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Outsourcing for CPA Firms Toolkit Implementing Outsourcing in your CPA Firm Toolkit

The accounting profession is currently navigating a challenging landscape to find enough financial talent due to the perfect storm of a decline in accounting graduates and increase in experienced accountants retiring. This scarcity is compelling CPA firms and Financial divisions to seek innovative solutions to bridge the talent gap. A few of the top strategies gaining traction include the adoption of new technologies, leveraging AI & Automation, enhancing training programs, and looking at alternate staffing options like leveraging the Gig Economy, Outsourcing or Offshoring.

Due to the future demographics it is vitally important accountants start planning and implementing a strategy to ensure they have suitable, scalable alternate staffing plans and ensure they are investing in these strategies now to help with the future demand.

Outsourcing and offshoring, with its potential to tap into global talent pools, has been a vital adoption for many firms. However, the journey into outsourcing has caused many firms challenges with questions on how to begin, what models to adopt, and how to mitigate the risks associated with outsourcing.

This toolkit, a strategic collaboration between Laurence Whittam of Impact Global Solutions and The AICPA, is crafted to address these very concerns. It is designed to serve as a comprehensive guide that not only provides information but also equips firms with a robust set of tools and resources to navigate the complexities of outsourcing.

The toolkit delves into the various outsourcing models available to CPA firms, such as the Vendor (FTE/PTE Model), Staffing Agency (Ad-Hoc/Project Based), and Own your own Office/Own Employees (EOR & BOT). It offers a clear overview, actionable insights, and situational guidance to help firms identify the best fit for their unique needs.

Outsourcing has proven to have many integration challenges, so this guide aims to present strategies for embedding outsourced resources into existing workflows, helping to fuse the in-house and external teams. It also addresses specific considerations across different service lines, from Tax to Audit to Client Accounting Services (CAS), providing a tailored approach to outsourcing in each domain.

Structured for clarity and ease of use, the toolkit aims to have actionable support for CPA firms and finance divisions, guiding them through the decision-making process, from initial planning to successful implementation.

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IMPORTANCE OF OUTSOURCING IN A MODERN CPA FIRM

CPA firms have been facing significant staffing challenges, a trend that has been well-documented by profession sources and various staffing industry reports. The importance of looking at international outsourcing to combat these challenges can be articulated by considering several key points:

Decline in Accounting Graduates:

The AICPA has reported a decline in the number of accounting graduates, which has contributed to the talent shortage in the industry. The AICPA's 2019 Trends report showed a 4% decrease in the number of bachelor's degrees awarded in accounting compared to the previous report. From 2021 – 2022 this number dropped to 7.8% This trend suggests that the domestic talent pool is not sufficient to meet the demand for accounting professionals.

Aging Workforce:

The CPA profession is witnessing a significant demographic shift with the Baby Boomer generation approaching retirement. Nearly 75% of CPAs had reached retirement age by 2020, leading to substantial leadership gaps. Firms are facing challenges in replacing this experienced cohort, with mandatory retirement policies ranging from 62 to 70 years exacerbating the situation.

Technological Advancements:

The rise of AI and automation in accounting tasks can be a double-edged sword. With the speed of advancement, it can help streamline processes but has a learning curve to implement along with constant improvements that need to be made. Technology advancements should be implemented but you will always need talent to utilize it efficiently.

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Global Talent Pool:

Outsourcing internationally opens a global talent pool of professionals, allowing firms to tap into a wide array of skills and expertise that may not be readily available domestically. Countries like India, Phillippines, South Africa, and several countries in South America have many English-speaking accounting professionals with qualifications that are recognized internationally.

Cost Efficiency:

International outsourcing has a major impact on the bottom line when done efficiently. The differential in wage rates between developed countries and many outsourcing destinations can result in significant savings for CPA firms, in addition to allowing firms to allocate domestic resources to other strategic, higher margin areas.

Unemployment Rates:

While specific unemployment rates for accountants fluctuate, a recent study by Robert Half stated the unemployment rate for 2023 Accountants & Auditors was 1.7% in comparison to the national average of 3.4%. This low unemployment rate further underscores the challenge of finding available talent.

Finance and Account Hiring Trends 2023 | Robert Half

Competitive Advantage:

Firms that successfully integrate international outsourcing into their operations can gain a competitive advantage. They can offer services around the clock due to time zone differences and handle larger volumes of work without compromising on quality or turnaround time. The increased bandwidth also helps reduce the need for culling clients.

International outsourcing is not just a stop-gap measure but a strategic necessity to both sustain or grow based on the current trajectory of professionals. It allows firms to maintain service quality and business growth despite the shortage of domestic talent. Outsourcing in addition to technology advancements and positive changes firms are making to the profession will, help to better position them for the future.

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ONSHORE OUTSOURCING

Tapping into the domestic gig economy or collaborating with local businesses to delegate specific tasks. This approach allows firms to leverage specialized skills and resources within the United States.

BENEFITS

Skilled Talent Accessibility: Onshore outsourcing provides access to highly skilled professionals within the domestic talent pool. These candidates are the same candidates you are typically trying to attract however working on a gig economy model.

Cultural and Communication: Engaging with domestic talent minimizes cultural and language barriers. This usually helps with clearer understandings of business practices and smoother workflow.

Compliance Ease: Domestic Outsourcers are well versed in US regulations and there is limited additional compliance needed.

Time Zone Compatibility: Much more likely to have access to talent in the same or similar time zone which allows for quicker responses and improved coordination.

CHALLENGES

Higher Costs: Onshore outsourcing typically will work on a per project or per return model which is incorporating a US rate along with a business operation & profit. This can mean it is 3 – 5 times as expensive as offshore options.

Limited Availability: Depending on the gig economy model, there may be limitations to the availability of candidates. The talent that is available also has limited availability like out of office hours or weekends due to full time jobs in the profession.

Potential for Inconsistent Quality: Relying on a diverse talent pool of contractors can have a variable result on work quality.

US CONTRACTORS

Akin to hiring dedicated individuals domestically, but through a contracting vendor. This model provides firms with specific, committed professionals who work closely with the business typically on a 1099 basis.

BENEFITS

Adaptability to Clients: Typically used to working for numerous clients so are used to quick start up times and more similar to having an in-house employee.

Local Market: Can find talent in your local market that can potential work in-house so helps with ease of management and local changes in laws.

Seasonal Options: Contractors are typically flexible from a commitment perspective so can work for long or short engagements making it optimal for Seasonal needs.

CHALLENGES

Resource Limitations: Operating as an individual or small team they may have limited availability or less options due to the talent shortage.

Cost Efficiency: Onshore contractors typically charge higher hourly rates than employees or offshore outsourcing options.

Confidentiality: You are giving client access to another professional in the same geographical area as the firm and potentially could risk the contractor building a good reputation with the clients.

INDIA

BENEFITS

Experience in Key Areas: With India being one of the primary offshoring locations for the profession it has developed accountants who have expertise in accounting, tax, and audit services. You will now tend to find individuals with specialist experience with services or industries. With a strong educational background, you will find professionals with certifications like MS, CA, CPA, EA, CGMA.

Cost Efficiency: Outsourcing to India can lead to substantial cost savings for CPA firms due to the lower wage structures in the country. Typically, you will find 40-50% cost savings compared to a domestic hire.

Time Zone Advantage: India is on the IST time zone which is 10.5 hours ahead of EST. You can find 24-hour coverage however you will see an increased turnover of experienced professionals if they are working past 10:30pm IST or 12pm EST. The time difference can be an advantage for U.S. companies. Having minimal hours overlapping can be very efficient with a strong process.

Strong English Proficiency: Many Indians are fluent in English, however, traditionally have a strong accent so it is important to have controls in place to create streamlined communication (verbal + written) to ensure understanding.

