eaccounting™

This paper discusses the various methods of providing online or hosted access to disk-based versions of Intuit QuickBooks® financial software, how the applications operate in a hosted model, and how accountants and bookkeepers are using this solution to build their practices and serve more clients.

Topics Covered:

- Difference between Web-based and disk-based versions of QuickBooks®
- Technologies used for hosting QuickBooks®
- How the application hosting model works
- Costs and considerations
- Supporting applications and services
- How you and your clients can use QuickBooks® hosting

Contents

There are a variety of terms being used today which describe the "new generation" of application services available. Whether the term is Software-as-a-Service (SaaS), On-Demand, Anytime-Anywhere, or Always-On, what is being described is a method of obtaining and accessing computing and software resources virtually. In concept, computing technology is considered to be a utility service, rather like electrical power or telephone service. You simply connect to the source, and pay for what you use.

The concept seems logical, yet broad adoption of this type of approach has taken more time than expected, largely due to the fact that businesses were very wary of exposing their financial and other confidential information via the Internet, and many businesses were still in areas where broadband Internet access was either not available or not cost-efficient.

But online banking changed all that, and demonstrated to the market that useful functionality and convenience, as well as security, could be had online. Adoption of this type of service has helped to convince the business community that the Internet could be used as valuable tool for interacting with customers in a secure manner.

With computing technology growing in complexity and cost every day, more and more businesses are looking at the Internet as a means to reduce IT operating and management costs and at the same time meet their ever-increasing requirements to beat their competitors and serve customer demands. What was once considered to be a fad has now become what is possibly a better option for businesses than purchasing and maintaining technology directly.

The difference between a desktop application and a web-based application

The underlying technologies that are used to deliver online application solutions vary tremendously, so it is easier to simply narrow it down to "desktop applications" versus "web-based applications".

Desktop applications are software programs that you install to your PC or network. These programs run from your computer, and utilize processing, memory, storage, and other resources directly on your computer. For each PC, you have the computer hardware, the operating system software (such as Windows), and the application software (such as QuickBooks®). The PC must have adequate storage to

be able to hold the programs and associated data, enough memory to run the programs, and enough processing power to run them reasonably fast.

Traditional PC networks are made up of two or more PCs connected together, and usually providing some level of shared storage (the file server). The file server allows users to connect to and utilize storage resources based on their permissions. The desktop applications are typically not run from the server, but the files containing data for those applications may be stored centrally on the server.

Web-based applications do not get installed to your PC or even to a file server. Web-based applications are designed to run on web servers (such as Microsoft Internet Information Server, or Apache Web Server). These applications are written with tools that are different from those used to build desktop applications. And Web servers do not offer the same type of file system security and user permissions that a typical network file server would provide. Data for web-based applications is typically stored in a database which the web application is able to "speak" to, but which is not usually accessed directly by the user.

To use a web-based application, you often need only a browser program running on your PC, such as Microsoft Internet Explorer or Mozilla Firefox. Internet browsers are general-purpose applications which allow you to view and interact with a variety of Web content. Internet browsers have been developed for almost every computer operating system available, and even for many phones and other handheld devices.

Regardless of the service or system you use, the same elements are required to make it work, and each of these elements represents a cost.

computer hardware (computers, processors, memory, video, input/output)

computer software (operating platform, application platform, applications)

data storage (storage disks, backup devices)

networking (hubs, switches, routers, connectivity)

Because desktop applications require a different arrangement of elements than a web-based application, they can sometimes be more expensive to acquire, implement and maintain. The business must purchase the computer hardware and software (and regular updates for some packages), get the systems installed, back up data and maintain the systems over time, and pay for repairs and replacements when there are failures. Traditionally, however, the functionality and performance of desktop applications has far exceeded the capabilities of Web applications, and continue to be more desirable for more business users, even with the high cost of acquisition and maintenance.

Web applications, on the other hand, can be more cost efficient to maintain from the perspective that the individual PCs are not necessarily required to be well-outfitted computers, and the only software

really necessary on them is a browser. Not much software gets installed, and no data is stored on the PC, so the initial and ongoing costs of having that PC are fairly low.

