

ASSESSING YOUR ACCOUNTING AND FINANCIAL SOFTWARE



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BUSINESS ADVISORS CPAs CONSULTANTS

HAVE YOU OUTGROWN YOUR OLD ACCOUNTING SYSTEMS?

5 signs your accounting system is holding you back

As the size, complexity, and pace of your business grow, the frustrations can multiply. That accounting system you relied on to manage finances and operations has, over time, gradually become a barrier to growth and efficiency. But in a highly competitive business climate, you can't afford spiraling overhead costs, functional limitations, and unnecessary risks.

Have you outgrown your accounting system? Take a look at these signs to see if your accounting system is holding you back and learn what to look for in a best-in-class, cloud-based financial management solution that can transform your business.



SIGN NO. 1: YOU'RE ON AN OLD ACCOUNTING SYSTEM RELEASE

With so many pressing responsibilities, it's no surprise that many finance departments aren't necessarily laser-focused on the state of their software infrastructure. In fact, it's not uncommon to find companies that haven't touched their accounting systems for years. But that benign neglect can mask significant risks. An outdated—perhaps even unsupported—software platform can translate into reliability and downtime problems and security vulnerabilities. And the costs of maintaining a legacy system quickly increase.

Is Your Accounting System Failing You?

It's easy to feel trapped. Companies that are saddled with outdated accounting systems find that upgrading their legacy software is too difficult, costly, and time-intensive. There's "no easy way up" because they often lack the IT resources to upgrade related software, databases, and operating systems that are required for the upgrade. Additionally, they need to rewrite customizations and integrations. The result: many companies forgo the cumbersome upgrade process and "make-do" with the risks and inconveniences of outdated software. Even when they do bite the bullet and upgrade, they find the updated accounting system still lacks key features, requiring them to continue with the workarounds.

THE TECH SAVVY CFO

Not all cloud financial management solutions seamlessly maintain customizations from older releases. Find out how frequently your vendor releases new versions and how upgrades are managed.

What Best-In-Class Financial Management Solution Offers

A best-in-class financial management solution ensures you'll always have the latest release. Be sure to look for:

- Touch-free upgrades deployed and managed by the vendor—no IT resources needed
- Faster deployment and virtually zero unplanned downtime to accelerate your ROI

HAVE YOU OUTGROWN YOUR OLD ACCOUNTING SYSTEMS?

SIGN NO. 2: YOU'RE HELD BACK BY DISCONNECTED SYSTEMS AND PROCESSES

Finance works best when it works in seamless collaboration with other departments and functions. Unfortunately, legacy accounting systems often aren't well-integrated with other enterprise tools and systems—including commercial applications and custom-developed software. That often leaves you trapped in manual processes, spreadsheets, cumbersome workarounds, and slower workflows as you manage conflicting formats and rekey the same data in multiple systems.

Is Your Accounting System Failing You?

The cost of integrating your on-premises financial management system with various applications and databases can be prohibitively high, forcing finance into the "million spreadsheet march" for crucial tasks like enterprise consolidations and revenue recognition. If you do bite the bullet to fund your enterprise integration, you're often trapped in a constant maintenance cycle, where every new software upgrade breaks your integration.

THE TECH SAVVY CFO

Beware of the promises of "suite" vendors that tout a unified solution for all your business software needs, including financials. A single-solution approach exposes you to many pitfalls, including one-size-fits-all technology adoption that may not be the right fit for your company. Instead, look for a best-in-class cloud financial management solution that easily and seamlessly integrates with your choice of systems and tools to meet your business needs today and beyond.

What Best-In-Class Financial Management Solution Offers

Integration is a high-priority value for a best-in-class cloud financial management solution. Be sure you look for:

- Deep, prebuilt integrations with key applications (such as CRM) to automate mission-critical workflows like order-to-cash
- The ability to integrate on-premises and cloud applications
- The option to integrate in phases

SIGN NO. 3: YOU CAN'T KEEP UP WITH BUSINESS EXPANSION

As you add business units and expand into new markets and geographies—or even add entirely new lines of business—the burden on finance can quickly become overwhelming. Soon enough, you're handling new subsidiaries with more currencies, tax jurisdictions, regulatory frameworks, sales channels, and product costs. If you're growing through acquisition, the added complexity isn't gradual—it's immediate.