CHALLENGES

Cultural Differences: There is a more pronounced hierarchical structure in the Indian workplace, with respect for authority & seniority being highly important meaning there is less open communication. They have a lot of respect so avoid saying no and are more indirect. Risk adverse tendencies so will follow a process strictly but tend not to proactively decide.

Quality Concerns: Communication styles being different can lead to misunderstandings or misinterpretations, so it is important to have clear outcomes defined. There is a skill level gap between India and the US so standards need to be adjusted accordingly. An expectation mismatch is common so quality needs to have trackable metrics affiliated to ensure success.

Data Security Concerns: Ensuring the confidentiality and security of sensitive data can be a concern, though many Indian firms have stringent security measures. It is important to work with providers that have sound infrastructure & hiring processes to provide extra comfort. Certifications or 3rd Party security audits are a great indicator of a firms investment in Security.

India is one of the BPO capitals of the world with the Institute of Chartered Accountants of India stating in 2023:

- There are over 390,000 Chartered Accountants active in India
- Over 31,000 CPAs active in India
- Over 1800 Enrolled Agents

Reference: Institute of Chartered Accountants of India (ICAI)

PHILIPPINES

BENEFITS

Versatility: Philippine professionals often provide bookkeeping, accounting, and some audit services. The country is also a hub for virtual administration tasks. Many Filipino professionals are trained in various international accounting standards and practices so they can adapt to different business needs well.

Cultural Affinity: The Philippines has a long history of working with the USA so business practices and norms are more easily understood. More attuned to business etiquette and customer service expectations

Strong English Proficiency: English is one of the official languages of the Philippines and widely used with a lot of practice as it has a strong history in Customer Service / Call center work. Both Written & Verbal communication are accurate with a softer accent than other geographies.

Cost Savings: Labor & Operation costs are typically 40% lower than in the US.

CHALLENGES

Infrastructure Issues: Especially outside of major cities, the country faces some challenges with internet connectivity and power. Natural disasters occur like Typhoons, Earthquakes, Volcanic Eruptions. These cause productivity disruption however this just means a strong disaster recovery or business continuity plan needs to be in place.

Time Zone Differences: The Philippines is on PHT which is 13 hours ahead of EST. A lot of team members are used to working night shifts but can impact their work-life balance and increase turnover.

Skill Specialization: When you look at the accounting profession in the Philippines you will find a broad talent pool but a gap with few highly specialized skills on a large scale. Continuous training and development should be implemented, and this will help bridge the talent gap between domestic and Filipino talent.

The Philippines has a broad talent pool with over 200,000 PICPAs (Philippine) which is a substantial number and has great customer service which aligns culturally well with US firms more naturally.

- There is varying data on specific numbers of graduates or accountants however it is to be noted that the profession in the Philippines is seeing a drop in enrollments and is strongly promoting a lack of graduates in the news.

Reference: Philippine Institute of Certified Public Accountants (PICPA)

SOUTH AFRICA

BENEFITS

Audit Expertise: South Africa has strong regulatory frameworks for accounting and audit which align with Internation standards. Many professionals are trained in IFRS so are very proficient in complex audit tasks. With many years of experience providing secondments to US accounting firms and businesses has led to an extensive experienced talent pool.

Time Zone: South Africa's time zone SAST is 7 hours ahead of EST so it is less of a stretch when working for US firms.

Language Compatibility: English being one of the official languages it is widely used across education & business. The accent is more palatable for many in the US and although being there is easier to understand causing less communication barriers.

Onshoring Possibilities: With infrastructure and legal systems being more aligned to Western standards it's easier to arrange for visas and the government promotes business travel within the BPO industry.

CHALLENGES

Economic Fluctuations: Currency stability and inflation rates are quite unstable which can cause pricing fluctuations. This means long-term outsourcing agreements including price are less likely.

Political Uncertainty: At times there has been political and governance challenges that can impact the business, due to regulatory changes of labor laws, taxes and foreign investments. Utilizing larger established BPOs help with navigating these regulations with less risk.

Skill Specialization: Although South Africa overall has modern infrastructure, there can be a variation in the level of internet connectivity between areas. It is important to work with a provider that has adequate connectivity so not to reduce productivity.

South Africa's accounting professionals are overseen by the South African Institute of Chartered Accountants (SAICA). Some of the largest firms in the US have been utilizing talent from South Africa outsourcing firms for over 20 years.

- Chartered Accountants: There are over 47,000 CAs in South Africa
- Yearly Graduates: There was a decrease of 24% in CA candidates from 2021-2022

Reference: South African Institute of Chartered Accountants (SAICA)

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SOUTH AMERICA

BENEFITS

Diverse Talent: Within the public accounting sector South America is a reasonably new player to the market. The talent available includes larger public accounting experience or private industry knowledge of various industry sectors. Strong Accounting knowledge with good adaptation to international standards.

Cultural Affinity: South America has a lot of western influence so work cultures, business practices and communication types align well.

Growing Region: There is a strong effort by BPO to utilize the available accounting talent to service accounting firms so they are investing in infrastructure, process improvement and training people. One of the growing outsourcing hubs.

Bilingual Professionals/Timing: With bilingual professionals speaking Spanish and English it is a huge benefit to firms with Spanish speaking communities. With the common time being CST you are also seeing a preference from West Coast firms as they can easily collaborate real time.

CHALLENGES

New to the Game: As it's a newer region you aren't going to find talent as experienced as you would elsewhere, so there will be teething problems and an initial learning curve.

Language Barriers: Not everyone is bilingual and there is a wider variety of English understanding for certain professionals. There will need to be a balance as the most proficient or best fit accountants won't necessarily be bilingual so process improvement around communication will be necessary.

Economic and Political Instability: Some countries are more volatile to economic and political fluctuations or disruptions which means there needs to be a long-term strategy with contingency plans to limit disruption.

Each country in South America has different accounting standards and governing bodies so it is difficult to pool all the data however we can cover Mexico which is a popular up and coming location.

- Accountants: In Mexico there are 448,000 accountants in the field of accounting & auditing

Reference: Gobierno Mexico - Data Mexico

Here's a list of major holidays in India, South Africa, the Philippines, and countries in South America, along with their dates and a brief description for each:

India

- Republic Day (January 26th): Celebrates the date on which the Constitution of India came into effect in 1950.
- Independence Day (August 15th): Commemorates India's independence from British rule in 1947.
- Diwali (Varies, typically in October or November): A major Hindu festival known as the Festival of Lights, symbolizing the victory of light over darkness.
- Holi (Varies, typically in March): A Hindu spring festival celebrated with colors, known as the Festival of Love.

South Africa

- Human Rights Day (March 21st): Commemorates the Sharpeville massacre and celebrates human rights.
- Freedom Day (April 27th): Marks the first post-apartheid elections held on this day in 1994.
- Youth Day (June 16th): Remembers the Soweto uprising of 1976.
- Heritage Day (September 24th): Celebrates the diverse cultural heritage that makes up South Africa.

Philippines

- Araw ng Kagitingan (April 9th): Day of Valor, commemorating the fall of Bataan during World War II.
- Independence Day (June 12th): Celebrates the Philippines' independence from Spanish colonial rule.
- Rizal Day (December 30th): Honors José Rizal, a national hero, and marks his death.
- Christmas Day (December 25th): Widely celebrated with family gatherings and religious services.

South America (Varies by Country)

- Carnival (Varies, typically in February or March): Famous in Brazil, a festive season with parades, music, and dancing.
- Independence Day (Varies): Each country celebrates its own independence day, such as September 18th for Chile.
- Inti Raymi (June 24th in Peru): Festival of the Sun, an Inca ceremony honoring the sun god.
- Dia de los Muertos (November 2nd in Mexico): Day of the Dead, a holiday to honor deceased loved ones.

