

A white piggy bank is the central focus, set against a blue sky with white clouds. Numerous 500 dollar bills are shown falling around the piggy bank, some appearing to be in motion as if being dropped or blown away. The overall scene suggests financial growth, investment, and the impact of modernization on accounting systems.

Modernizing Your Accounting System Will Affect Both Your Bottom Line and Your Efficiency

BY JEREMY KIECKER, CPA

You provide your patients with the latest technology in hearing aids, why not do the same for your accounting system?

After all, your accounting system is one of the most important diagnostic tools of your business. Not only does it tell you how much money you've made and where it went, it also tells you if all your hard work is paying off—are you being profitable?

This article introduces you to some powerful financial management tools that help you monitor your business, and modernize your accounting system.

In my financial workshops, when I mention storing your accounting “in the cloud,” business owners often ask me to explain. The simplest answer: The cloud is the Internet—it is a subscription-based service delivered in real time over the Internet by offsite providers.

Last fall, I attended a convention in Las Vegas that brought together all the leading accounting firms in the outsourced accounting services industry. The resounding buzzword that presenters mentioned was the “cloud.” Industry experts anticipate that by 2013, most small businesses will be almost completely functioning in the cloud. They suggested we introduce the cloud to our clients, and assist them in the transition.

Surprisingly, your business might already be functioning over 50% in the cloud if you're:

- Using a patient management system such as Sycle.net.
- Accessing your business' bank accounts or credit card statements online.
- Utilizing LinkedIn to promote your business.
- Using a company website for your business.

For the past eight years, our firm (MTK, LLC) has been working with audiologists and hearing aid dispensers nationwide providing the following services:

- Accounting system implementations (typically QuickBooks and Intacct).
- Monthly oversight—clean up the financials prepared by owner/internal bookkeeper, and communicate results.
- Weekly out-sourced bookkeeping services —record deposits, bank reconciliations, accounts payable entry/payment and financial statement preparation.
- Accounting system consultations—review current accounting system and procedures with owner, bookkeeper or CPA.

During the last couple years, the accounting landscape has experienced some drastic changes. The economic downturn has magnified the importance of receiving timely and accurate financial data about your business. This information helps you make important decisions on how to run your business and maximize profits. The key to getting this financial information is having your accounting system at your fingertips—when you want it, regardless of where you are. The days are fleeting when a business has its accounting software installed and accessible *only* on a computer at the office.

Some common pain points our clients have experienced over the last few months using on-premises systems have been:

- **Loss of QuickBooks files:** In the last few months, I have heard of three practices that lost their QuickBooks files that contained years of data. They did not properly back up their systems, and in one instance, the backup became infected. This required rebuilding the accounting system and reentering all the information. Both a time-consuming and expensive experience.
- **Unreliable computers:** Whether the computer is old or isn't functioning properly, a low-performing computer can add a considerable amount of time to data entry tasks, running reports, and accessing the system. A business needs to keep their technology current and running smoothly.
- **Lack of access to financial information when you need it:** Business owners and their bookkeepers have voiced continued displeasure in not being able to access their accounting systems when they need the information. This often stems from their desire to have the access when they are not in the office.

Utilizing the cloud can alleviate some of these pain points you or your accountant may be experiencing. So you might ask, "How can I use the cloud for accounting?" The following are a few options:

- **SaaS Applications:** Intacct, QuickBooks Online, NetSuite and Xero.com are a few of the leading cloud-based accounting systems that you may access from any Internet connection. Monthly subscription fees start as low as \$20 per month per user.
- **Virtual Desktops:** Your traditional software-based accounting systems, such as QuickBooks, Sage and Microsoft Dynamics, are hosted on virtual servers with access through the Internet. Monthly subscription fees start at \$40/month plus the cost of the software. While this is not the conventional method of accounting in the cloud, it is

still considered "in the cloud," and mimics many of the benefits of a fully cloud-based application.

