

# **Setting a Goal for True Client Collaboration**

*How to build a better client accounting model*

**By Darren Root**, CPA, CITP, CGMA  
Managing Partner, Root & Associates, LLC  
CEO, RootWorks, LLC

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## Introduction

The client accounting model has evolved a great deal over the years. In fact, over the span of my 30-year career, the profession has transitioned from a completely paper-based model to one that supports a highly efficient digital workflow. However, somewhere along the way, the accounting firm has lost control of the process. Today, there is a better client accounting model—one that supports maximum efficiency and puts the accounting professional back in control.

Let's look back for a moment. Years ago, the client accounting process typically included such items as cash register receipts, paper sales tickets, handwritten checks, and black binders that housed journal entries and the general ledger. You might also recall that financial statements were typically banged out on an IBM typewriter. Journals and ledgers were generally maintained in the accountant's office, while clients were responsible for generating source documents. Despite a slow and paper-heavy process, this model allowed the accountant to control the general ledger—therefore controlling the client accounting process.

In the 1980s this all changed with the advent of personal computers in small businesses (SMB). SMB-friendly applications like QuickBooks® made their way into mainstream American businesses, allowing owners to handle accounting tasks. What evolved was a generation of SMB owners (those without the necessary accounting skills) who took control of their general ledgers.

Write-up services over the next 20 years completely changed for accounting firms. The accounting professional went from having control of the general ledger and performing after-the-fact data entry to receiving data files from clients that required a great deal of clean up. Many traditional write-up clients felt that the information they created within their accounting application was substantial.

Today's firms are all over the board in relation to process. Some clients drop off backup data to the firm, other clients use a firm's portal solution to exchange data, and still other clients have their accountant come to their office and make adjustments while on site. Once data is received, some firms re-key data, rendering the client's data file obsolete. Other accounting professionals make adjustments to live data and return the file to the client, and others will make adjustments to data and then return adjustments to the client. With any of these scenarios, the process is inefficient and carries great risk for error.

This evolution in process control has created a major challenge for accounting professionals, and a resolution is required. This white paper offers information on building a better, more sustainable client accounting model. The following areas will be addressed in detail:

- **Building a Better Business Model – First Steps**
- **Putting the Pieces Together**
- **Executing Your Model**

## **Building a Better Model – First Steps**

Over the past 20 years or so, many changes to the accounting process have been hoisted on the profession—and as a group, we have not adapted well. This is nothing new, however. Accountants are very busy, and simply don't have time to step back and create a strategic business model and then execute it to an entire client base. It's an ongoing struggle.

What firms require is a well-documented and tested model, which is outlined in the remainder of this white paper. This is not to say that establishing a strategic client accounting model won't take time and effort; it will. However, with a better understanding of how to move forward, the transition will be easier.

### **Key Terms**

Before diving into the process steps, it is first important to understand a few key terms to ensure that everyone is on the same page:

- **Bookkeeping**—A service where the accounting firm initiates the source transactions for the client: typically accounts payable, payroll, general ledger, financial statement preparation, and tax compliance services.
- **Write-Up**—A service where the client initiates the source transactions and has the accounting firm (typically monthly or quarterly) manage the general ledger, prepare financial statements, and provide tax compliance services. The accounting firm usually provides payroll services in conjunction with the write-up service.
- **Annual Business**—A service where the client maintains accounting records year round and the firm annually provides clean financial records, and sometimes financial statements and tax compliance services.

Before implementing a strategic client accounting model, it's critical to evaluate your overall client base. By reviewing your clients, you get a clear picture of current services offered and how they are being performed in your firm. Think of this step as taking inventory of your clientele. Once you understand who you are serving and their needs, you will be better equipped to implement a proper model.

### *The Ideal Model - Collaboration is the Goal*

I want to be clear that it is **the accounting professional that should design the client accounting model**. And for most firms, this is not the case. In fact, if you really look at the services you are performing, it's more likely that your clients select their own accounting software and provide you with data at their discretion—data that is all too often in disarray. This does nothing but create chaos for firms, yet most firms allow this process to continue.

It's time for a proper model—one that supports a collaborative process and puts the accounting professional back in the driver's seat. Ideally, we want to collaborate with our clients in a common data file. This means no more passing data files back and forth. Instead, firms have 24/7 online access and the ability to work within the client's data whenever needed. This also eliminates waiting on clients to provide the data required to complete work.