Traditional FTE (Full-Time Employee) Outsourcing Model | Suited for All Size Firms

Under this model an outsourcing vendor charges a set fee for a full-time candidate within their firm. The candidate will solely serve the contracting CPA firm, even though the contractual relationship is between the CPA firm and the outsourcing vendor.

Contracts should specify the level of the candidate, what their capabilities are and the hours they will dedicate, either full-time (140-160 hours/month) or part-time (70-80 hours/month). The fee includes the employee's salary, operational/overhead allocation , and the vendor's profit margin. This margin varies based on the outsourcing vendor and the seniority of the candidate.

Some differences you may see from vendor to vendor include but are not limited to the ability to select your candidate through a recruitment process, different management interactions, breakdown of fees, and terms for dealing with employees who are out sick or leave.

Benefits:

- Recruitment Customization: Some outsourcing firms allow you to go through a more traditional interview stage during your selection process.
- Cost Efficiency: This model is very predictable because you are normally paying a set fee for the candidate per month, which is all encompassing of benefits, payroll, service fees etc. You will typically get a better rate when hiring full-time over project or part-time based roles.
- Long-Term Strategy: By building dedicated team members, you can mesh your culture with theirs creating an extension of your office. This is ideal for firms seeking a sustainable, long-term relationship with consistent staffing and continuity.
- Structured Work: Just like an employee you will get to identify the strengths of the team members so you can structure their workload accordingly and over time create reliability.

Challenges:

- Lack of Interview Opportunity: Not all traditional outsourcing firms allow you to interview candidates. If you wish to do this the expectation needs to be set up front. Until you get comfortable with outsourcing or have very strict processes & KPIs in place, it would be difficult to hire FTEs without interviews.
- Employee Growth Expectations: For firms or businesses looking to outsource a specific process which doesn't have career advancement you need to be aware of the fact team members may get bored and want to leave the role or seek upward mobility. Offshore employees look for growth not just with specializing & learning but also management responsibilities.
- Process Dependency: When outsourcing you need to have clear processes and solid controls in place, rather than being people reliant.
- Potential for Underutilization: If processes aren't well-defined or if there isn't enough work, the FTE might be underutilized, leading to inefficiencies and potentially them looking for new opportunities.

Best Suited For:	Firms with robust management structures, effective feedback mechanisms, employee growth plans, and a vision for long-term partnerships.
Not Ideal For:	Firms looking for professionals for specific, non-expanding roles or those without clear processes and upward mobility plans.

Pool-Based (Project-Based) Outsourcing Model | Best Suited for High Seasonal Demand or Small Firms

The pool-based or project-based model allows CPA firms to delegate specific projects or buy a set number of work hours from an outsourcing vendor. The project coordination occurs through a manager from the outsourcing vendor, and billing can be based on hours worked, the project's scope, or per tax return rate, contingent on complexity and type. This model is frequently used for seasonal tasks such as end-of-year account clean-ups, tax seasons, audit assignments or irregular work- flows.

Benefits:

- Flexibility: This model offers flexibility, as firms can adjust their workforce based on current demands without being tied to a long-term commitment.
- Quality Assurance: The outsourcing vendor typically takes responsibility for the quality of work, often employing an internal review process, ensuring that tasks are checked and validated by senior professionals before submission to the CPA firm for its review and approval. It is important to put KPIs in place so you can hold a vendor accountable. Firms need to provide adequate training and feedback to expect positive results.
- Cost-Effective for Seasonal Work: As it caters to project-specific needs, it can be more cost-effective than maintaining a year-round team, especially for firms with traditional busy seasons.
- Defined Processes: This is a process heavy approach where good feedback loops and communication need to come into play. When they do it streamlines the workflow and increases efficiencies.

Challenges:

- Consistency Challenges: This is a primary risk because with seasonal work, it is likely you may only provide projects for a few months out of the year. This means you may not have the same team members on your project year to year so it's important to have strong processes in place so team members can get up to speed efficiently.
- Recurring Training: Even if some of the professionals have previously worked on the firm's projects, they may require refreshers annually, particularly concerning specific software and processes.
- Internal Adaptation: People & processes internally change from season to season, so it is important that you have enough ramp up time to ensure teams have the opportunity to gel.
- Project Management Imperative: It's crucial to have strict processes, reporting structures, and feedback mechanisms in place. Absence of clear project oversight can lead to bottlenecks and stressful situations, especially towards the season's end.
- Premium Costs: While there aren't year-round fixed costs, the cost per project or hour might be higher than other models, reflecting the flexibility and lack of long-term commitment.

Best Suited For:	Firms with seasonal workloads, those not wanting year-round fixed staffing costs, and firms with well-defined processes and strong project management capabilities.
Not Ideal For:	Firms with consistent year-round workloads, without standardized processes and reporting, and firms desiring consistent, familiar teams to work on their projects.

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Employment of Record Outsourcing Model | Best Suited for Mid-Large Firms

In the Employment of Record (EOR) model, very similar to a Professional Employer Organization (PEO) model here in the US, a CPA firm contracts with a third-party entity to hire an individual or multiple individuals on their behalf. The firm is responsible for all expenses related to the employee. The third-party handles compliance, payroll, and sometimes infrastructure aspects like laptops, equipment, and office space. It's a direct, hands-on approach similar to hiring an employee where the firm exercises considerable control over the outsourced individual or team. The third party traditionally does not provide management support for these employees and will need to hold a retainer or automatic payment method.

Benefits:

- Direct Control: Firms have direct managerial control over the outsourced employee(s), similar to their in-house staff. This allows for the firm to more fully integrate the employee(s) into their culture.
- Tailored Work Environment: Enables the firm to cultivate its offshore office, ensuring alignment with its unique organizational culture, values and operational methodologies.
- Compliance & Payroll Handling: The third party ensures compliance with local regulations and manages payroll, reducing administrative and legal burdens to the firm.
- Cost Efficiency: Can offer a better cost structure, especially when considering the elimination of paying a third party for specific overheads.

Challenges:

- Hands-On Management: This is basically identical to hiring an employee, so similar investments of training, time, management and relationships need to be formed. Everything traditionally offered by the firm including benefits, employee growth, management, reporting, feedback, etc. need to be planned for and provided.
- Cultural Challenges: Firms need to be aware of cultural distinctions, local holidays, and other regional-specific practices to effectively manage and communicate with the employee. Your firm should do it's own research specific to the region/country to ensure a good fit with the management style needed to create a cohesive team.
- Infrastructure & Security: Firms must ensure that the third-party provides adequate infrastructure, including secure hardware and cybersecurity measures, especially when dealing with sensitive data. Some EOR's do not provide this, which is not recommended.
- Operational Overhead: The firm must be equipped to manage operational aspects such as time management, trainings, reporting structures, communication platforms, benefits, bonuses and career planning as the third party does not manage these.

Best Suited For:	Firms with strong management infrastructure, work well in a remote environment, are culturally experienced and diverse, firms with a global outlook and who like to have direct control and oversight.
Not Ideal For:	Small firms with limited management structure, seasonal projects or fluctuating workloads, lack of cultural experience and diversity, or for those without experience managing a remote workforce.

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B.O.T. (Build, Operate and Transfer) Outsourcing Model | Best Suited for Experienced or Large Firms

The B.O.T. model is a strategic three-phase outsourcing process whereby a firm collaborates with a third-party entity, typically an outsourcing or chartered accounting firm, to establish and eventually own an offshore operation. This model is for firms looking to establish a long-term offshore presence.