Still not sold? Consider some of these benefits of moving to one of the above solutions:

- **Lower costs**—hardware, servers, software upgrades and IT support can be significantly reduced.
- **Easier collaboration** with business partners, employees and your trusted financial advisor (CPA).
- **Automatic updates**—you don't have to remember to do backups.
- **Ease of implementation**—many vendors have a simple upload process with skilled support.
- **Skilled vendors**—those who offer these services are specialists, so they are very knowledgeable in their specific offering.
- **Performance and delivery**—as long as a high-speed Internet connection is available, top performance can be expected.
- **Faster disaster recovery**—if there is a disaster such as a fire or storm, your downtime will be limited to how long your Internet connection is down.

Of course, with anything new comes concern. To address your concerns, most cloud-based vendors are SAS70 compliant. This means they've met or exceed a variety of criteria including security, availability, processing integrity, online privacy and confidentiality. If you are considering working with a cloud-based vendor, be sure to ask if they are SAS70 compliant.

Specific concerns surrounding the cloud include:

- **Privacy/Security**—your personal computer with your on-premises accounting system has a higher chance of being compromised than your cloud-based accounting system. Most cloud-based systems have multiple levels of security, require password updates on a regular basis, and are SAS70 certified, which requires a higher level of security.
- **Availability/Downtime**—most cloud-based solutions can provide historical statistics on downtime/outages when customers couldn't access their accounting system. Many take pride in stating they have very little downtime (some with less than 30 seconds per day), which will undoubtedly be less than the computers on your premises.
- **Data Ownership**—the information entered into your accounting system is yours. Reputable vendors have fast and convenient download features that give you access to

your information that can then be transferred.

- Tool Robustness—cloud-based solutions offer a large network of third-party add-ons that synchronize with your accounting system to create efficiency and visibility of your business. On-premises software can be limited in functionality due to system requirements that can limit the amount of add-ons that function with the software.

Once your accounting system is in the cloud, you can implement some of the following techniques to continue modernizing your accounting system:

Patient Management Systems

Many practices have enlisted the help of patient management systems to track patients, appointment/testing results, marketing lists and sales information. Some of these systems offer a tool that allows you to synchronize the sales data collected in the patient management system directly into your accounting system—generally QuickBooks. Synchronizing this data can save a considerable amount of data-entry time. The time savings comes from not having to enter the information already in the patient management system a second time into your accounting system.

Another benefit of synchronizing is that it can allow you to track payments from your patient management system to ensure they make it to your bank account. Some practices prefer to keep the patient management system detached from their accounting system. However, linking them together can provide some valuable checks-and-balances to ensure employees are entering the sales information properly so that any holes in the cash collection process are minimal. If you are considering utilizing the synchronization features of a patient management system, we always recommend obtaining help from your accountant or a professional to ensure the process is working properly.

Payroll

Payroll has become more complex with the recent law changes. Navigating the sea of rules and calculations can be cumbersome and time-consuming. This distraction can take you away from the revenue-generating aspects of your business. If you have a bookkeeper, payroll can also consume a sizable percentage of his or her time that could be dedicated to other accounting tasks. Third-party payroll providers such as ADP, Paychex and CompuPay, are cloud-based alternatives to processing payroll internally. Some of the benefits of using a third-party payroll provider include:

- Timely payment of payroll taxes.
- Preparation and filing of quarterly and annual payroll tax returns.
- Direct deposit of payroll.
- Taxing agency notice resolutions.
- Other add-on services such as HR services, group insurance rates, employee benefit plan administration, etc.

Once you've processed your payroll, you can utilize synchronizing tools that transfer the payroll details into your accounting system by the click of a button. The synchronizer will transfer and code each employee to a specific expense account and location. This allows you to generate more detailed financials to monitor the financial health of your business.

Profit & Loss by Location

If you have multiple locations, tracking the performance of each is key to the success of your organization as a whole. Analyzing your business from a consolidated standpoint can lead to problems. On numerous occasions, we've seen that one poorly performing location can lead to the demise of an entire business. If one location is not performing well, you need to determine where the problem is—and remedy it. A profit-and-loss statement for each location can serve as a diagnostic tool to identify where the problem may lie.

Electronic Payment of Bills

With the growing popularity of electronic payment of bills at a personal level, many businesses are now jumping on the same electronic bandwagon. Paying your personal bills through your bank is a convenient experience. However, paying a large number of business bills through your bank can be a tedious process.

