THE CASE FOR THE CLOUD

How cloud computing is transforming the tax and accounting profession

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There’s no question that business use of cloud computing services is gaining momentum. A recent study by technology research firm Gartner predicts that by 2015, business spending on cloud services could reach $180 billion worldwide. Accounting firms are taking note: In a study completed this year by technology consulting firm NMGI and research and strategy firm Insight Research Group, almost 60 percent of participants reported using some form of cloud services. According to industry experts the rationale behind widespread adoption of cloud services, which can streamline business technology needs, is clear.

“In general, firms move to the cloud because they’re looking for better internal or local technological support,” says Randy Johnston, executive vice president of K2 Enterprises, which provides technology education to accounting and financial professionals. “It turns out that the ability to work from the cloud can provide that for many tax and accounting professionals.”

That said, switching your business operations to the cloud requires a clear understanding of what you might gain, as well as the risks your firm might face. Following, we provide an explanation of what cloud services entail, as well as information on the benefits and risks of cloud usage for tax and accounting firms.

CLOUD SERVICE BASICS

If you’re using a smartphone or watching movies online, you’re already tapping into the cloud: You’re accessing information that’s stored online regardless of where you are at the time. However, when applied to business, the term “cloud computing” can sometimes seem nebulous and confusing. Technically speaking, cloud technology refers to a system of networked computers, servers, and data storage that allow information to be accessed via the Internet from anywhere at any time. Cloud service providers maintain the hardware necessary for digitally storing software and data, allowing users to upload and access their information online.

For the tax and accounting profession, cloud services can mean securely storing accounting, billing, and time management software online, and using the cloud to store client data and information safely. A cloud service provider can simply act as a host, allowing you to upload your existing software and data to the internet—platform as a service (PaaS). Alternatively, a service provider can provide the software itself, as well as access to all your information—software as a service (SaaS).

Firms that adopt the cloud may choose to overhaul their systems completely, moving all of their information online at once. Or they may decide to take a more piecemeal approach, moving some applications online and retaining other in-house capabilities. For example, a firm might decide to move its email system to the cloud to minimize the costs of data storage and upkeep, while maintaining their billing software in-house.

FLEXIBILITY, CONVENIENCE, AND EFFICIENCY

The cloud’s appeal stems in large part from the flexibility it provides; tax and accounting professionals who are using the cloud can access their data without being tied to a specific location or computing device. “If you have a group of people working at multiple offices or client locations, the cloud creates easier workflow and a method for sharing information efficiently,” says William Klos, national cloud services lead at Centric, a consulting firm that specializes in business technology.

Because information is stored offsite, users can access it from anywhere they can access the internet. Firms can also install systems that extend this service to clients, giving them the ability to view their own data at any time. This capability improves the ability to collaborate with clients in real time no matter where they’re located.
In addition, moving to the cloud can offer substantial savings. Traditional business software typically requires a large upfront licensing fee, in addition to an annual maintenance fee and your own infrastructure costs. Many cloud services offer a pay-as-you-go model in which you’re charged a monthly or annual fee for use. Depending on the service, cloud vendors may charge additional fees for adding users or offering access to clients. “Cloud services provide predictability, as opposed to maintaining things in-house where you may have unexpected expenses,” says Johnston.

Typically, an office that doesn’t use cloud services pays for its own storage and software, as well as an IT staff or consultant to maintain the system. Cloud services can reduce the need for in-house IT staff, since cloud vendors handle server and software maintenance, as well as tech support. Vendors also typically handle system upgrades, which happen automatically, giving users immediate access to updated software. Firms that are considering a move to the cloud should be sure to factor in the potential reduction in IT and maintenance spending when considering the cost of transitioning. Indirect costs, such as staff time dedicated to installations, are often missed in cost analysis. “Most people look at the cost of the cloud and add it to their current costs,” says Christina Wiseman, product manager for web services at Thomson Reuters. “What they need to do is think about the opportunity cost of not using the cloud.”

SAFETY AND RELIABILITY

The adoption of cloud services has led to an increased focus on data security, a top concern among tax and accounting professionals thinking about switching to the cloud. Their fears typically center on the possibility that a security breach—like those experienced by major retailers—could make business and client information vulnerable to theft. While those retail data breaches are widely publicized, they don’t reflect what Klos says is the extremely low likelihood that a reputable cloud vendor would be hacked.

However, it is critical to choose a reputable vendor that has been in the business for at least three to five years, according to Klos. “It’s a nascent industry—that’s why it’s important to pick a good vendor,” he says. “Lots of vendors are new or up-and-coming; they can come and go quickly.”

It can also be smart to look for third-party certification, which can both help you and give your vendors assurances that their hardware and software does what they claim it can do, says Johnston. For example, you can look at the firm’s Statement on Standards for Attestation Engagements No. 16 (SSAE 16), or their Service Organization Control (SOC2) audit. These standards were designed in part to test a vendor’s infrastructure—including hardware, software, procedures and personnel, and data—in areas including security, integrity, confidentiality, and ability to protect clients’ personal information. Ask to see a copy of the report as part of the due diligence process when comparing vendors.

In addition, it’s critical that your systems and data are protected with offsite backup in case of an emergency, such as a fire or weather-related disaster. Without backup, your ability to access important data can be cut off until it is recovered or, even worse, lost for good. In either case, you may experience lost billable hours or considerable expense—not to mention potential damage to your reputation. Cloud vendors not only store data in a centralized offsite location, but they often keep copies of your information in one or two other locations for additional backup. The systems typically are self-healing, meaning that if there is a failure at one site you can immediately access the same data via another location. Having your cloud vendor handle backup services can reduce costs, too, since many CPA firms must use an extra server or a third-party vendor for backup services.
THE NEW NORMAL

The widespread use of cloud technology in the consumer space is driving the transition in the business sector. Increasingly, clients and employees will see these services as the norm. “Accountants are a risk-aware group of people, but I think many are starting to understand that security can be managed well and ubiquitous access to information is expected,” says Wiseman. “We’re finally at the point where enough people are successful using cloud services that even the late adopters are starting to feel confidence in making the move.”

EXPLORE THE CLOUD

Review cloud computing services offered by Thomson Reuters at CS.Thomson Reuters.com/cloud-computing.