connection apps) that allow them to get real accounting work done from their tablet. However, most will agree that we aren't able to completely ditch the laptop or desktop computer in lieu of a tablet for a lot of the work we have to accomplish.

## Is it a Tablet or a Really Small Laptop?

We are seeing a growing adoption of the Microsoft Surface with Windows 8 Pro. Accountants like it because it gives them a more of a natural link to the Microsoft world where they live. However, there is also another debate growing around this device, "Is it really a tablet? Or, is it just an extremely small laptop?"

Regardless of the answer to that question, it appears Microsoft is on the right path. If they can figure out a few glaring issues like battery life, they might find themselves in the thick of the mobile device space. And I don't know that people really care what category the device falls into if it meets their needs.

## It's All About the Apps

When it comes to mobile devices, it truly is all about the apps. The device itself is useless without the apps that unleash the power of the device and allow users to accom-



plish countless tasks. And it's this very fact that leads me to believe that it's too soon to make a call on the toy vs. tool debate.

There is no shortage of apps we use on a daily basis to make our personal lives easier and it's only a matter of time before the business apps arrive. The majority of the software providers in our profession have some type of mobile strategy in place today.

Where they are in the execution of that strategy varies, but we will see several new apps hit the app stores with the specific purpose of making mobile devices an integral and useful part of accountants' daily lives. For this reason alone, the way people use their tablets in the next year or two won't look anything like it does today.

## Don't Write Off the Tablet

Many people have already labeled the tablet a tech toy and have given up on finding a business use for it. And then there are those previously mentioned users that have figured out ways to integrate it into their daily work. I commend you for putting the time in and sticking with it. I believe it will smoother sailing from here as the vendors address additional needs for core accounting

work. You'll have more native applications to accomplish tasks and won't have to rely as much on "work-around" solutions.

I recently moderated a panel at the AICPA Practitioners Symposium and TECH+ Conference in Las Vegas. On that panel were two firms that had rolled out iPads to every employee in the firm. One provided tablets as part of the standard technology toolkit to every employee and the devices are owned by the firm.

The other gave them as year-end gifts so they are now employee property and they gave employees a choice to use them for work or not. While each firm's story differed in the business drivers behind the rollout and the method in which the tablets made their way into the hands of employees, these firms obviously see potential or they wouldn't have made the significant investment that they did. And they wouldn't be continuing to invest further in custom mobile applications to make the devices more useful to employees.

So bottom line on the tech toy vs. tool question – the jury is still out. I believe it's in your best interest to stay in the game and watch the evolution continue on - one app at a time. ●

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