This doesn't mean, however, that there aren't software costs involved with web-based applications. ACT! For the Web, for example, is simply a web-based extension to the ACT! desktop application and database. You must install a web server, then purchase and install the ACT! For Web software on the web server, and then connect it to the database that the ACT! desktop application uses. Most administrative functions are still only able to be handled via the desktop application, but the web-application interface allows remote or mobile users to easily get to contact and activity information using only a browser, and via an Internet connection. Web-based application software is sold and licensed just as desktop software is.

The compelling elements that make Web-based applications potentially more attractive to users:

Ability to access from anywhere there is an Internet connection

Ability to use almost any PC

Ability to collaborate with others regardless of location

Software as a Service

There is a relatively new model available for using business applications today, and it is often referred to as "Software-as-a-Service", or SaaS. The best way to look at a SaaS model is in terms of rental: you buy nothing, you maintain nothing… you simply rent what you use. In most cases, this means that you're renting use of the computing infrastructure, data storage, engineering and technical people, and the software. This is the true "on-demand" model, where the application software is the core of the service, and is not sold as a separate license.

Software-as-a-Service is not limited exclusively to Web-based applications. When the software, the infrastructure, and the delivery are all part of the monthly service fee, then you are subscribing to a "complete application environment", which includes the programs. SaaS is often used to mean a Web-based application delivery or service, simply because most software companies who produce desktop application products have not created a rental-license model for their product (largely due to the reality that, once the product is installed and licensed, it's there on the PC and isn't easily turned off). Microsoft is one notable exception to this rule. By allowing licensed service providers to rent the Office applications to hosting customers, Microsoft has created a Software-as-a-Service capability around their wildly popular desktop productivity and messaging tools.

Some Web-application developers are able to create a single application framework, run it on web server infrastructure, and utilize it for many customers simultaneously. In this situation, the business isn't selling software, it is selling use of the software and the computers running it. Salesforce.com and

QuickBooks® Online Edition are good examples of this model. Businesses subscribe to the use of the Salesforce.com or QBOE systems – they do not purchase the software or the computers it runs on – paying a monthly fee for their use. When the subscription ends – access to and use of the system ends along with it. The business pays only for the time it uses the system, and only for the required number of users. When users are added to the business, they can be easily "subscribed" to the application service as well, without the business owner having to purchase additional software licenses. When users leave the company, subscriptions can be turned off, and the business does not have an investment in software that now goes to waste. The other big benefit of this type of a subscription model is that the software is always at the "most current version" of the application. When the application framework is updated, that updated version is immediately deployed to all users, thus eliminating the ongoing requirement to purchase and install updated software.

There is something to understand, however, when it comes to most SaaS-type implementations: you subscribe not only to the use of the application and the infrastructure, you also subscribe to a single company data "set". This is one area that represents a departure from how you are used to using software. For the most part, when you purchase and install a software program, you have the ability to create and utilize a number of data sets or data files. In the case of a contact manager, you might have multiple contact databases that you use. In the case of an accounting product, you may have multiple company data files or databases. But when you subscribe to an SaaS Web-application, your subscription typically limits you to a single data set or company.

Another consideration regarding data in an SaaS Web-application environment is that your data along with their other subscribers' data is typically managed as a single large resource. This means that data restore points may not be generally available in the event that your data becomes corrupted or records inadvertently deleted. The best that is often hoped for is that the database can be repaired, or that a backup from the prior day could be restored. This is not always the case, however, and there have been situations where an entirely new database had to be created, and what data could be saved was moved via import/export, losing fidelity of much of the transaction information.

Technologies used for hosted QuickBooks®

Intuit's QuickBooks® versions for Windows require Windows in order to run. The application relies upon many elements of the Windows operating system in order to function. So, it only makes sense that in order to host the QuickBooks® Windows-based applications, the systems where QuickBooks® runs must be Windows platform.