Phases:

Build:
- Establish the Offshore Team: The Firm & Third-Party work together to identify the required skills, roles, and team structure to mirror or complement the in-house team.
- Strategic Planning: An initial strategic plan is put together along with goals and budgets to ensure there is a clear vision for the offshore team. The aim here is to have a roadmap with clear milestones outlined to fit with the firm's long-term goals.
- Infrastructure + Process Development: As the team is being formed the firm needs to have established the office space, technology, infrastructure, operational processes, management responsibilities, reporting, etc. and be prepared to fully integrate/align with the US firm.

Operate:
- Transition of Management Duties: In the build phase the third party takes on most management duties and works with the firm to establish them with the team members. During this phase, the third party will begin to transition these duties to the firm's management team.
- Altered Pricing Structure: Pricing structure of the arrangement typically evolves here as the firm is now sharing intellectual property and the firm may start to pay for rent & other occupancy costs and pay all actual employee costs.
- Increased Involvement & Oversight: Day-to-day operations become a major responsibility of the firm now with limited oversight from the third-party. There needs to be a strong integration of the offshore & in-house team during this phase. Employee exchange programs should be implemented both bringing team members to the US and sending team members to the offshore offices.

Transfer:

- Full Transition of Employees: Third-Party will typically help establish the entity and provide full control in addition to a transfer of all employees, operational infrastructure which was part of the deal and looks very similar to an acquisition. The CPA firm's attorney should be involved throughout the process and especially during the transfer phase.
- Finalizing Acquisition Process: The specifics of the transfer, including buyout amount for employees or sale multiple will be set. Assets are typically agreed upon at the beginning of the contract or at an agreed upon time in the "build" phase.

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B.O.T. (Build, Operate and Transfer) Outsourcing Model | Best Suited for Experienced or Large Firms

Benefits:

- Customizable: The B.O.T. model provides firms with the flexibility to design and grow their offshore team according to their specific needs.
- Strategic Collaboration: Working with experienced third parties improves legal compliance in the country you are expanding to and minimizes early-stage operational risks.
- Long-Term Value: Post-transition firms own a fully functioning offshore entity, which can provide long-term operational & financial benefits including an improved valuation of your firm due to the improvement of profit margins and access to new talent pools.
- Conservative Growth: This model offers a measured and conservative path to establishing an offshore entity. Given the typical duration of 2-3 years, firms have ample time to understand the local culture, forge relationships with the offshore team, establish a strong community presence, and develop their brand in the region.

Challenges:

- High Initial Investment: Requires a significant upfront investment in terms of time, effort, and financial resources. The higher financial investment will come in the Transition stage during the acquisition of talent which, based on the size, could be substantial. To make this work you need to fully integrate the in-house & offshore teams which means the ability, willingness and time to travel internationally to bring teams together, be hands on and merge cultures.
- Risk Exposure: Very similar to acquiring or merging with a firm, there's inherent risk. If you aren't used to managing a remote workforce or can't build the team to a reasonable size the investment won't be worth it.
- Complex Transition: The transfer phase can be intricate, potentially requiring a deep understanding of local regulations, cultural nuances, and a meticulous change management process.
- Long-Term Commitment: This isn't a short-term solution; firms need to be prepared for a long-term commitment to see the process through to its end. Even post integration there needs to be hands on leadership and management involvement to continue to build on cultural integration and efficiencies.

Best Suited For:	Firms seeking a long-term offshore solution, willing to invest in cultural integration, and looking to scale and require additional talent. You should have a strong management structure, seeking operational control and customization. This is usually best suited for large size firms.
Not Ideal For:	Firms looking for short-term solutions, limited management structures, small firms with limited resources, lacking international business experience or those who struggle with remote working.

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Audit

Outsourcing audit services presents its own unique challenges and considerations. Processes are a key to outsourcing and to ensure processes are followed there must be KPIs and associated reports to create a controlled environment. You should integrate your reporting or here are some sample reports that can be used:

Audit Completion Time (ACT)
Description: Measures the time from the start of an audit to its completion.

Report: Monthly Audit Completion Report, showing the average ACT for each audit.

Audit Quality and Accuracy
Description: Percentage of audits completed without any identified errors or discrepancies.

Report: Quarterly Audit Quality Report, detailing the audits with and without errors.

Cost Savings
Description: The financial difference between in-house audit costs and outsourced audit costs.

Report: Biannual Cost Savings Report, displaying the comparative costs of in-house vs. outsourced.

Client Satisfaction Rate
Description: Assesses the contentment level of clients whose audits were outsourced.

Report: Quarterly Client Satisfaction Report, capturing feedback scores and specific comments.

Volume of Audits Conducted
Description: The count of audits carried out by the outsourcing partner.

Report: Monthly Audit Volume Report, indicating the number of audits conducted.

Compliance with Standards
Description: Percentage of audits that align with relevant auditing standards and regulations.

Report: Quarterly Compliance Review Report, emphasizing any non-compliance issues and action steps.

Issue Resolution Time
Description: Duration needed to address and rectify any discrepancies or audit concerns.

Report: Monthly Audit Issue Resolution Report, showcasing the number and nature of issues and the average resolution time.

Auditor Training and Onboarding Time
Description: Timeframe required to train and onboard the outsourced audit team to the firm's specific standards and practices.

Report: Auditor Onboarding Efficiency Report, detailing the training duration and resources invested.

Communication Efficiency
Description: Evaluates the clarity and timeliness of communication between the CPA firm and the outsourcing partner.

Report: Auditor Onboarding Efficiency Report, detailing the training duration and resources invested.

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Accounting Services

When a CPA firm is considering the outsourcing of accounting services, it's essential to have relevant KPIs and reports to measure and monitor the success of this strategy. Your KPIs will differ from your in-house team due to an experience gap but the reporting can be similar. Here are some examples of reports that can be tracked:

Turnaround Time (TAT)
Description: Measures the time taken from when the accounting task is assigned to its completion.

Report: Monthly Turnaround Time Report, detailing average TAT for each task or service category.

Accuracy and Quality Rate
Description: Percentage of accounting tasks completed without errors or revisions.

Report: Monthly Accuracy and Quality Report, comparing error-free tasks vs. total tasks.

Cost Savings
Description: Difference between in-house accounting service costs and outsourced service costs.

Report: Quarterly Cost Savings Report, breaking down the savings per service type.

Client Satisfaction Rate
Description: Evaluates the satisfaction level of clients receiving outsourced accounting services.

Report: Quarterly Client Feedback Report, with feedback scores and notable comments.

Volume of Tasks Processed
Description: Number of accounting tasks or jobs handled by the outsourcing partner.

Report: Monthly Volume Report, detailing the breakdown of different accounting tasks.

Compliance Rate
Description: Percentage of tasks that adhere to relevant accounting standards and regulations.

Report: Quarterly Compliance Report, highlighting any deviations and corrective actions taken.

Communication Efficiency
Description: Assesses the effectiveness of communication between the CPA firm and the outsourcing partner.

Report: Monthly Communication Efficiency Report, spotlighting any communication challenges.

Training and Onboarding Time
Description: Duration required to train and introduce the outsourcing partner to the firm's specific accounting standards and practices.

Report: Onboarding Efficiency Report, indicating time and resources dedicated to training.

Issue Resolution Time
Description: Time needed to address and correct any discrepancies or issues in the accounting tasks.

Report: Monthly Issue Resolution Report, displaying the count of issues and average resolution time.

Tax Preparation

If a CPA firm is looking to outsource tax preparation services, tracking the right KPIs (Key Performance Indicators) is crucial to measure success and drive improvements. KPIs will differ from your in-house team and it is important to track workflow and implement controls to ensure no returns get stuck while waiting for client information. Here are some examples of reports:

Turnaround Time (TAT)
Description: Measures the time taken from when the accounting task is assigned to its completion.

Report: Monthly Turnaround Time Report, showing average TAT for each week/month.

Accuracy Rate
Description: Percentage of accounting tasks completed without errors or revisions.