Is Your Accounting System Failing You?

Unfortunately, legacy accounting systems weren't designed to support the fast growth and expansions that smart businesses are pursuing. They're typically ill-suited to add entities quickly. If you're acquiring business units, you may be trying to stitch together a consolidated view across entities that use different accounting systems. That leaves you unable to track costs of different lines of business or services projects. Soon, you're hiring more people just to keep up with transaction volumes.

THE TECH SAVVY CFO

Plan for the future. Determine how easy (or complex) it is to add entities in the future—and whether you'll get the reports and visibility you need across your business.

What Best-In-Class Financial Management Solution Offers

A best-in-class cloud financial management solution is designed to grow with you and let you:

- Quickly streamline financial consolidations
- Enforce a shared chart of accounts across entities
- Gain detailed visibility across all entities
- Easily share workflows and data in real-time—anywhere, anytime
- Perform financial closes significantly faster

HAVE YOU OUTGROWN YOUR OLD ACCOUNTING SYSTEMS?

SIGN NO. 4: NEW BUSINESS REQUIREMENTS AND REGULATORY COMPLIANCE ARE DIFFICULT OBSTACLES

To keep up with customer demands and expectations, many businesses are experimenting with new revenue models and alternative business structures. One of the most important new developments is the subscription business model, which is increasingly popular across many industries from software to services. However, that's placing new demands on finance, because the billing and revenue-recognition requirements for subscription businesses are more complex.

Is Your Accounting System Failing You?

Unfortunately, when your traditional, outdated accounting system was implemented, these new requirements and rules didn't exist. Attempting to bolt on or retrofit support for these sweeping changes is either painful, expensive, or impossible, because your accounting system, was never intended to do so. The result: You're forced to use manual processes (and countless rogue spreadsheets) to support these new ways of doing business. As any finance pro can tell you—that's an open door to increased audit risks and billing errors.

THE TECH SAVVY CFO

Test your cloud accounting vendor's track record. Ask about the most recent product innovations that matter to you.

What Best-In-Class Financial Management Solution Offers

A best-in-class cloud financial management solution should adapt with your business as it changes by letting you:

- Quickly add new capabilities made available by rapid vendor innovation
- Deploy new capabilities without rewriting customizations or integrations
- Support flexible subscription models that let you buy what you need as you need it

SIGN NO. 5: YOU AREN'T ABLE TO FULLY TRACK YOUR BUSINESS

Business success depends on the ability to see what's happening in all areas of your business, especially if your operations or market conditions are changing rapidly. You need a holistic view of everything from bookings to available capacity to inventory levels and, of course, financial metrics. You can't make informed, timely decisions if it takes weeks to assemble, present, and analyze that data. Today, more people in your organization need better reports, and they want those reports faster than ever in real-time dashboards that show key metrics and enable you to drill down for details.

Is Your Accounting System Failing You?

Chances are, your legacy accounting system is still operating in batch-processing mode—slowly and with no real-time visibility—simply to deliver rigid financial reports. Even in the best case, you're forced to rely on third-party reporting and analysis tools to get even basic answers. You're unable to create new reports, ask new questions, or customize your old reports to reflect changing business needs. You can't support the self-service capabilities that business users want. That's not the right direction for your business.

THE TECH SAVVY CFO

Ask to see the drill-downs and rollups you need for your business based on location, line of business, and entities. Look for the flexibility to analyze different cuts of data in real time.

What Best-In-Class Financial Management Solution Offers

A best-in-class cloud financial management solution is all about visibility by providing:

- Instant reporting and dashboards with drill-down across all entities based on real-time data
- Tracking of operational, statistical, and financial metrics that matter to your business
- Self-service, customizable reports and dashboards

EVALUATING YOUR CURRENT SITUATION

THE NEW MANDATE FOR CONTROLLERS—AND CFOS

As the office of the controller becomes ever more strategic—creating higher levels of financial visibility to help drive growth and profitability—the financial organization's relationship to the controller role must evolve as well.

Specifically: Today's CFO needs to work closely with the controller to ensure that, one, the organization gets the full benefit of the controller's talents and knowledge and, two, the controller's office is operating at the highest levels of efficiency and accuracy.

