

# Benefits of Outsourced Financial Management

By Chuck Curtiss, President of My Financial Team, Inc.

In their 21<sup>st</sup> Annual Small Business Survey, Dun & Bradstreet reported a 36% increase in companies that outsourced their bookkeeping services in 2002. This statistic appears to reverse a trend toward the in-house use of Quickbooks or Peachtree. This paradox carries an important message for small business owners.

There are three purposes for keeping good books: the need to handle daily financial activities and payroll; the need to file accurate tax forms; and the desire to have information that can help improve performance in the future. You may not need to outsource each activity. But it is very likely that most small businesses could benefit from outside help.

For many small business owners, financial management is not their greatest strength, yet it takes their time away from revenue generating activities. Linda Maginity of Bottom Line Bookkeeping Service says outsourcing "frees up the owners time and improves accuracy". Stephen Gallagher CPA recognizes that it "frees up clients to concentrate on what they do best".

## Daily Financial Activities

Larry Flynn of Bay Business Services says the "[outsourcing of] bookkeeping is dying with new software packages".

But this solution does not work for everyone. Robert Haugh of Robert Haugh & Associates Inc. says "[some businesses] have a hard time with software. They spend lots of time and still not have it right". "We are seeing a lot more businesses outsourcing, especially payroll. And the smaller businesses that are busy, are looking to outsource all of their bookkeeping needs" says Karrie Schell - Manville & Schell PC.

"Most people like to outsource payroll", says Nancy Fisher of TASC. "You don't have the problem with an employee knowing the financial information internally, and you hopefully have a more knowledgeable person do the work at a lower annual cost" says Chris Kindlinger of Jarvis, Kindlinger Shumky & Quigley PC.

Brenda Allen of Input Specialties Bookkeeping says, "A lot of small businesses don't have the need for someone to do full-time bookkeeping. They save money by not having the wages, benefits, and taxes". Your outsourcing vendor can establish a long-term relationship with you, and train both your employees and their employees with consistency. Jerry Stephan of JL Stephan Co PC CPAs says this also means saving time in "not having to deal with employees, especially in the re-training area".

## Accurate Tax Forms

Payroll taxes, sales and use taxes, income taxes, and property taxes can all be costly when they are submitted late, or later found to be in error.

Dan Hofstra of Schepers & Hofstra PC CPA says "It's fine when a company does the bookkeeping themselves as long as they set up their software well, get occasional consulting, and have their reports checked periodically".

Accuracy does not just happen. You must choose the person who provides this service carefully. "There are a lot of very good, competent bookkeepers out there, but there are some that are not. You have to be careful," says Brenda Allen of Input Specialties Bookkeeping. "All companies need the oversight function, yet most small companies do not have in-house resources for this" says Mary Krantz of Dennis Gartland & Niergarth's BizTek division. The lack of

this oversight can lead to embezzlement, errors in tax calculation, missed tax payments, and general errors in data entry.

## Financial Management

Some of those offering bookkeeping services can read your financial statements like a doctor reads a patient's chart, seeing symptoms of weakness that allow her to prescribe an antidote. At this level, the cost of analysis almost always pays for itself in performance improvement.

"Many companies fail for lack of knowledge of financial awareness", says Robert Haugh of Robert Haugh & Associates Inc. "The reason people outsource is because they have the ability to tap into an educational and experience base on an as needed basis" observes Jane Blakely of I&S Co.

Lee Torrey of Kalcher Vanderwal & Torrey PC CPAs says, "if we can look at it on a monthly or quarterly basis, it gives them better information to make their management decisions throughout the year"

"A well kept set of books is of particular value if you are thinking about selling your business - both to the buyer and the seller" observes Ed Mende of CFO Controller Group Inc.

Mary Jo Flory of Computerized Planning concludes, "Business is much more difficult than it was 19 years ago when I started, and therefore we need to stick much closer to budgets and projections, making sure that each client's customers get a good value."

Chuck Curtiss can be reached at [chuck.curtiss@myfinancialteam.net](mailto:chuck.curtiss@myfinancialteam.net).

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