

## **The benefits to outsourcing your Bookkeeping**

Much like our previous Payroll Services White Paper there are many benefits to outsourcing your bookkeeping services. If there is one thing that business owners can universally agree that they hate doing, it is keeping the books up to date. Unless you are devoting consistent time to this task, it is probably stacking up into an unmanageable pile of receipts and statements that you dread going through. You can hire an employee or family member to do this, but again there are additional costs that go into that such as computer, software, desk space, utilities, etc. Do you really want to pay more than you need to? By outsourcing your bookkeeping services to a professional, data is entered using the correct chart of accounts and subcategories so that you can appropriately track revenue and expenses.

When it comes to bookkeeping services, there is a lot more to think about than someone sitting in a corner entering transactions into Quickbooks. The most common service utilized by businesses is Payables and Receivables. Businesses are hiring bookkeepers to record payments or issue checks sent out by the business. I would caution any business owner to not assign check signing ability to the bookkeeper. I would also suggest that once the check is signed, either the business owner or yet another representative take care of mailing the payment. If using online bill payments, I would recommend that the business owner take care of that transaction themselves or hire the outside professional to perform this task for internal control purposes. Further, review all vendors and compare invoices received from them to ensure they are real vendors, not one's setup by your bookkeeper, which are going to their bank account. Businesses are also hiring bookkeepers to send out invoices to clients. Business owners need to review all invoices before they go out to ensure the items and pricing are correct.

The other advantage to using an outsourced bookkeeper is continuity. If your in-house bookkeeper goes on vacation or quits unexpectedly, your bookkeeping does not get done. By outsourcing, your bookkeeping is performed by a staff of multiple people, not one individual. The internal controls are put in place by the outsourced bookkeeper performing the service, so the business owner can focus on their business objectives. That is not to say the business owner should not be reviewing information when it comes to bookkeeping, because they should. However, they should not have to spend as much time reviewing items due to the internal controls the outsourced bookkeeper should have in place. The average fraud from lack of internal controls in the bookkeeping department is \$147,000.00. A professional service should provide more oversight than most small businesses can provide themselves.

Bookkeeping services should be scalable for your business. Behind Payables and Receivables, the most common service that our clients hire us for is Bank or Credit Card Reconciliation. Remember the old days of going through your bank statement with a stack of canceled checks and checking each box to confirm that the payable went through? Those days for the most part are more streamlined now due to bookkeeping software. The process is still similar, but much more expedited. The bottom line is that you want the end totals to match. As your business grows you can choose to add more services.

Not only does your banker want to see updated financial information from your business from time to time, as a business owner you should be reviewing this information often. It is impossible to make decisions regarding your business if you are not aware of your revenue flow or when your payables are due. Each business has moments each month where cash flow is higher or lower than other moments. It is important to know that as you plan for a large purchase as you do not want to put your business in a dangerous financial situation. Your reporting should also tell you your average days of collections and which clients are your problems when it comes to receivables. Using this information may cause you to change your collections policies for specific clients.

While you hope your trusted in-house bookkeeper will not divulge financial information to others, a professional outsourced agency often has confidentiality requirements that prevent it from doing just that. Nobody wants their financial information out for all to see, even if it is good information. Because of the layers within an outsourced bookkeeping firm work is often reviewed so that errors or incorrect information is caught before it goes out or is posted into your accounts. Outsourced bookkeepers often work with an accountant or your CFO and other tax professionals to simplify financial data before taxes or reports need to be filed. This saves your business considerable time and money having this done up front, versus trying to cram this in later. These professionals speak a common language, so they know what information is what, and where it needs to go within your chart of accounts.

There are many outsourced bookkeeping services out there. I would caution against choosing the \$10 an hour bookkeeper. You will get what you pay for. This person often has no oversight from a professional accountant or financial professional. There are often no internal controls, and this opens your business up to fraud and embezzlement by this person. If someone is working out of their house, it is a red flag. You want to outsource to someone with a brick and mortar presence and more than just themselves to check their work. Extra bodies mean more oversight and less risk of fraud or errors to your financial records.

A professional bookkeeper allows you to focus on your business. Most business owners do not have the time or expertise to stay on top of this important aspect of their business. Your bookkeeper needs to be your partner in ensuring your business is staying on course with its financial objectives.