Ask your controller the following five questions to initiate a conversation around best practices.

1. How many manual journal entries are we making during the closing process?

An excessive number of manual journal entries needlessly extends a closing period, and can also be a leading indicator of lurking problems. Excessive journal entries can conceal anomalies and errors that actually have broad, systemic roots. You may be plagued with variable accounting processes—or a level of complexity that calls for revised standards.

To optimize the closing process and reduce the incidence of manual journal entries, you and your controller can consider implementing these best practices:

- **Create comprehensive policies:** First, carefully define and document your accounting policies. A growing company's policies often evolve ad hoc. Auditors, however, want clear, coordinated policies, rules, and procedures that everyone follows—especially when there are complex, nuanced issues such as revenue recognition.
- **Work with auditors:** What exceptions are they uncovering? Your auditors can be an excellent source of external feedback. Review your accounting policies with them, and seek their agreement prior to the actual audit. Also, consider grouping your key transactions together, with policies documented, to speed the audit review and minimize objections and questions.
- **Formalize the process of manual journal entries:** You won't eliminate manual journal entries—nobody can—but you may reduce them by formalizing the process. Part of the answer is automation, which will help enormously. You should also devise rigorous processes that discourage manual entries, and ask your team to seek alternative ways to account for recurring period-end adjustments.
- **Store documentation with manual entries:** Require that the accounting team capture and store supporting documentation alongside each manual entry. Months later, when questions about long-ago transactions arise, you'll be able to quickly and efficiently retrieve answers that boost your auditors' confidence.

Key takeaway: Use audit difficulties and exceptions to identify areas needing policy definition, process improvement, and automation.

2. Have you reviewed compliance with local jurisdictions?

As one of the few people with a direct role in virtually every transaction that flows through the corporate accounting structure, the controller can—and should—play a central role in identifying and minimizing the company's risk exposure. This is especially critical for growing companies, whose regulatory compliance risks steadily increase in magnitude and quantity over time. The following best practices can help your controller steer your company clear of unnecessary risks.

- **Create a risk framework:** Assemble a team to identify the most likely sources of risk, including regulatory compliance, and develop plans and processes to limit your company's exposure and mitigate the effects of a failure. Give the controller a leadership role, and review this plan together often.
- **Conduct regular risk reviews:** Create a series of checkpoints, duties, and regular meetings to stay apprised of the above efforts and to review new and evolving compliance requirements and related financial controls. For instance, you can review everything from insurance policies to contract sizes in a regular meeting. Every person in the company has some role to play in safeguarding the company against risk. Operate under the principle of "trust but verify."
- **Ensure local jurisdiction compliance:** As your organization expands to multiple jurisdictions, the complexities multiply. The primary challenges involve taxation—including corporate taxes and payroll. An international presence adds still more complexity. You and your controller must give careful thought to how local entities are created and operated so you can minimize tax impacts and ensure proper compliance.

Key takeaway: Create a central review process to ensure the right controls are in place.

EVALUATING YOUR CURRENT SITUATION

3. How long does it take to close our books? What's holding things up?

The best measure of controller efficiency is how quickly and accurately the team closes the books. Start with strong planning and preparation, such as handling all billing and expense issues prior to the period-end. Automation is also essential—it provides the desired speed, efficiency, and accuracy without increasing staffing levels.

A fast close enables the accounting and finance team to move beyond merely reporting results and into forward-looking activities that can shape future outcomes. You and the executive team need financial information as soon as possible to make any necessary course corrections. This information includes traditional financial statements (income statement, balance sheet, and statement of cash flows) as well as operational reports and detailed analyses of business results.

