CPA.com Case Study

AN ACCOUNTING EVOLUTION
Experienced professionals share their journey to cloud-based client accounting services
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THE EVOLUTION OF OUTSOURCED ACCOUNTING IN THE PROFESSION

Outsourced accounting is not a new concept, but the service has undergone a great deal of change over the years...

driven by the demands of businesses and the emergence of leading cloud technologies. Business owners continue to search for ways to reduce time spent on work that is not related to their core business—like accounting and other “back office” tasks. As a result, the popularity of outsourced accounting and the perceived value among business clients has skyrocketed.

Outsourced accounting services can look very different from firm to firm and are often defined in various ways. This has helped firm owners differentiate their services within the space, unlike audit and tax, which have become highly commoditized. As such, many firms are experiencing exponential growth in outsourced accounting services and have identified this as an area of focus. Firms that offer outsourced accounting are providing services throughout the year and building stronger and longer-term relationships with clients because the service extends well beyond the periodic delivery of reports and financial statements.

The terms used to describe outsourced accounting vary, and while there are similarities, there are also some noted differences. The term outsourced accounting is used as an umbrella term to cover a variety of services from financial statement preparation and transaction processing to Virtual CFO and advisory services. Some firms have even created their own naming conventions for their services, but the most frequently used include:

- Client Accounting Services (CAS)
- Business Process Outsourcing (BPO)
- Finance and Accounting Outsourcing (FAO)
The most common services under these defined categories include:

- Financial statement preparation
- General ledger and trial balance
- Cash flow management
- Payroll preparation and reporting
- Accounts payable and receivable
- Transaction processing

Other advanced services often include:

- Virtual CFO
- Controllership
- Business advisory

These services are all geared toward providing clients with year-round strategic support and business planning to improve processes and performance.
For years, it was only the big firms that could afford to play in the outsourced big leagues because only larger firms could afford the technology infrastructure or the person power necessary to support outsourced services efficiently. And, traditionally, it was only high net worth clients who could afford the price tag. The advent of cost-effective, robust cloud-based applications has leveled the playing field—enabling firms and clients of all sizes to take advantage of the immense value of outsourced accounting services. For clients, it offers an attractive alternative to handling burdensome accounting tasks on their own, and eliminates the need for extra staff and associated costs. For firms, it can serve as a highly profitable core service that reinforces the trusted advisor role. There are also now non-traditional practices that solely provide outsourced accounting services. This further demonstrates the profit potential if done right—the ability to build an entire business around outsourced accounting alone.

The evolution of outsourced accounting, what is commonly referred to in some firms as finance and accounting outsourcing (FAO), has largely been fueled by technology. Advanced cloud applications that easily integrate and offer scalable, cost-effective platforms have put FAO services in reach of many. Convenient to manage, these advanced platforms give way to standardizing processes firm wide to improve operational efficiencies significantly.

Technology innovations underlying virtual services have given rise to a new era of accounting—one where FAO is mainstream and in demand. As such, the profession is experiencing an accounting evolution.
THE EVOLUTION OF OUTSOURCED ACCOUNTING WITHIN RSM

RSM, a leading U.S. provider of assurance, tax, and consulting service, is a shining example of outsourced accounting done right.

And to understand the evolution of this service, what RSM has termed Finance and Accounting Outsourcing (FAO), it’s best to hear it from peers who have been through the transition and have been highly successful. The FAO professionals at RSM have long been riding the outsourced accounting wave and offer first-hand knowledge and insight into how best to make the transition to FAO and the cloud.

Jim Cashin, Partner, Technology and Management Consulting and National FAO Leader at RSM, along with a great team, has been integral in moving his firm to the cloud and expanding FAO services. “We have two areas related to outsourced services: IT, which offers technology outsourcing and managed services, and accounting for the back-office finance function. We’ve also worked hard over the years to build vertical experience in order to deliver a standardized approach based on unique workflow, reporting, and analytics required for each specialized industry.”

Cashin confirmed that outsourced accounting has been around for years, but it wasn’t until cloud technologies came into play that the value of the service was truly realized. “Accounting firms traditionally have been performing outsourced accounting services for many years in some capacity. But with firms like ours, where we offer all three services lines—assurance, tax, and consulting—it wasn’t until the advent of cloud technology that we were able to integrate solutions and streamline the processes around different verticals so we could offer outsourced services effectively at a cost that all of our clients could benefit from.”

