

Client Accounting Services: A New Way to Outsource Accounting

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As a small business owner, you've created a successful model based on your core competency – the product or service you went into business to sell. You are ready to grow your enterprise, but lack the financial or accounting experience to make an informed decision on your next step.

You realize that you need the guidance of an accounting partner to grow, and outsourcing seems like it could be a good answer. But how do you decide which accounting provider is the right fit for your business?

Fortunately, in recent years the accounting industry has developed a services model called Client Accounting Services (CAS) that provides automated technology and affordable accounting guidance. Thanks to cloud-based software and technology, small businesses and nonprofits can now obtain [bookkeeping, accounting and controller services virtually](#), from remote teams of accounting experts.

Client Accounting Services firms come in **several varieties**, with some providing basic bookkeeping, while others provide advanced management reporting and advisory services. Let's review the various CAS formats to determine which one is right for your business.

Outsourcing Offshore vs. Onshore

Your first decision will be whether to outsource to an "onshore" or "offshore" service, or a combination of the two. Onshore outsourcing means your bookkeeper and accountant will both be located in the United States. Offshore outsourcing means your virtual team will be located in another country, sometimes with management services located in the U.S.

The major benefit yielded from offshore services is savings – they're much more cost-efficient compared to U.S.-based client accounting services, but there are some risks and trade-offs involved. Let's take a look at the

dynamics of both offshore and onshore services.

Offshore

Offshore CAS is when some or all of a business's accounting services is farmed out to a foreign entity, which are usually based in India, the Philippines or Central America. While India has been the main offshore accounting hub, outsourcing to Central America is growing in popularity due to the area being closer to visit and in the same time zone as the U.S. Typically, this type of provider is best for large-volume, big-investment services in which businesses are incentivized to take advantage of the economies of scale.

A small business usually would not have the accounting volume to justify the inconveniences of offshore services. For U.S.-based businesses, the time difference makes collaboration with an offshore accounting team inefficient and frustrating. There may be only one or two hours of overlap in the CAS-client business day to have a conversation.

And, if your service provider is halfway around the globe, the one time you can connect each day often occurs at night – after normal business hours in the US.

Additionally, while offshore employees speak English, it is usually not their native language. Because of cultural nuances, it may take two or three conversations to fully understand a question or a problem.

Onshore

There are many advantages of working with an onshore service provider that's based entirely in the U.S. With an onshore provider, a U.S. business owner shares the same native language and culture, and is in the same or approximate time zone as their accounting partner.

This compatibility enables a client to easily access an accounting help desk – essentially on demand and during business hours. Another onshore advantage U.S. businesses have is a well-educated and trained workforce, which is proficient in accounting software and business process systems.

While usually providing superior service, an onshore CAS provider may cost more than an offshore firm. However, most U.S.-based small businesses are willing to pay the difference to avoid the frustrations of working with an accounting team in another country.

Centralized Service Center vs. Distributed Teams in Home Offices

A CAS firm that operates from a centralized service center can complement a small business's in-house accounting staff or act as a virtual accounting department.

A CAS with a service center provides a business with a dedicated team working together, day in and day out, at one location. In this way, a small business can receive a fractional share of an accounting department – *with [GrowthForce a bookkeeper, staff accountant and an accounting manager](#)* – at a fraction of the cost of having full-time accounting staff.



Compared to a decentralized CAS composed of home workers, employees in a centralized service center have more opportunity for individual and group training, closer supervision and exposure to the firm's core values and culture.

As a result, a centralized service center can build a higher-performing, higher-retention team to serve your business. In turn, you will have a long-standing, experienced accounting team that understands your business and continually strives to optimize your financial processes and procedures.

When a CAS firm is run by a certified public accountant, the service center has the additional ability to provide management accounting, management reporting and financial intelligence.

To truly leverage the integration of financial data, a business owner/CEO must partner with a CAS provider that offers customized management reporting to produce company scorecards and key performance indicator dashboards.

These reports, along with the accounting team's guidance, are what help small businesses and organizations understand what drives their performance and profitability to make data-driven business decisions.

CPA Firms Offering CAS vs. Bookkeeping

When reviewing accounting options, it's important to remember that not all CPA firms offer client accounting services. If they do, their expertise may not include management accounting. While many CPAs are currently expanding into CAS, the latest research shows that less than a quarter* of the CPA population offers management reporting services.

*Source: Accounting Today Research January 2015

Historically, CPA firms have offered bookkeeping, but that service has traditionally been After the Fact (ATF). In other words, bookkeeping that is not conducted as transactions occur, but at the end of the month or quarter, ensuring that the books are right for the tax return or the bank.

Because of insufficient training, a bookkeeper typically does not have the skills required to supply management accounting reports and key performance indicators – the information that a CEO/owner really needs to grow a small business.

Furthermore, the traditional CPA-firm model featuring a CPA/partner and a bookkeeper does not provide the mid-level quality control review of an accounting manager or senior accountant. Those positions are hard to fill because of a current shortage of experienced middle-level staff in the accounting industry.