- **Create a closing scorecard:** In addition to tracking the number of manual journal entries, monitor the number of expense reports, accruals, bills, and invoices that your finance team must process. Consider creating a simple scorecard to measure your progress and to understand where the bottlenecks are occurring.
- **Create a flash close report:** To buy the team a little time and appease investors, lenders, and executives—who typically want period results immediately—consider creating a one-page “flash close report” in as little as two days (as compared to the 10 to 15 business days most accounting teams require to close their books). This report can cover 10 to 12 key metrics and balances, such as revenue, bookings, AP, AR, DSO, cash balance and burn, key customer adds and churn, and others.
- **Automate for speed:** In general, manual entries and workarounds are red flags for auditors because they are an open invitation to policy deviations. Automated processes enforce your accounting policies—while also increasing closing speed and reducing errors.
- **Know the forecast:** Knowing the next quarter's forecast better enables the controller to spot errors and issues because unexpected actual results (positive or negative) will stand out. The controller can then investigate and provide commentary prior to closing the books. When the accounting team is able to detect problems early, it simplifies matters for the finance executives and the board.

Key takeaway: Create a central review process to ensure the right controls are in place.

4. Are we still using Excel? If so, why?

The continued use of Microsoft Excel may reflect a sort of “inertia” based on inexperience with other tools, or just plain comfortable familiarity. While there are many reasons to limit Excel use in corporate accounting—such as its inherently breakable models, security issues, and lack of shareability—it can still be useful to controllers in certain situations. Love it or hate it, Excel has been—and will likely remain—one of the go-to components in every accountant's toolkit. Just make sure you're clear on why you are using it.

Some of the best practices for using Excel include:

- **For isolated tasks:** No company should rely on Excel as its financials backbone. However, for tasks such as manual journal entries, sub-ledgers, prepaid expenses, deferred revenue, and support schedules, Excel can serve a limited purpose—as long as you base these activities on data from your primary financial system.
- **As an ad hoc reporting tool:** It's okay to use Excel as an ad hoc tool to accept data exports from your financial system for some off-program analyses, modeling, and simulations. But a company's financial “truth” should always come from a system that stores all data. When a colleague emails you a spreadsheet that has conflicting or outdated data, you'll spend more time reconciling the numbers than acting on the information.
- **For ancillary reporting:** Multi-user corporate accounting systems have their own native reporting facilities, but sometimes controllers prefer the familiarity of Excel for reconciliation reports, creating flash reports at period end, modeling various forecast scenarios, and similar forward-looking reports. There's little downside to doing so.

Key takeaway: Excel can be a valuable tool for specific, limited purposes.

EVALUATING YOUR CURRENT SITUATION

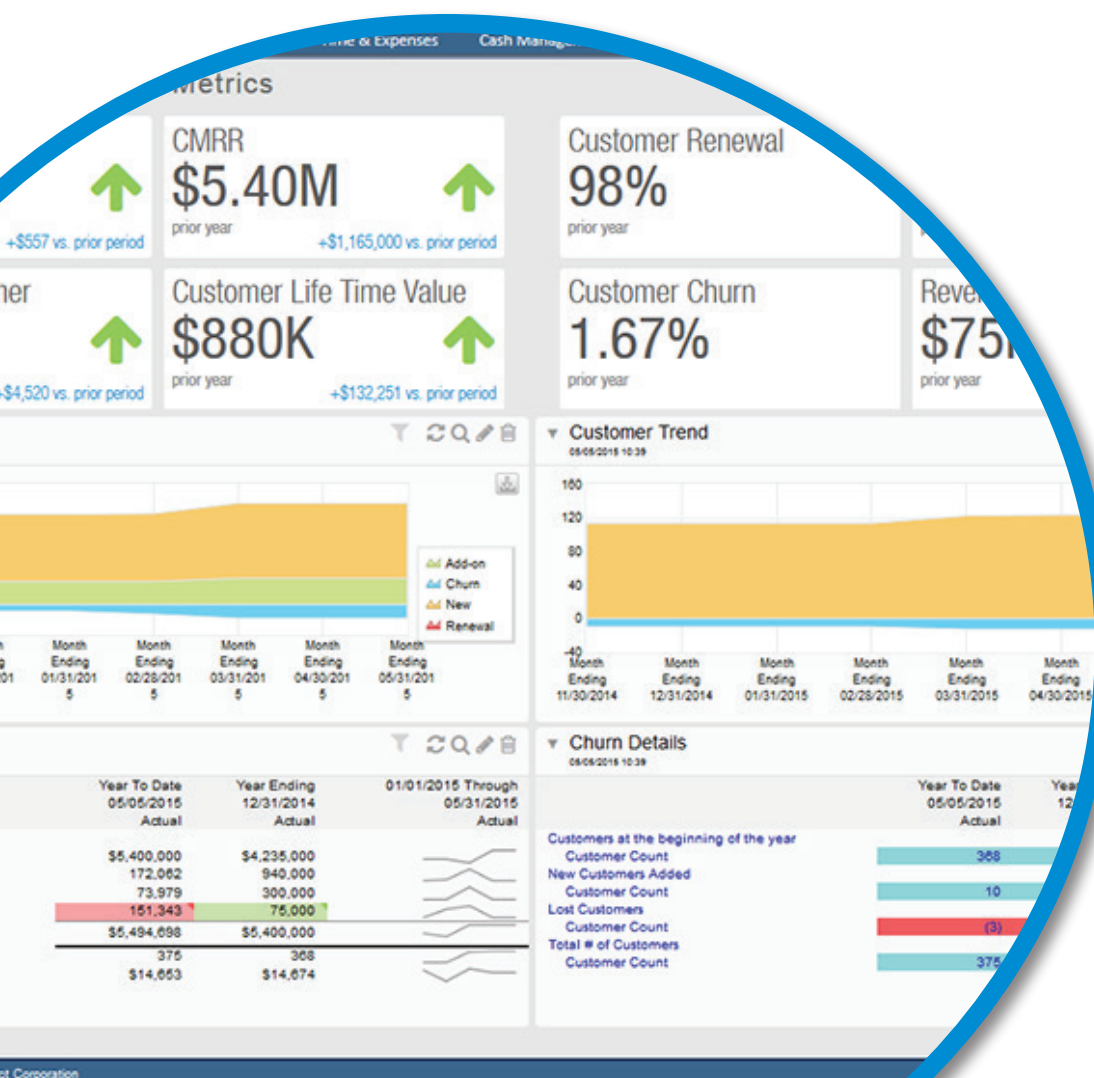
5. Can we integrate our financial information and our operating metrics?