#### **Collaboration with Clients**

“As we think about our service offerings, we begin with the common goal of designing services to support collaboration with our clients. This means selecting the right technologies to support this goal.”

—M. Darren Root, CPA, CITP, CGMA  
Managing Partner, Root & Associates

To take this a step further, the ideal model also offers immediate access to a client's source documents. Imagine how easy this would make adding fixed assets to depreciation schedules or locating needed items such as loan information in real time (instead of waiting for the client to fulfill the request). Finally, consider the value of delivering the client's financial statements instantly via portals on the firm's website, offering elevated client service and consistently promoting the firm's brand.

A major flaw of today's accounting professional is a desire to be all things to all clients. To run a highly efficient practice, this is not possible. As the accounting professional, it is our duty to lead clients in the direction they should go, and that includes supporting a client accounting model that allows the firm to define a standardized process. If you are to apply the model offered in this white paper, you must accept the role of leader.

## Putting the Pieces Together

It's now time to review the individual pieces of the model. This section offers a step-by-step approach to the client accounting model used within my own firm, Root & Associates LLC (Root).

### Step 1 – Start with a Client Inventory

At Root, we started by taking an inventory of our business clients. To organize, simply create a new Excel spreadsheet. List all business clients in the first column (be sure to leave room at the top for headings). Also, separate bookkeeping, write-up, payroll, and annual business clients into individual sections.

Across the top of your spreadsheet, create headings that represent the solutions your clients are using and where that solution is located. For example, if the client is using QuickBooks on their own computer, be sure to note this information. If the client is maintaining paper copies of their documents in file cabinets, note that as well.

#### Take Your Time Putting the Pieces Together

“Time, effort, and patience are required when implementing a new client accounting model. Following a structured set of steps will help keep your firm on track and ensure proper follow-through.”

— M. Darren Root, CPA, CITP, CGMA  
Managing Partner, Root & Associates

### Step 2 – Select the Right Technologies

Based on the core tenet of “leading our clients,” our firm researched several solutions and technologies that would allow us to easily collaborate with clients, while maintaining the leadership role. The following are the technologies researched and selected to be part of the Root system.

- **Hosting and Cloud-based Solutions**—We identified that most of our small business clients used QuickBooks, which works well if managed by a trained professional. By offering QuickBooks in either a hosted environment or using QuickBooks Online (the Cloud version), both the client and accounting professional have immediate, real-time access to data and can easily collaborate on work.

Moving client accounting software to a hosted environment or to the Cloud is a game-changer. It means that firm staff can access and clean up client data when needed instead of waiting for backups. It also allows staff to access current information to perform tax projections. And the list of benefits goes on.

- **Paperless Document Storage**—To ensure immediate access to client data, documents must be tied to the client accounting system in use. We identified that our document storage application had to be in the Cloud and seamlessly integrate with the client accounting solutions in use. The following are three of the profession’s leading Cloud-based document storage systems that are part of the Root model:
  - **QuickBooks Document Attach Feature** allows you to directly attach documents right in QuickBooks.
  - **SmartVault** supports full integration with select client accounting systems—enabling our firm to access client documents from within either system at any time.
  - **Bill.Com** supports a paperless accounts payable and accounts receivable process for clients. Tight integration with the client accounting software supports a true paperless workflow process.
  
- **Paperless Payroll System**—With so many technologically advanced payroll solutions available, payroll represents a lucrative revenue stream that requires little support to execute. As such, Root added payroll to our list of comprehensive, client-required services. When selecting a payroll solution, consider the following attributes:
  - **Data Gathering** is a feature that enables clients to login and perform such tasks online as entering payroll hours, applying employee changes, and adding new employees.
  - **Paperless Processing** is a function that allows seamless transfer of data, eliminating manual re-keying. Other important functionality that will support a standardized workflow includes direct deposit and paycards.
  - **Document Delivery** is a function that supports seamless delivery of files, including employee paystubs to secure online employee portals and reports to the client’s separate portal.
  
- **Portals**—Delivery is a critical component of the client accounting model, supporting efficient, effective communication with clients and driving them back to your website time and time again (building brand loyalty). Portals support real-time, online distribution of client files. Depending on the portal solution you choose, functionality ranges from simple document delivery to secure file exchange and integration with payroll software for online time entry.