Report: Monthly Accuracy Report, detailing the number of returns with errors vs. total returns.

Cost Savings
Description: Difference between in-house tax preparation costs and outsourced service costs.

Report: Quarterly Cost Savings Report, breaking down the savings per service type.

Client Satisfaction Rate
Description: Measures the satisfaction level of clients whose tax returns were outsourced.

Report: Quarterly Client Feedback Report, with feedback scores and notable comments.

Volume of Returns Processed
Description: Number of accounting tasks or jobs handled by the outsourcing partner.

Report: Monthly Volume Report, detailing the breakdown of different accounting tasks.

Compliance Rate
Description: Percentage of tasks that adhere to relevant accounting standards and regulations.

Report: Quarterly Compliance Report, highlighting any deviations and corrective actions taken.

Communication Efficiency
Description: Measures the effectiveness and timeliness of communication between the firm and the outsourcing partner.

Report: Monthly Communication Efficiency Report, highlighting any communication delays or issues.

Training and Onboarding Time
Description: Time taken to train and onboard the outsourcing partner to the firm's standards and practices.

Report: Onboarding Efficiency Report, detailing the time and resources spent in the onboarding process.

Issue Resolution Time
Description: Time taken to resolve any issues or discrepancies in the tax returns.

Report: Monthly Issue Resolution Report, showcasing the number of issues and average resolution time.

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OUTSOURCING BEST PRACTICES

Outsourcing is a journey which we can split into three parts, preparation, execution, and optimization. Each section of the journey has best practices that can be implemented to help firms and businesses have a more effective and positive experience. We have summarized a set of best practices for each section to help along your journey.

Preparation:

Clearly define your objectives:

- Identify specific tasks or processes that are suitable for outsourcing based on complexity, volume, or resource constraints.
- Create a roadmap that includes target milestones with measurable goals, expectations and action plans to get there.
- Consider the potential impact on your firm's current team members, capacity, cost savings, and/or strategic focus.

Assess internal processes:

- Streamline and standardize your internal accounting, tax, and audit processes to improve efficiency and effectiveness before outsourcing.
- Document existing workflows, procedures, and guidelines to facilitate knowledge transfer and ensure consistency with the outsourcing partner.
- Identify areas for process improvement or automation to maximize the benefits of outsourcing.

Conduct due diligence:

- Research and evaluate multiple outsourcing providers to find the one that aligns best with your firm's needs, industry expertise, and cultural fit.
- Assess the outsourcing partner's track record, experience, reputation, and references from other clients.
- Evaluate the security measures, data protection protocols, and compliance frameworks implemented by the outsourcing provider.
- Consider the scalability and flexibility of the outsourcing partner to accommodate your firm's future growth or changing requirements.

Establish communication channels:

- Define clear lines of communication, including regular meetings, reporting mechanisms, and escalation procedures.
- Use collaboration tools, such as project management software or secure file-sharing platforms, to facilitate real-time communication and document sharing.
- Assign dedicated points of contact within your firm and the outsourcing partner to ensure efficient and effective communication channels.

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Execution:

Ensure strong project management:

- Appoint a skilled project manager who acts as the main liaison between your firm and the outsourcing provider.
- Clearly communicate project objectives, deliverables, and timelines to the outsourcing team.
- Regularly monitor project progress, review milestones, and address any deviations promptly.

Maintain clear documentation:

- Develop comprehensive process documentation, including step-by-step instructions, checklists, and standard operating procedures, to ensure consistency.
- Establish a knowledge sharing platform or document repository accessible by both your firm and the outsourcing team.
- Conduct periodic audits of the documentation to ensure accuracy, relevance, and compliance.

Foster collaboration and knowledge transfer:

- Encourage open and transparent communication between your firm's team and the outsourcing partner to build trust and facilitate knowledge exchange.
- Conduct regular video conferences, training sessions, or on-site visits to facilitate face-to-face interactions and strengthen the working relationship.
- Encourage the sharing of best practices and lessons learned between your firm and the outsourcing team.
- Provide adequate resources and training to the outsourcing team to ensure they are equipped with the necessary skills and tools to perform effectively.

Facilitate In-Person Collaboration :

- Arrange for management or leadership to visit the offshore team to help with training & integration into the firm's culture. This will help with cultural integration drastically, will help form relationships and will be a great foundation to build upon.
- If possible, bring a team member onshore to do some training, this may not be immediately but the earlier the better if you are looking at a long-term approach.

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Optimizing Outsourcing:

Build a strong relationship:

- Establish a collaborative and professional working relationship based on trust, respect, and effective communication.
- Foster cultural understanding and sensitivity to bridge any cultural differences between your firm and the outsourcing partner.
- Celebrate successes and milestones together to boost team morale and maintain a positive partnership.

Continuously refine processes:

- Regularly review and evaluate outsourced processes for efficiency, effectiveness, and alignment with your firm's evolving needs.
- Implement feedback loops and performance metrics to monitor the quality of the outsourced work.
- Encourage feedback from the outsourcing team to identify areas of improvement or potential bottlenecks.

Invest in technology and training:

- Provide the necessary technology infrastructure, software tools, and access to relevant systems for the outsourcing team.
- Offer training opportunities or knowledge-sharing sessions to enhance the outsourcing team's skills, understanding of your firm's processes, and industry-specific expertise.

Monitor and manage risks:

- Monitor the threat environment and ensure changes are made to address evolving risks.
- Conduct regular assessments of data security, privacy protocols, and compliance measures implemented by the outsourcing partner.
- Stay informed about any regulatory or legal changes that may impact the outsourcing arrangement, and ensure compliance with applicable laws and regulations.

Evaluate and adjust:

- Regularly evaluate the return on investment (ROI) and overall effectiveness of the outsourcing engagement through KPIs and other reporting.
- Solicit feedback from your firm's team, clients, and the outsourcing partner to identify areas of improvement needed. v
- Consider scaling up or diversifying the outsourced tasks or processes based on positive outcomes and identified opportunities for growth.

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We highly recommend consulting with your IT Provider or Managed Service Provider to ensure your systems are set up correctly. The following information is for informative purposes only and your trusted IT professional should be contacted to ensure a secure connection is set up between you and an outsourcing vendor.

When considering IT aspects of outsourcing and offshoring, the paramount concern is to establish a secure environment. This involves restricting user rights to enhance cybersecurity, ensuring no user has excessive system access. Adherence to the IRS's 7216 regulation for tax outsourcing is crucial, requiring the segregation of returns and access for clients who haven't consented to disclosure. It's safer to deny access for client files of those who haven't signed the consent, rather than risking unauthorized access. Incorporate them into your network so your IT department has control over access rather than housing information offshore!

Commonly, firms utilize cloud-based systems like Citrix Workspace, VMware Horizon, or Microsoft Azure. Alternatively, some use a locally hosted network (possibly managed by an IT provider). Connecting an outsourcing firm or a third-party service is similar to integrating a remote employee. Implementing Multi-Factor Authentication (MFA) is advisable for access control, and limiting access by IP addresses adds an extra layer of security.

Restricting user access to specific system areas is essential for risk reduction and improved control. It's vital to ensure that the third party has robust cybersecurity measures, including antivirus, anti-malware, and firewalls. Compliance with ISO, SOC II, Cyber Essentials, or GDPR, and undergoing audits and certifications, are highly recommended.

Make sure to integrate all necessary software, typically including accounting, tax, audit, practice management, time/billing, payroll, and document storage applications. Implementing backup and disaster recovery protocols is crucial to regain access to your data in case of emergencies.

For hardware, enforce strict controls such as limited internet and email access, disabled USB ports, and restricted LAN connections or specific Wi-Fi networks. Essentially, create a tightly controlled, risk-averse environment for optimal security.