At this point, FAO services really began to take hold because now businesses of all sizes could afford the services and realize the efficiency gains that come with it, according to Cashin. “With these services, business owners can now focus on their core business, instead of dealing with the complexities and costs that come with maintaining an internal accounting department, such as hiring, training, expansion, etc.”

RSM’s transition to the cloud has a long history. Cashin explained that the firm rolled out FAO about ten years ago with regard to developing its platform. “FAO primarily started in the Northeast region, but is now rolled out on a national basis. We have all five regions providing these services to clients, and we also have the ability to provide these services globally by leveraging our network.”

The firm started its evolution to FAO and the cloud with a sound partner to help them along this path—CPA.com. “We started working with the CPA.com team about the same time we were rolling out FAO so that we were sure to stay up to date on what cloud technologies were becoming available and the benefits of those innovations. We worked with CPA.com to select the right tools and accounting package for our needs. It’s good to have a partner that you can count on. We work together to evaluate technology and services.”
A CONSISTENTLY EVOLVING STRATEGY

Any strong leader will tell you that a sound strategy and business plan aligned with key performance indicators are at the core of a successful practice area. Providing outsourced accounting and advisory services requires a different way of thinking than traditional services, and often necessitates some changes to packaging and pricing services, staffing, the client engagement process, and more. For RSM, leaders not only started with a sound plan, but also knew that their strategy would evolve as the markets they serviced and technology changed.

“Our strategy has certainly evolved over time,” Cashin explained. “Initially we thought that we could provide a lower-cost solution to the broad small business market, and we believe we still do. As we started to mature, we saw a need within the mid-market space for these services as well.”

Soon into the process, leaders also recognized the value of taking a vertical approach to service offerings.

The Vertical Approach

As the firm continued to mature in terms of business process design, controls, and technology infrastructure, it moved to an overall strategy of what Cashin described as being “verticalized.” The firm leveraged the extensive knowledge of its accounting professionals to develop a solution that could be replicated within different industries. Leveraging the knowledge the firm acquired on the challenges faced by different niches, it was able to provide customized dashboards and benchmarking data.

“Today, we support several vertical markets with FAO services, and can easily market to these industries because we understand the external market factors, business information needs, and services required to support accounting functions for each industry. With a sound technology solution in place, we can easily replicate services within a given market.”

“We used to operate on a project-by-project basis, working to meet the unique needs of each individual client. By standardizing workflow within verticals, we can now meet the unique needs and express the value to an entire market,” Cashin said.

Today, RSM serves numerous markets, including:

- Consumer products (retail, restaurants)
- Financial services
- Life sciences
- Family office
- Non profits and private schools
- Technology
- Business and professional services
James Andrusko, Director with RSM, added: “Of course, there are things like chart of accounts and reporting that will vary between verticals and individual clients, but in terms of transactional tasks like accounts payable and payroll, it’s easy to leverage resources across clients because the workflow is uniform.”

Andrusko offered an example of how the firm’s niche experience helped a restaurant client improve operations.

“A lot of the individual restaurants had their own bank accounts and were cutting checks from separate accounts. With the FAO service, we were able to get them into a central cash management model, much like you would see in use at a large corporation. They [restaurants] deal with multiple vendors, so by centralizing cash, it allowed them to pay out of one account, which is much more efficient and still allows the client to maintain legal reporting for tax purposes.”

JAMES ANDRUSKO
Director, RSM
PROFILE OF SERVICES

The firm’s FAO services represent an enhanced suite of options that leverage leading technical accounting, tax, and technology practices—from transaction processing to controller-level oversight and review.

Everything is offered via RSM’s FAO technology platform, which is an advanced cloud platform that has continually been refined over several years and designed to provide clients with state-of-the-art tools.

The firm has bundled several tools together with intellectual property to develop a full-scale, integrated solution, according to Cashin. “We use Intacct and NetSuite as our core financial solutions. We have a large technology practice that focuses on infrastructure through business applications, so we are able to research the best solutions to integrate with these financial systems and provide a powerful platform based on our clients’ business requirements.”