### Step 3 – Getting to a Defined Model

After identifying the right technologies to support your internal workflow, go back to your Excel document and create a new set of column headings that indicate the solutions you feel best serve your client base. With this added information, you now have “the big picture,” offering consolidated information on all your business clients by type, an inventory of solutions clients are currently using, and a draft of the solutions your firm requires. This serves as the initial draft of your new business model.

### Step 4 – Refine Your Model

The next step is to implement your newly developed model. Don’t expect everything to run smoothly right out of the gate, however. Know that it will take time and effort to get your firm running efficiently. Over the next few months, you will need to evaluate your model, identify issues, and work to apply needed resolutions. Take the time required to work out the kinks before executing your client accounting model to your entire client base.

## Executing Your Model

Designing a business model is the easy part; executing the model is where “the rubber meets the road.” At this point, you have your model defined, have worked out the kinks with your staff, and are ready to execute.

It’s best (and easiest) to start with new clients, so as you meet with prospects, articulate your new model and the value it offers.

One key obstacle to mention is price. Despite the long list of benefits your new model offers clients—including anytime-where access, regular data backups, and the convenience and efficiency offered via an online process—ultimately, clients will ask: “What does it cost?” With this in mind, be sure to think through your pricing strategy before executing.

Cost is where most firms fall down. Before speaking with clients, assess the cost of adopting your new model and build that cost into a fixed service fee. Articulate to clients that the online solution is “free,” while the fixed fee covers the cost of accounting services provided. Clients won’t say ‘no’ to free!

#### Don’t Lead with Cost

“When executing a business model, take the cost of adopting your model out of the equation. Don’t provide the client with the opportunity to say no.”

— M. Darren Root, CPA, CITP, CGMA  
Managing Partner, Root & Associates

Here's a little more on adapting your pricing model accordingly. Within your fixed fee, you must include the costs of executing your business model. For example, under a set fee, you offer the current version of their client accounting software. Additionally, the software is hosted in a secure data center and supports 24/7 access and the ability to collaborate in real-time with an accounting professional. Also indicate that the client will have access to their own private, secure portal where they can access software and financial documents such as financial statements, tax returns, and payroll information whenever needed.

Do not expect every current or new client to willingly adhere to your new model. Ultimately, you have to identify those that are not a good fit with your model and eliminate them. You cannot lead your clients if they refuse to be led. While I realize this is a hard concept for many accounting professionals to accept, it is critical if you are to be successful in running a highly efficient firm—where all clients follow a uniform process.

Once you have a handle on executing the new model within your new client base, you can begin transitioning your existing clients. Don't expect this to happen overnight. It may take anywhere from two to three years to get all clients moved over. Also, don't limit yourself to just one set of clients (e.g., bookkeeping). Apply your new model to all your clients, including write-up and annual business clients. Remember, a standardized model applied across the board enables you to control the process—offering such benefits as getting a jump start on data clean up, preparing tax returns much earlier in the season, and more.

Be sure to continue to revisit the spreadsheet, which is where this all started. In my firm, we consistently went back to the spreadsheet to track progress. Trust that once your transition is complete, you will look back with great satisfaction. I can assure you of this because I did it in my own firm.

## Conclusion

By following the steps provided in this white paper, you can begin your transition to a more efficient and profitable client accounting model. It will take effort and a significant time investment; however, once you've completely implemented your new and improved model, you will begin to see the value in the way of efficiency, revenue, and client satisfaction. It all starts with planning. Take your first step today.

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### About the Author

**M. Darren Root, CPA, CITP, CGMA**— As the president and founding member of Root & Associates, Darren has more than 25 years of practical tax and accounting experience. His forward thinking has kept his firm at the forefront of the profession—applying leading technologies and best practices that support a highly efficient and streamlined business. Darren is also CEO of RootWorks, a membership-based consulting firm dedicated to educating small and mid-size firms on technology, practice management, marketing and branding, and more. Darren co-authored *The E-Myth Accountant* with business guru Michael Gerber and was named to the “Top 25 Most Influential Thought Leaders” list in 2011 and 2012. He also serves as Executive Editor of *CPA Practice Advisor* and is a regular guest lecturer at Indiana University’s Kelley School of Business.

Darren holds CPA and CITP (Certified Information Technology Professional) credentials. He is a former AICPA CITP Credential Committee Board member, and has served on the Board of Directors for the Indiana CPA Society.