

Technology involved in Accounting Outsourcing

Often it is considered that outsourcing requires a huge amount of investment in terms of human resources, infrastructure, and technology making it a feasible solution only for the larger companies. This is a myth that probably emanated from the fact that outsourcing experiences of only large companies are covered in popular media. This assumption has been proven consistently wrong with fast multiplying instances of small mid market companies outsourcing their back end for fruitful results. Accounting outsourcing has gained rapid popularity (the fast growing sizes of BPOs is a testimony to this). Apart from the cost savings, organizations have seen benefits in terms of accuracy, reliability and proper maintenance of their accounting books.

This transition has been aided by rapidly decreasing technology costs (computers, internet connections and email/data storage accounts) are so much cheaper now, rising reliability of remote access softwares, and ever falling communication costs (thanks to Voice Over Internet Protocol (VOIP) among others. In this article, a brief overview of the different technology aspects related to outsourcing is covered.

There are two basic data items involved in an outsourced accounting process:

- a) Input Documents or Source data like bank statements, invoices, bills, check stubs etc.
- b) Accounting file like QuickBook , Peachtree, and MYOB file

Communication between both ends is another information item that needs to be managed well. However this article covers only the options for handling source documents and acc. files.

Technology Options for accessing the input documents:

- a) Faxed

Data can be electronically faxed to an e-fax number. These faxes then get emailed to service provider as electronic images. This is a useful way when small volume of data has to be sent to service provider from many locations or offices particularly from third party entities like Vendors, customers etc.

- b) Telephone

In this rapidly growing technology world sending data by clicking picture through Smartphones through email attachment is becoming very popular among small clients. It is handy and easy way if the volume of data is not too much and very popular if the client is travelling or on the move on most occasions.

- c) Scanned Form

Scanned documents can be uploaded by the client staff on a website (usually of the service provider). These are then downloaded at the service-provider delivery

centre/office. Alternatively, they may also be picked from the client server or just opened remotely by the service provider' staff. Accessing scanned documents remotely, though the best method in terms of data security, is the least productive method. This reduction in productivity is because the scanned documents open very slowly over even the best internet connections (just do a simple test of opening a PDF file through your browser and compare it against the time taken while storing it first on your PC and then opening it).

d) Online Access

Client can provide online "View Only" access of bank accounts, credit card accounts, utility accounts, mortgage/ loan accounts and other online data. This is most convenient way of providing data as the Indian team is not dependant on the client to provide the data in this scenario. This helps the India team to process data on time and also helps in provided better controls as India team can flag in suspicious transactions, large balance changes quickly. At the same time, this method removes the need for customer to maintain staff for scanning the data and also the hassle of timely sending it. However there will be still data such as Vendor Invoices that may need to be sent to India team through transfer of scanned data.

e) Document Management Software

This method works complementarily too the method outlined in #d above. Online Document Management software has been increasingly popular among businesses across North America. Most software allow upload of scanned data and also provide an Inbox where Vendors can email invoices. The service provider can then access both these data sets (uploaded files and emails) and readily process them. An alternate method is to scan the documents and leave them on your server or PCs which can be synced with the document management software or the India team can upload them there. The benefits of document management software go beyond ease of operations. Better Data back-ups, easy search of historic data, proper indexing of data and a pocket friendly monthly charge instead of upfront IT investments. Another advantage of this process is that customer can provide "View Only – Restricted Access" of each document, so that security and confidentiality of document remains intact.

The first two methods give clear and magnified images while the latter methods are convenient and fast. Further in a high volume process (where the source documents run in-to hundreds), last three methods are definitely the better solution in terms of reliability, image quality and even time.

Technology Options for accessing the accounting file:

Primarily there are four ways by which accounting outsourcing is possible Offline Accounting File Based, Remote PC Access Based, Hosted Software Based, and Online Software Based

Offline Accounting File Based: The accountant works on the backup copy of the accounting file and once the work has been completed the file is uploaded back to the server. The client can download the files and save the updated version of his books. This suits only small businesses with no real-time/daily updating of books. As file size increases due to volume of transactions or when daily updating of accounting information happens, this method is not suitable.

Remote PC Access Based: The accountant connects to the clients' PC using a remote desktop access service like GoToMyPC.com, LogMeIn, Windows Remote Desktop, Citrix WebEx or Secure VPN connection to work on software installed at client's computer. This requires no expensive remote access software. This option will work for small & medium size business where volume of data processing on daily basis is limited or low. A key limitation of this process is that accountant would not be able to do any processing if some problem appears at client's computer, host computer is offline or their scheduled late night updates that restart the computer.

Online Software Based: In this method, the accounting software is a web-based version. So the accountant logs in to the Online Accounting Software (e.g. Quickbooksonline.com, Realpage – Onesite, Appfolio) and updates the books and logs out. The client can login to the online accounting software via internet and see the updated books. This method is the best in terms of processing speed, reliability, affordable and simultaneous use. This option will go with any kind of business from small to large, according to requirements of the firm.

Hosted Software Based: This version is a modified version of the Remote Access based version. The hosting of the software can be in Client Office LANs or in third party hosting service providers such as Personable.com, Smartsheet.com. Hence the service provider access these hosted files through a Windows RDP. This method works best if the clients have a good technology team (in house or outsourced) that can resolve issues related to server that arise while work is being done. The hosted server option is increasingly popular among clients who want to have the reliability of a server hosted in a data centre while retaining the full features that a server based software license provides. This option suits only medium to large sized firms with large volume of transactions to be processed on daily basis.

All these options do not require a huge amount of investment or any major changes in your IT setups.

Technology Options for communicating with your accountant in India:

1. Email Based Communication

You could communicate with the accountant through either service provider email IDs or provide them email IDs hosted in your domain (your company email IDs). More than 90% of the communication happens over emails.

2. Messenger Based Communication

Our accountants can be extensively reached through Skype, Google Chat, Google Hangouts and other Instant Messaging Tools. The advent of messengers on mobile has made reaching out to our team while on the move possible.

3. US Phone Numbers (with Voicemail)

We have multiple US based phone numbers that land up at our office in India. For larger clients, we also provide dedicated team specific US phone numbers for easy communications. This is mostly useful in processes where the team works in an overlap with US team.

IT Hardware Requirements

The IT hardware requirements at the server level or at the PC level are not very high. We recommend clients have Windows 7 or later operating systems, Microsoft Office 2007 or later office versions, good scanner, 2GB or higher RAM, and a medium speed processor. The IT requirements are similar to the requirements while working at office in US.

Data Security

Data security is one of the most important factors that come into play while evaluating your outsourcing accounting needs. It is of utmost importance that necessary steps have been implemented for data security. Encrypted technology be used to make sure there are no breaches in your private information. The remote access software should not allow for copy or transfer files from client computer to service provider systems.

Certain other steps such as signing Non-Disclosure Agreements with the service provider, using 128-bit encrypted servers for storing accounting data and having a paper-less office should be considered.

In sum, the plethora of different technologies- remote access, scanning, VOIP communication and document and work-flow management helps in making outsourcing work for small businesses.

Some recommended security measures that could be adopted while using outsourcing:

- Different passwords for different username have to be provided, so that privacy among team members can be maintained.

- Restriction of accessible drives, Internet access, files on remote connection should be implemented.
- Limitations of access in the software as per requirements of the process to avoid unnecessary digging of the data by the user.
- Customer can provide “View Only” access of documents as much possible, it will restrict user from copying the data.