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IT Infrastructure and Cybersecurity

1. **Secure Protocols: Ensure secure data transmission.**
- Strong Authentication: Use certificates or two-factor authentication to authenticate users accessing the network.
- Access Control: Limit VPN access to necessary resources only, preventing access to the broader network.
- Limit Access: Limit access to a specific IP Address.

2. **Software and Hardware Standards:**
- Use licensed and up-to-date software to reduce vulnerabilities.
- If possible, provide company-owned hardware with pre-installed security measures.
- Don't Ship hardware from the US but ensure it is a trusted provider getting the hardware.
- Lock down access to USB Ports.

3. **Cloud-Based Access:**
- Secure Cloud Services: Choose a reputable cloud service provider with strong security measures (e.g., AWS, Azure, Google Cloud).
- Data Encryption: Ensure that all data stored in the cloud is encrypted both at rest and in transit.
- Identity and Access Management (IAM): Implement strict IAM policies to control who can access what data and applications in the cloud.
- Implement identity and access management (IAM) solutions to manage user identities and permissions effectively.

4. **Connecting Accounting and Tax Software**
- Contact your Software Provider, to understand the most effective and secure method to set up access to a remote employee. (Some may have international access restrictions that need to be unlocked)
- Software as a Service (SaaS): Consider using cloud-based accounting software with built-in security features.
- Restricted Access: Configure software to limit user actions based on their role and necessity. For instance, some users may only need read access, while others may require full access.
- Audit Trails: Ensure the software provides comprehensive audit trails for tracking all user activities.
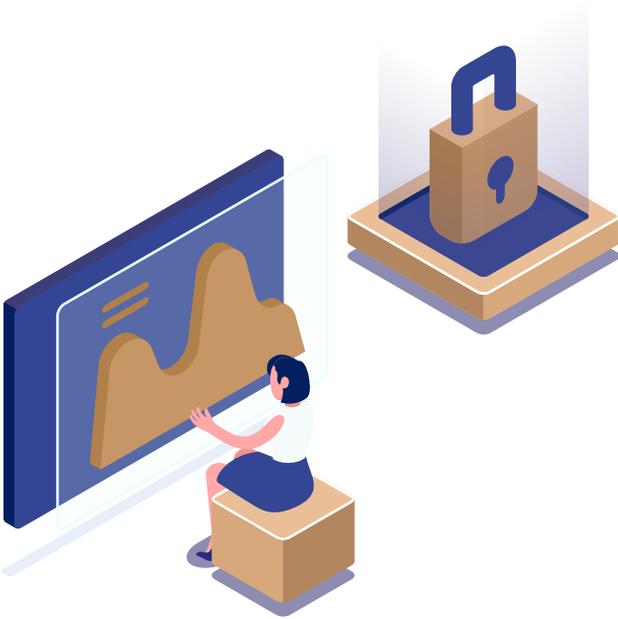
5. User Rights Management

- Role-Based Access Control (RBAC): Implement RBAC to define what resources a user can access within the network or software based on their role.
- Least Privilege Principle: Grant users the minimum level of access needed to perform their job.
- Regular Review of Access Rights: Periodically review user rights to ensure they are still appropriate and adjust as necessary.

6. Incident Response Plan:

- Have a well-defined incident response plan in case of a security breach.
- Ensure the offshore firm has its own response plans that align with your standards and federal law.

7. Cybersecurity Measures:

- Firewalls: Deploy both hardware and software-based firewalls to act as a barrier against external threats.
- Antivirus and Anti-Malware Solutions: Install and regularly update antivirus software on all devices.
- Regular Security Audits and Penetration Testing: Conduct to identify and remediate vulnerabilities.
- Employee Training: Regularly train offshore staff on cybersecurity best practices and awareness.
- Backup and Disaster Recovery: Implement a robust backup strategy and a disaster recovery plan to mitigate data loss risks.

8. Compliance and Data Protection:

- Regulatory Compliance: Ensure that your offshore provider is not only familiar with but also certified in key regulations such as GDPR, SOC II, Cyber Essentials, and other relevant cybersecurity standards to improve compliance and security.
- Data Localization Laws: Store data onshore. You want to keep control of all information and limit sending information off your system.
- Define clear terms and conditions regarding network and data access in your contract with the outsourcing firm.
- Establish clear policies and procedures for handling sensitive data and ensure the offshore staff is trained on these.

9. Regular Audits and Monitoring:

- Conduct regular security audits of the offshore vendor's practices.
- Implement continuous monitoring of their network and system activities.

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A due diligence checklist for evaluating offshoring vendors provides CPA firms with a structured framework to assess potential partners' capabilities, compliance, and performance metrics. This essential tool ensures that firms can confidently select an offshoring vendor that aligns with their strategic goals and operational standards, minimizing risk and optimizing outsourcing outcomes.

General Information:

a. Name of the offshore outsourcing vendor:

_____

b. Location of the vendor:

_____

c. Years of operation:

_____

d. Contact person and their details:

_____

Legal and Regulatory Compliance:
The below should be discussed with your CPA firm's attorney.

○ Is the outsourcing vendor registered and compliant with the laws and regulations of their country?

○ Are there any legal, regulatory issues, or sanctions against the vendor currently or in the past related to a CPA firm?

○ Does the vendor have any certifications or accreditations relevant to the outsourcing services provided?

Financial Stability:

○ Request financial statements (such as balance sheet, income statement, cash flow statement) for the past three years to assess the vendor's financial stability.

○ Is the outsourcing vendor financially sound, with the ability to meet its obligations?

○ Are there any indications of financial distress or irregularities?

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DUE DILIGENCE CHECKLIST

Infrastructure and Technology:

○ Assess the outsourcing vendor's infrastructure and technology capabilities:

○ Hardware and software resources.

○ Data security measures and encryption protocols.

○ Backup and disaster recovery systems.

○ Evaluate the vendor's technological compatibility with your systems and software requirements and adherance to data privacy and consumer protection laws.

Data Security and Confidentiality:

○ Inquire about the outsourcing vendor's data security measures and protocols.

○ Does the vendor have proper safeguards in place to protect client data and maintain confidentiality?

○ Assess the vendor's compliance with data protection regulations and industry best practices.

○ Assess awareness of and compliance with implications of Sec. 7216.

Quality Assurance and Processes:

○ Request information on the outsourcing vendor's quality control processes and procedures.

○ Inquire about their methods for ensuring accuracy, completeness, and timeliness of deliverables.

○ Are there any industry certifications or quality assurance frameworks implemented by the vendor?

Workforce and Expertise:

○ Assess the qualifications and expertise of the outsourcing vendor's staff.

○ Verify their educational background, professional certifications, and experience.

○ Evaluate their expertise in the specific accounting, tax, and audit areas relevant to your firm.

○ Inquire about staff turnover rates and retention strategies.

○ Inquire about procedures in place for handling cutting off access for terminated employees.

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DUE DILIGENCE CHECKLIST

Client References and Case Studies:

◯ Request client references from the outsourcing vendor, preferably from firms similar to yours in size.

◯ Inquire about past projects or case studies that demonstrate the vendor's capabilities and successful engagements.

◯ Contact provided references to gather feedback on their experience with the outsourcing vendor.

Service Level Agreements (SLAs) and Contractual Terms:

◯ Review the SLAs and contractual terms proposed by the outsourcing vendor.

◯ Assess the scope of services, deliverables, performance metrics, and escalation procedures.

◯ Evaluate the provisions for termination, intellectual property rights, and dispute resolution.

◯ Consult with CPA firm's attorney regarding jurisdiction and other legal issues related to foreign operations.

Security Assessments and Audits:

◯ Inquire about any independent security assessments or audits conducted on the outsourcing vendor including SOC II, ISO, cyber essentials, or GDPR.