Microsoft makes many different "flavors" of Windows. Some are desktop versions, intended to run on user workstations and PCs. Some are server versions, designed specifically to offer networking, file serving, user security, and other functions. While the QuickBooks® applications were originally designed to run on Windows desktop platforms, they also run on the Windows server platforms.

In order to allow lots of users to access QuickBooks® and run it from a single server environment, there are some technologies that are necessary to "serve up" the environment necessary. Now, there is almost never just one way to get something done, and different people will elect to approach the problem from different perspectives.

Desktop Virtualization vs Server Virtualization

Fundamentally, in order to make a single server be able to offer desktop services to more than one user, you have to figure out a way to "carve up" the server into multiple workstation sessions. One way to do this is by using Microsoft's terminal server technology. A terminal server is essentially a Windows server that has the ability to provide desktop and workstation functionality for many users simultaneously. Essentially the same technology that provides remote access capability, a terminal server allows you to log in to the Windows server and access an actual desktop interface. It's rather like taking a bunch of PCs and cramming them all in to one box. The terminal server acts as the workstation for the user, running the programs and handling all the processing. The terminal server "sessions" can offer mapping to network drives, printing connections, and other capabilities of a networked PC.

For Windows server versions through 2003, terminal services offers almost everything necessary to allow users to connect and access desktop sessions remotely. Windows 2008 is supposed to address some of these issues, but our testing has found that there are still things lacking.

The things that Windows terminal server doesn't do very well by itself are:

- offer web-based login access with encryption (protects the username/password as it's being sent to the server across the Internet)
- offer a reliable, flexible way of connecting to locally-installed printers
- allow pass thru of data to or from USB devices
- load balancing.

When your PC connects to a terminal server, your PC essentially becomes a dumb terminal. It's not running the programs, it's simply connecting to the system where the programs run. However, your PC handles a few essential items – such as your monitor, keyboard and mouse, and printers. In order for the terminal server to "see" and recognize these items, there must be a way for it to know about those items on your PC. Especially when it comes to printers, this may be a difficult task for the system. Since different printers use different drivers, it can be frustrating to try to find the right match unless you have virtually every printer driver in the world installed on the servers. Some systems attempt to use a "universal" print driver, which makes a best-effort to print in a generic fashion. Unfortunately, many printers today will not work with a universal driver and, more importantly, the specific features of the printer will not be addressed using a universal driver.

Another complicating factor can be how devices are attached to your PC, and whether or not the terminal server can recognize them. Devices that are attached via the parallel port on your PC are the easiest and most standard. Most terminal servers will be able to see the parallel port device and can utilize it. COM ports (serial ports) on your system may also be recognized. USB devices, however, are not readily accessible to the terminal servers, so USB printers, scanners, and other such devices may not be recognized. This is one of the reasons why many application hosts are unable to allow you to scan images at your PC, and have those images immediately available on the hosted system.

Desktop virtualization using a terminal server is the most widely-recognized method of centralizing desktop services in a network, due largely to cost, complexity of alternative options, and the fact that it is well-proven technology. Additional software that may be used on conjunction with Windows terminal server are Citrix Metaframe and Quest Software (Provision Networks WebIT and PrintIT). There are a number of other technologies that augment what Windows terminal services can do, but Citrix and Quest are the best known and most widely used for their client connection capabilities, administrative tools, and additional platform management features.

Another way to carve up a single server into multiple desktop or user sessions is to have virtual machine instances on the server. In essence, the server is segmented to create multiple separate virtual machines and users connect to their "instance" of the OS. This is different from terminal services in that a Windows terminal server runs only one true copy of Windows, and therefore has a shared (global) registry and other elements. Installing an application on a terminal server can potentially allow all users on that server to utilize that application under a single installation. In other cases, the application must be installed multiple times, allowing for privacy or licensing considerations for multiple users.