Because many financial systems can now accommodate analyses of operating metrics to create a richer, fuller picture of the business, the controller is assuming a role as the provider of financial visibility—this was once the domain of financial planning and analysis (FP&A) teams or the CFO.

Merging financial data and operational metrics could help your organization in the following ways:

- **Spot the opportunities:** By virtue of their intimate involvement in virtually every accounting transaction, controllers have a unique perspective on corporate performance and should be able to identify subtle (and not-so-subtle) opportunities to maximize revenue and minimize expense.
- **Emphasize operational metrics:** The rising importance of operational metrics gives controllers the ability to collaborate with other areas of the company to manage their functions in non-financial terms. Examples include product shipments, raw-material inventories, delivery performance, returns, customer acquisition cost, churn, and more. Ultimately, these operational metrics reconcile 100% with GAAP financials.
- **Establish the financial truth:** A single, merged reporting system ensures everyone works from the same playbook. If you have two or more reporting systems, you will spend unproductive time reconciling differences and untangling conflicting definitions. Revenue may be reported differently for GAAP, sales compensation, and board reporting purposes, but should all be sourced from the same system.

Key takeaway: Implement a single reporting system to eliminate unproductive reconciliation time.



CHOOSING THE BEST SOLUTION FOR YOUR FUTURE

In today's complicated business climate, is your accounting software helping you grow and compete, or holding you back? Understand if it's time to make a move.

If you are considering a new financial management system, there's one decision you can and should make early on:
Which delivery model will provide the highest ROI for your organization?

Here's an overview to help you understand your three main options:

	On-premise software	Hosted software	Cloud computing/SaaS
Application development	Developed for the 1980s innovation of client/server, Windows-based computing	Runs on-premises software in a third-party data center and adds a layer for online delivery (e.g. Citrix)	Developed from the ground up for online delivery (developed in the age of the internet, for use with the internet)
Deployment	Installed on the customer's own hardware	Installed on a third-party vendor's hardware; delivered via an internet connection	A single vendor both develops and operates the applications; delivered via an internet connection
Implementation	Usually 3-6 months	Usually 3-6 months	Usually 6-12 weeks
Customization	Can be expensive and time consuming; risk of "dead-end" customizations that break when new versions of software are released	Same as on-premises	Clickable configurations replace costly customization and do not break with application upgrades
User interface	Designed for Windows machines in a client/server environment, and not always optimized for ease of use and learning	Same as on-premises, with an extra layer for presentation (e.g. Citrix)	Designed from scratch for the Web environment, to match the paradigm users expect and are familiar with. Built from the ground up to be easy to use on multiple devices, with multiple operating systems.
Upgrades	12+ months	Same as on-premises	Generally quarterly
Integration	Difficult and expensive	Same as on-premises	Readily available via application programming interfaces (APIs)
IT Support	Generally provided by the customer	Same as on-premises, but complicated by existence of third-party hosting vendor	Generally included in the package from vendor
Multi-tenancy	Not multi-tenant; each instance of the application requires its own hardware/software/networking environment	Same as on-premises	Applications are designed to be multi-tenant
Hardware requirements	Requires a specific operating environment	Same as on-premises; users typically limited to Windows only	Delivered via a Web browser so generally operating system- and browser-agnostic
Accountability	Vendor is responsible for the software; IT department is responsible for operations	Hosting provider and software developer are two different organizations so accountability is complex. IT department is still responsible for operations.	One vendor provides end-to-end solution so accountability is inherent

WHAT DOES THIS MEAN FOR ME?

Business success is often predicated on the ability to look backward and forward. You need to know what has happened—good or bad—and assess your company's performance clearly. The tech-savvy CFO strives to go beyond plain old "reliable financial statements." Instead, she wants to use technology to create management insights that identify problems and opportunities faster.

A tech-savvy CFO empowers everyone to dig deeper and understand the true nature of the business results and uncover new opportunities—all drawn from a single system of record. And it's a wise and secure CFO who is comfortable with delegating this level of empowerment, while still retaining control.

Technology gives new power to interrogate—your business, your projects—in ways that will never happen with spreadsheets or other manual systems. (When it's time to tell the board what you've found and what needs to happen, do you want to be praying that every cell in every spreadsheet is exactly right?) Your business can't prosper until you find and address the root causes of its challenges. That's why visibility—not merely reporting—is an imperative for CFOs.

Legacy accounting systems have served many organizations well for many years. However, they were designed and implemented to meet the finance and accounting challenges of yesterday—they lack what most forward-looking businesses need for today and tomorrow. That's because modern finance requires you to perform financial closes faster, to capitalize on automation to process transactions more efficiently, and to deliver deeper business insights in real-time across the organization.

Evaluating your current systems with your controller or finance leader will help create a stronger, more effective financial structure. In fact, your entire organization will benefit from a finance team that understands and controls sources of financial risk, implements more efficient processes, and develops deeper insight into both the financial and operational metrics of the business.

As you consider your alternatives for modern finance and accounting, cloud financial management solutions emerge as a compelling choice because they're designed to not only meet today's business's needs but also to adapt as your business grows. By moving to a best-in-class cloud financial management solution, you'll gain time to be more strategic.

You shouldn't settle for a system designed for the past. Doing so puts your company and your finance organization at risk of being left behind. 82% of CFOs surveyed wish they had switched to cloud-based financials, in particular, Sage Intacct, sooner. Now's the time to move your company forward with Sage Intacct, the only cloud finance solution endorsed by the AICPA.



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AICPA

Business Solutions

Preferred Provider of Financial Applications

Sage Intacct's impact on your day-to-day can be

TRANSFORMATIVE

“With Sage Intacct, our leadership team has started to use more and more reports and is employing an increasingly data-driven approach for every business decision. Now everybody sees the same data, and we have much better information with which to collaborate and make decisions.”

Mike Munson
Controller, STS International

“Sage Intacct's multi-entity architecture makes consolidations a breeze for us. And because it lets us “set and forget” recurring journal entries for fixed assets and depreciation, we've been able to cut our monthly close in half.”

Gina Keller
Director of Accounting, SevOne

“We had been using an on-premises system and found that it could no longer support our accounting needs as we grew. We decided to move to the cloud so we could implement a streamlined electronic process, while avoiding the headaches of traditional software installation. We found that Sage Intacct offered significantly greater flexibility to support the specific needs of our organization.”

Jodie Mote
Treasurer and Controller, UAB Educational Foundation

sage Intacct



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