◯ Request reports or certifications from third-party auditors regarding their security practices and controls.

Insurance Coverage:
Highly recommended to have a discussion with your insurance provider.

◯ Verify whether the outsourcing vendor carries appropriate professional liability, cyber, and any other applicable insurance coverage.

◯ Request proof of insurance and check the coverage limits and validity.

◯ Ensure CPA firm's professional liability carrier is aware of this arrangement.

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OUTSOURCING READINESS SELF-ASSESSMENT

The Outsourcing Readiness Assessment is designed as a self-assessment tool that helps firms evaluate their own preparedness and suitability for outsourcing. It includes targeted questions to review current operations and identify areas for improvement, alongside queries for gathering insights from stakeholders in key departments such as IT, Admin, Tax, CAS, and Audit. Use this to tailor your conversation internally within your firm.

1. Firm Overview:

a. Can you provide a brief description of your CPA firm, its size, and areas of expertise?

b. What are your firm's long-term goals and growth projections?

2. Current Operations:

Assess your Tax, Audit, CAS, and any additional service lines standard operating procedures. Are they up to date? Do you want all the process to be handled with offshore team members? Do you have to break down your standard operating procedures further?

a. How do you handle workload fluctuations and peak seasons?

b. Are there any specific pain points or challenges you face with your current operations?

3. Outsourcing Objectives:
a. Why are you considering outsourcing tax, audit and/or Client Accounting Services?

b. What are your primary objectives in outsourcing these functions?

_____

_____

c. Are there any specific tasks or processes you intend to outsource?

_____

_____

4. Requirements and Preferences:
a. What are your specific requirements for outsourcing partners in terms of expertise, technology, and scalability?

_____

_____

b. Do you have any preferences regarding the location or time zone of the outsourcing firm?

_____

_____

c. After discussing with your firm's attorney, are there any legal or compliance considerations to be aware of?

_____

_____

5. Timeline and Transition:
a. Do you have a timeline for initiating outsourcing and completing the transition?

_____

_____

b. How do you envision the transition process, including knowledge transfer and ongoing communication?

_____

_____

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6. Point of Contact:
a. Who will be the primary point of contact within your firm for managing the outsourcing?

_____

_____

b. Are there any key stakeholders or decision-makers involved in this process?

_____

_____

7. Budget and Cost Considerations:
a. What is your budget or cost expectations for outsourcing these services?

_____

_____

b. Are there any specific cost structures or pricing models you prefer?

_____

_____

8. Confidentiality and Security:
a. What security measures do you require to ensure confidentiality and protection of client data?

_____

_____

b. Do you have any specific compliance or data protection requirements?

_____

_____

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9. Evaluating Outsourcing Providers:
a. What criteria are important to you when evaluating potential outsourcing partners?

_____

_____

b. Have you considered any specific outsourcing providers or regions for this purpose?

_____

_____

10. Other Considerations:
a. Is there any additional information or specific concerns you would like to address?

_____

_____

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Strategic Plan for Exploring Outsourcing

Crafting a strategic plan to discuss the potential of outsourcing for CPA firms or businesses is crucial. Without one you are likely to not have a clear direction for your team which will lead to a lack of investment or buy in from the in-house team. It is also necessary to ensure you are clear in your vision so you can invest the appropriate time into project Here are some questions to incorporate and answer while creating the plan:

1. Problem: Why Outsourcing?

- What is the Problem you are trying to solve? (More flexibility for your in-house team, Shortage of talent, Improve profit margins, expand service offerings & access etc.)
- Identify the core divisions or services you would like/need to outsource.

2. Clarifying the Goal for Outsourcing

- Core vs. non-core services: What's essential to retain in-house? (Some processes may need to be split between in-house / outsourced team members)
- Services that are labor-intensive and can be done more cost-effectively offshore.
- What is the best fit model for my firm based on the needs?

3. Identifying Services for Outsourcing

- Core vs. non-core services: What's essential to retain in-house?
- Services which require specialized knowledge.
- Services that are labor-intensive and can be done more cost-effectively offshore.

4. Setting Clear Expectations

- What standards must be met or exceeded?
- Communication Frequency, modes, and clarity.
- Identify clear turnaround times and deadlines
- How will offshore teams be brought up to speed during onboarding/training?

5. Addressing Key Concerns

- Data Security: How will client data be protected?
- Regulatory Compliance: Understanding regulations for outsourced services.
- Cultural Differences: Navigating and bridging any cultural gaps.
- Time Zones: Managing and leveraging time zone differences.

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6. Understanding the Primary Drivers

- Staffing Constraints: Addressing lack of skilled talent, reducing the load on overburdened staff.
- Profit Margins: Exploring the cost-benefit analysis, how much can be saved or earned.
- Talent Pools: Accessing skills and expertise not readily available domestically.

7. Selection Criteria for Outsourcing Partners

- Where can I find the strongest, best fit talent pool for my needs?
- Have we done reference checks of the provider or been referred to them?
- Does their technology infrastructure align with our needs?
- How Flexible is the third party to adapt to your firm's needs and changes?
- Gain a true understanding of the cultural norms within the county or region you are exploring. There are more considerations than just a time zone difference.

8. Financial Implications

- Compare in-house vs. outsourced service costs.
- Are there any hidden or potential unexpected costs.
- Project long-term financial & operational benefits.

9. Next Steps

- Try out a pilot project to evaluate the process.
- Establish a system for continuous feedback and improvement.
- Set Regular check-ins to ensure the strategy remains aligned with firm goals.

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COMMUNICATION CHANNELS FOR OUTSOURCING SUCCESS

Communication is one of the leading challenges firms face when outsourcing which leads to stress, breakdowns in process, a disparity in expectations and an overall unsuccessful experience. Here are some of the recommended tools and methods to consider when outsourcing to help streamline the communication.

Project Management Software

- Keep work related processes, communication, and tasks here so it doesn't get bogged down in emails.
- Use workflow functions to assign tasks, set deadlines, share updates and set expectations.

Instant Messaging

- Employ real time communication with MS Teams, Slack or other Tools.
- Encourage quick questions, clarifications, immediate feedback within groups or directly to help speed up resolution/productivity.
- Dedicate channels or groups for projects to help with coordination and accountability.

Shared Document Collaboration

- Utilize cloud-based collaboration to minimize multiple versions, confusion, clutter, and errors.
- Ensure project related files, templates, SOPs are accessible to both in-house and offshore teams.
- Improve security by restricting controls and access.

Video Conferencing

- Schedule regular video conferences to facilitate face-face interactions and encourage inputs.
- Schedule one to one's between team members/managers to help with relationships and culture sharing.
- Conduct kick off meetings, huddles, project updates, performance reviews via video for culture benefits.

COMMUNICATION CHANNELS FOR OUTSOURCING SUCCESS

Email

- Limit the correspondence internally to free up inbox space for client communication.
- Additional project details, requirements can be shared here if needed but secondary to a Instant Messenger tool or Office Tools.

Cultural Sensitivity

- Promote respectful communication across both teams and sessions to understand how everyone works best.
- Encourage open dialogue to address misunderstandings/differences that occur.
- Provide resources to ensure effective cross-cultural collaboration is being trained.

Progress Reporting

- Implement a reporting schedule to receive regular project updates.
- Create a standard report covering completed tasks, milestones achieved, issues, and concerns.
- Review and discuss reports in scheduled meetings to ensure transparency & alignment.

Performance Reviews & Feedback

- Conduct periodic performance reviews and feedback to discuss quality of work, areas for improvement and training needed.
- Recognize improvements & achievements.

Escalation Procedure

- Address any urgent matters or issues that require immediate attention.
- Define individuals or teams to contact in case escalation is required.
- Document and make the process accessible to everyone.