Because the firm brings technology experience to the table and partner with CPA.com to help stay current on new cloud applications, it has mastered the FAO platform and is experiencing immense success within many vertical markets. This translates into substantial growth based on market demands.
BEYOND EXCEPTIONAL: THE VALUE TO CLIENTS

RSM’s finance and accounting outsourcing technology platform is designed to provide clients with real-time, automated reporting that supports informed, sound decision-making.

Clients benefit from state-of-the-art technology tools, a knowledgeable finance and accounting team, and a full range of advisory, tax, and consulting professionals.

RSM’s leaders and staff understand and recognize the value these services offer clients, including:

- Allowing clients to focus on their passion—running their business—by being able to hand over complex, time-consuming accounting work to a team of professionals
- Relieving clients of the complexities of accounting and the stress that comes with keeping up with ever-changing regulations
- Providing clients with a full-time, year-round partner to handle the work and support them with guidance and planning
- Offering a cost-effective alternative to maintaining an in-house accounting department

In addition, the technology enables the firm to collaborate with clients efficiently and provide easy access to information. The scalability ensures that as organizations grow and evolve, the platform has the flexibility to address their requirements.

Cashin stated, “You’ve got a top firm that is able to offer an accounting outsourcing service and technology platform at an affordable fee. In addition, we bring the subject matter expertise that’s available within a firm like ours. This is of great value to our clients.”
EXCEEDING EXPECTATIONS

When asked the question about growth in the FAO service area, Cashin was very clear on the firm’s success to date and projected future success.

“We’ve been growing steadily over the last several years, and our expectation is that this will continue. Clients need this service, and we will continue to invest in it.”

Cashin offered two key reasons for his prediction of continued growth:

1. RSM has built a solid base and has achieved full buy-in from leaders and staff. This makes it easier to roll out in new regions and verticals.

2. The market demand is there.

Cashin added: “It’s exceeding our expectations. Our firm has embraced this capability, and we’re continuing to see the need for it in the market. We’re ahead of the curve in being able to deliver value to our clients. We have such a great team that it makes it fun to provide these capabilities to clients, and our people enjoy learning these new tools and communicating more easily with clients. The sweat equity we put in to make sure we had the infrastructure and capabilities has paid off. Our firm is committed to providing the best service to our clients.”

More than a Hobby

“The challenge that smaller CPA firms will face is that you can’t do this as a hobby. In order to build a business around this [FAO], it really does take multiple capabilities to be able to do it and do it well. You have to have the right technology and advisory resources in place. It also takes ongoing dedication to implement and maintain.”

Firms must have:

- Qualified professionals on staff, not just part-time employees that support FAO as a “hobby” after tax season.
- A deep understanding of how an internal accounting function operates.
- The ability to build a proper technology infrastructure and integrate new solutions as needed to support clients.
- A risk and controls group that can help design the business processes, control touch points, and policies and procedures.
- Full buy-in from the top down; everyone must embrace the service and be dedicated to its success.
- Dedicated marketing resources to get the word out about the service. RSM has dedicated marketing in place, including a blog, social media, and general marketing communications.

At the end of the day, FAO is here to stay, but Cashin cautions that firm leaders must dedicate a great deal of resources and time to ensure service success.

“Financial accounting outsourcing is here to stay, but just because it’s in demand by clients doesn’t mean every firm is ready to offer these services. A lot of planning needs to take place first to make sure that all the pieces and parts are there to support it.”
CLOSING IN ON SUCCESS

RSM is just one example of a firm that is experiencing great success with outsourced accounting.

With so many successful firm models in place to replicate and the breadth of advanced cloud technologies available within the profession, the opportunity for firms to make their mark in the outsourced accounting space is prime.

Firm leaders can move into outsourced areas in practice today, such as transaction processing, payroll, virtual CFO, and business advisory services. In addition, there are also opportunities to expand into other areas such as bank financing, expense reporting, and SALT (state and local tax).

THE TIME IS NOW...

for firms to get into the outsourced accounting game. Never before in the history of the profession has the playing field been as level. Firms of all sizes can harness the power of cloud technologies to offer year-round, high-value client services and operate at peak efficiency. For firms that have yet to make the move into outsourced accounting, it’s time to start on the pathway to greater profitability.

CPA.com forms strategic alliances with leading solutions providers focused on the accounting profession and serves as a value-added distributor of these solutions to CPA firms nationwide. Bill.com, a leading online bill payment application, and Intacct, a leading online accounting solution, are preferred partners of CPA.com.

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