Our firm has partnered with Bill.com. This vendor synchronizes with QuickBooks as well as some other popular cloud-based accounting systems. The online product allows you to store copies of vendor invoices in an organized and easily searchable tool. When you receive an invoice, you may upload it to Bill.com, which then links to your QuickBooks for easy data entry. When you pay bills, you access your open invoices through Bill.com, as well as PDF copies of the invoices. You can choose to either electronically pay the selected bills, or Bill.com will mail the checks for you with copies of the invoice so the vendors know how to apply the payments. Setting your vendors up with electronic payment is a relatively smooth process, and appreciated by many of your vendors that prefer to receive electronic payments. This service can be both a document management system, as well

as a bill payment system, thus saving you time from stuffing envelopes and mailing payments.

Utilization of Dashboards

Many accounting packages now offer dashboards. They allow you to pick and choose which financial information you'd like to see on a visually appealing page when you log into your accounting system. Similar to the dashboard in your car, these financial dashboards do a good job of summarizing the information you find most meaningful, so you can pinpoint any problem areas. Now you can address them quickly without having to run a series of time-consuming reports. The most common items found on a dashboard are:

- Checking/savings account balances
- Accounts receivable balance (money owed from patients)
- Accounts payable balances owed to top vendors
- Graphs that show sales by location
- Graphs that show profit/loss by location

Ready to Modernize?

Modernizing your accounting system will save you time and money— and give you a competitive advantage.

If you are ready to modernize your accounting system, how do you get there? For a successful transition, you need to embrace the change. It may sound good, in theory, to update your accounting system, but you really have to be ready for the change. As important, your employees also have to be open to change.

In our experience, when businesses updated their accounting systems, employees were often some of the biggest hurdles to overcome. This resistance often stems from fear of change. Employees may have done something a certain way, even if it wasn't efficient. Changing their procedures may take them out of their comfort zone. Some of the technology advances mentioned above will reduce the amount of time they spend entering data, which then reduces their responsibilities. They may view this reduction of responsibilities as a threat to their employment. However, they often can be addressing more valuable accounting tasks, instead of time-consuming data-entry tasks.

If you rely on an outside CPA for consulting on a periodic basis, make sure they are qualified, willing, and technologically savvy to help you make the transition. If they aren't, you may need to seek an accountant that can help you make the transition, and provide ongoing assistance. Many businesses are transitioning to new CPA firms because they feel

their previous accountant didn't have the knowledge and understanding of the changing accounting systems market. Our firm represented businesses that left their previous CPA because they didn't implement or support QuickBooks, which a large majority of small businesses use.

If you're ready to make the transition, keep these five important concerns in mind when modernizing your accounting system:

- 1. Don't overbuy**—buy what's appropriate for the size of your business or what you plan on utilizing in the next year. While you shouldn't start with a larger accounting system or third-party add-on than you need, you should still think about where you'll be in the next few years. Make sure your accounting system and add-ons have room to grow.
- 2. Get creative**—think outside the box and challenge yourself to use some of the time-saving vendors. We are confident you'll find that they save you time and money, as well as giving you a competitive advantage.
- 3. Do a cost evaluation**—sit down and crunch the numbers. What are the true costs between what you've been using, and what you plan on using? Often your accountant can help you do this analysis.
- 4. Evaluate more than one service**—don't just go with the first option. Weigh the pros and cons of each vendor/service. Look for testimonials, ask tough questions, and test it out before signing on the dotted line.
- 5. Ask for help**—ask your peers what they're using or what they've considered. Ask your accountant what they see other businesses using. Get qualified and experienced people to help you so you don't waste valuable time and money.

With the above advances in technology, business owners and bookkeepers are spending less time on data entry tasks and system maintenance. This allows them to focus on other important accounting tasks that impact the business's bottom line. Keeping up with technology changes has become even more important to the long-term success of a business.

Very important is the effect on your bottom line. Embracing these changes will undoubtedly save you time and money, giving you a leg up on the competition. ■

Jeremy Kiecker, CPA is a manager at PWB CPAs and Advisors. He can be reached at Jeremy.Kiecker@mtkcpa.com