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CPA OUTSOURCING TOOLKIT INTERVIEWS

As part of our research for the AICPA Outsourcing Toolkit, we conducted a series of in-depth interviews with CPA firm leaders who have been successful in outsourcing utilizing some of the models shared in the guide. These interviews were structured to provide real examples of firms leveraging outsourcing and sharing challenges they went through to help the industry learn from it.

The interviews focused on uncovering the motivational drivers for outsourcing. We explored different outsourcing models explored by these firms, including Full-Time Employee (FTE), Project-Based, and Build-Operate-Transfer (BOT) models, and discussed the global locations selected for these services.

We expanded our discussion into understanding the challenges and successes encountered in the outsourcing journey. The interviews delved into the initial challenges firms faced when starting outsourcing, incidents of outsourcing failures, and the strategies employed to resolve these issues.

These leaders were generous to share some best practices derived from their experiences to help the community. A few major take-aways included:

- Effective communication strategies
- Workflow management techniques between in-house and outsourced teams
- Criteria used to vet process for outsourcing partners or models.
-

We concluded by firms sharing the overall impact outsourcing had on the firm's growth and efficiency.

A Big Thank You to all who shared their valuable insights which are instrumental in shaping the guidelines and recommendations presented in this AICPA Outsourcing Toolkit.

Interview Transcription Summary with David Kells

Laurence Whittam: Let's start by discussing your background. Can you introduce yourself and your experience in outsourcing?

David Kells: Sure, I'm David Kells, currently a managing director at Whitman Transition Advisors, and I have over 35 years of experience in professional and financial services.

Laurence Whittam: How did you first get into outsourcing, and what were the initial areas you focused on?

David Kells: We began with outsourcing as an insurance policy for peak tax seasons, primarily focusing on tax returns. This helped ease staff burnout. We later expanded our services to include bookkeeping and specialized consulting.

Laurence Whittam: When did you start outsourcing in India, and how has it evolved over time?

David Kells: We started our Indian operations around 2014 with a small team, and it has grown significantly since then, currently employing over 200 people.

Laurence Whittam: What was your transition from third-party outsourcing to an in-house operation like?

David Kells: Initially, we used third-party outsourcing, but we gradually transitioned to building our in-house operation in India. We treat our Indian team as part of our firm.

Laurence Whittam: Can you share insights into the challenges you faced during the transition and how you overcame them?

David Kells: One challenge was getting full partner buy-in, as there was initial hesitation regarding offshore work. Overcoming this took time. To ensure a smooth transition, clear communication, regular meetings, and introducing team members were crucial.

Laurence Whittam: How did you vet outsourcing partners, and what steps did you take to control communication and workflow between teams?

David Kells: We vetted partners by interviewing various firms and starting with small projects to assess their efficiency. To control communication and workflow, we assigned senior individuals to manage the process and ensure consistent staff allocation.

Laurence Whittam: Can you describe the structure of your offshore operations and how it evolved?

David Kells: We built our Indian operations organically, promoting an Indian national to manage it. We established a separate entity with legal structures to insulate the U.S. side.

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Interview Transcription Summary with Michelle Walsh

Laurence Whittam: When did you start your outsourcing journey, and how has it evolved over time?

Michelle Walsh: We began small, outsourcing about 250 tax returns through a third-party provider and expanded to about 750 returns. We're now looking to increase it to almost 2,000 returns. We later added audit outsourcing. The goal is to diversify into audit, tax, client accounting services, and operational support.

Laurence Whittam: What were the motivating factors that led your firm to explore outsourcing?

Michelle Walsh: The primary motivation was the need for additional resources, as finding and retaining skilled professionals is challenging. We also noticed work cycles changing and sought to create more balance in workloads.

Laurence Whittam: Could you explain the impact of outsourcing on your firm's growth and efficiency?

Michelle Walsh: Outsourcing has allowed us to manage higher workloads and improve efficiency. It's led to a more balanced workload, faster client service, and staff retention.

Laurence Whittam: What are some of the best practices you recommend for CPA firms exploring outsourcing?

Michelle Walsh: It's crucial to have a dedicated person or team overseeing outsourcing, clear targets, and to start somewhere, even small. Building clear communication channels, processes, and maintaining a focus on quality and security are key.

Laurence Whittam: Can you share some specific actions you took to improve communication and workflow when integrating outsourcing into your firm's operations?

Michelle Walsh: We streamlined internal processes, used a workflow tool, ensured offshore teams received the same training as our in-house team, and included them in meetings. Standardization of expectations and processes helped enhance communication and workflow.

Laurence Whittam: Could you share your thoughts on the build-operate-transfer (BOT) model and your decision to transition from using providers to building your own outsourcing operation?

Michelle Walsh: We transitioned to an in-house operation because of increasing demand. This allowed us to have dedicated resources available year-round, maintain control, and closely align offshore teams with our firm's values and processes.

Laurence Whittam: Do you have any advice for CPA firms that are on the cusp of exploring outsourcing?

Michelle Walsh: Start small and gradually expand. Outsourcing can provide workload relief, improve client service, and enhance staff retention.

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Interview Transcription Summary with Wendy Barlin

Laurence Whittam: Could you detail the journey of your outsourcing experience, from its inception to the complete transition of your firm to a remote setup? Specifically, what were the key stages and milestones that led to this significant shift?

Wendy Barlin: Certainly. I began outsourcing roughly ten years ago and gradually shifted my entire firm to a remote structure in 2018. It started with tentative steps, gaining confidence, and eventually deciding to do away with our physical office space. We moved towards a subscription model, expanded our team nationally and internationally, which proved crucial when COVID-19 struck as I found myself guiding others through a similar transition owing to our early adaptation.

Laurence Whittam: When you initially embarked on outsourcing, what specific services did you opt to outsource, and what were the primary factors influencing those choices?

Wendy Barlin: At the outset, our focus was on outsourcing bookkeeping tasks. It seemed like the most manageable area to start with in terms of oversight and control. Later on, as I grew more comfortable with the process, we also outsourced tax work.

Laurence Whittam: What initially prompted your consideration of outsourcing? Was it primarily driven by cost-effectiveness, or were there other compelling reasons that played a significant role in your decision-making process?

Wendy Barlin: Cost was definitely a motivator initially. However, what became more compelling was observing the work ethic and dedication of offshore teams. Their heightened productivity, commitment to deadlines, and willingness to take on additional responsibilities influenced me to expand our outsourcing endeavors.

Laurence Whittam: Could you discuss the various outsourcing models you explored before settling on your preferred approach? What were the key strengths and limitations of each model that contributed to your final choice?

Wendy Barlin: I looked into different outsourcing models, including utilizing processing firms for completing tasks. However, I found this method lacking in consistent personnel and hindered the establishment of meaningful relationships. Consequently, I opted for a model where I personally recruited and engaged with the offshore team, allowing for better relationships, aiding their development, and ensuring a more consistent workflow.

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In the context of this research project, we acknowledge the existence of various Business Process Outsourcing (BPO) vendors known to collaborate with CPA firms in the accounting profession. The list of providers below is not all inclusive of every vendor. However, it is important to emphasize that their inclusion in this project does not constitute an endorsement or recommendation from us. The mention of these vendors is purely for informational purposes and is based on their known associations with the profession. We advise firms to conduct their own thorough due diligence and make informed decisions based on their specific needs and criteria.

Philippines

Global Staff Connections   TOA GLOBAL   D&V Philippines   botkeeper
The Future of Bookkeeping

Integra Global Solutions   CAS

India

SOURCEIN   UNISON GLOBUS   Infinity Globus   SurePrep   MNC

QX GLOBAL GROUP   entigrity   FINSMART   FinQuan

GKM   AA   Wolters Kluwer

South Africa

Trigger   makosi   S A P R O
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