Because of this shortage, CPA firms are finding that bookkeepers are being put in a position of having to answer questions that they aren't trained to answer. On top of that, during spring and fall tax seasons, a bookkeeper simply does not have the time to answer day-to-day accounting questions.

To provide clients with higher-level financial insight, some CPA firms are partnering with CAS service centers to implement the daily client accounting.

By allowing the service center to clean up, catch up and manage the client financials, the CPA has more time to be a trusted advisor on the client's financial management discussions and decisions.

Software Specialization vs. Generalization

Businesses can also select a CAS firm based on whether they need an accounting software specialist or generalist.

A specific software specialist will be adept at the advanced features of accounting software like Intuit QuickBooks®. A small business owner should look for a specialized outsourced accounting service, which uses the same accounting software or one that can convert the business easily to a new accounting system. The best fit is when the CAS firm is an expert in the same accounting system used by the business.

Intuit QuickBooks® is the most-popular accounting software for small businesses, featuring more than 7 million Desktop users and 1.5 million QuickBooks Online customers globally.**

CAS firms specializing in QuickBooks should be staffed with Advanced Certified Pro Advisors to leverage the software and deliver advanced management reporting – providing small business owners financial intelligence such as KPI dashboards, real-time cash flow forecasting and true job costing, and profitability reports.

Larger businesses may need to look for a CAS firm specializing in Microsoft Dynamics 365, Sage or NetSuite, enterprise resource planning (ERP) software featuring customer relationship management (CRM) and e-commerce. NetSuite, a technology enabler, provides an integrated view of core business processes – often in real time.

Some CAS firms may be considered accounting software generalists – a master of all, but an expert in none. A generalist has the flexibility to switch accounting systems, along with the client, but often cannot leverage the power of the software beyond producing basic financial statements.

Quality vs. Cost

CAS firms usually charge a monthly retainer or bill hourly as the services are provided. A fixed-cost retainer relationship allows for a defined service plan, often including a free help desk. Clients are more apt to call their accounting team knowing they are not going to get a bill for the call.

A retainer relationship is generally better for both the client and outsourced accounting firm, since the client can better budget expenses and the CAS can better forecast its workflow. A retainer plan ensures a mutually beneficial relationship, where the CAS is invested in your business and industry. As a partner, the client accounting services firm is constantly investing in finding ways to improve technology and save money for their clients.

Depending on the business, billing hourly may end up costing more in the long run. Like remodeling an old

house, once you get into the project you may find there are hidden issues. This problem is especially true when setting up new accounting systems that require time-consuming, customized software integrations.

**Source: Intuit ®

Strategy vs. Risk



Whether a business uses an outsourcing strategy for client accounting services or an in-house effort for an accounting department, both have some risks. For both, perhaps the biggest challenge in the accounting industry today is finding qualified accounting professionals, especially in the senior accountant and accounting manager/controller roles.

Management accounting is typically the forte of a controller, whose annual salary ranges between \$85,000 and \$125,000. Few small businesses need, or can afford, a full-time controller to provide management accounting guidance. With a CAS firm, a business can get the services of a controller at a fraction of the cost.

How to Lower the Selection Risk

To lower their risks, small business owners must do their homework before hiring an outsourced accounting service, asking the right questions during the proposal process:

- How long has the firm been doing client accounting services work?
- Do you specialize in a specific niche market, industry or software?
- Can you give me some examples/references from clients similar to me?
- How is your CAS firm financed/funded?
- What is the experience of management and my CAS team?
- Is the work supervised by a CPA?

- How will my business's data be protected?
- Who will have access to my financial data, and who can make changes to it?
- What are the responsibilities of my business, the service provider and any third parties, such as my CPA?
- How will you manage the on-boarding transition process, and how long will it take?
- How can we monitor and evaluate the outsourced accounting firm's performance?

Understanding each party's responsibilities from the start of the CAS/client relationship will help ensure its long-term success. Most small businesses find that the benefits of using an experienced CAS firm far outweigh the burden and expense of managing an in-house accounting department. Building and operating an in-house accounting department is a huge expense and effort that is usually too risky for most small businesses.

By providing advanced technology and integrated financial systems, combined with timely, accurate bookkeeping and accounting services, the CAS firm enables reliable month-end closings and financial reporting.

If the outsourced accounting firm also provides management accounting, they can help the business make better strategic decisions that improve performance and profitability. All of this comes with the goal of providing peace of mind, operational efficiencies and financial intelligence to their clients.

GrowthForce operates an onshore, CAS-centralized service center in Houston, Texas, providing outsourced bookkeeping, accounting and controller services for growing businesses and nonprofits. GrowthForce combines advanced QuickBooks accounting system design with a fractional share of a full-service accounting department including a dedicated team of U.S. based bookkeepers, accountants and controllers.

Our staff members are all full-time employees – no subcontractors or part-time employees. Our customized management reporting and KPIs help small businesses and organizations drive performance and profitability through data-driven decisions.