With a virtualized server, the single server machine actually runs multiple instances, or copies, of Windows – one for each virtual machine. This allows each virtual machine to have it's own copy of Windows, it's own registry, etc. Once a virtual machine has been established, it has the ability to have software installed, drivers for peripherals, etc. – whatever the system will require. All virtual machines share the physical resources of the server, just as with a terminal server. But in cases where a software application may be installed only once on a computer, virtualizing the server allows that application to be installed in each instance, or virtual machine. This can be very handy when you have applications that do not co-exist on the server well, as each application can be installed in its own virtual system environment. When virtualizing servers, it is critical that certain issues be strongly considered:

- Data should not be stored on a virtual machine, as that data may be lost when/if the virtual machine session ends or is corrupted (eliminating some of the benefit of a virtual server in the first place).
- Virtualizing servers can significantly increase the costs of the operating system software, as there is a full license required for each machine "instance", as well as a high cost attached to the main OS with virtualization capabilities.

How the Application Hosting Model Works

Integration

From a user perspective, the QuickBooks® application hosting model works pretty much like running QuickBooks® on your own computers, with one notable exception: it's not running on your computers. In a QuickBooks® hosting model, the QuickBooks® applications and all the QuickBooks® data are installed and run from the ASP's (application service provider's) computers. The applications are the same ones that you would install on your PC if you wanted to. There is no special version of QuickBooks® that has been designed for hosting. The functionality of the software, and how it runs under Windows, is the same whether it's installed on your PC or on the host's computers. This also means that, if you want a program to integrate with QuickBooks®, that other program likely needs to be installed on the host computers, as well.

For example, QuickBooks® offers features where it integrates with Microsoft Office. When you have Office installed on your computer along with QuickBooks®, you are able to seamlessly export data from QuickBooks® into an Excel spreadsheet – complete with formatting. You are able to do this because QuickBooks® and Office use elements from the Windows operating system to communicate. If both QuickBooks® and Excel are not installed on the computer, the integration is not able to occur. The same is true with a hosted service. If you want applications to integrate at the host, then those applications likely have to be installed and running at the host. This is true for complete applications, such as Microsoft Office, as well as for plug-ins and Web-connected services that require controls or other software be installed on your PC.

Data

While the applications on the host run just like those installed on your local PC, there are some differences in how most ASPs manage data that you should be aware of. When you run programs and store data on your own PC, you also perform backups. However, the nature of your backups may be different that those that a service provider runs. For example, you may want to have a backup of the month-end. In some cases, you simply copy or backup the data to a tape or removable drive and put it in a drawer. That's your monthly backup archive. Perhaps you decide to do the same thing with the year-end backup. You may be regularly backing up the hard drive and recycling backup tapes, but you know that you have that month-end or year-end backup stuffed safely in a drawer if ever you need it.

When you host your systems with a service provider, you should not assume that they will archive your backup in the same way. When you host your applications with an ASP, the service provider typically provides data backup services as part of the solution, where the host backs up whatever data is present on their drives. Because of the large volumes of data being managed by the service provider, backups may be recycled fairly frequently, so that the backup archive contains a current version "snapshot" of data on the host. To save your month-end or year-end data, you can simply make a copy of your data on the host when you're ready. As long as the data files are present on the host's system, the files will

be part of the host's backup. This allows you to continue working on the current version of the data file, but have the archive version of the file always available for reference purposes.

Another item to note about data: most QuickBooks® hosting companies provide you with a means to keep copies of your data whenever you like. It can be as simple as a Windows drag-and-drop operation, moving a copy of the data file from the host to your local PC so you can keep your own backup copy, or use the data on your own PC.

In a standard application hosting model, you are bound only by the rules of the software. This means that, if the software allows you to create and manage multiple data files, then you can do this in the hosting model just as you would on your own PC. Most service providers don't attempt to change the "rules" of the software. Rather, they make an effort to allow the software to behave the same way in the hosting environment as it would if installed locally on your own systems. For the most part, you are subscribing to your use of the infrastructure and the management of the application. But how you use the application and how much data you generate is your business. The service provider may charge you for that extra data, because it has to be fully managed along with your other service elements, but there is rarely a restriction on the number of files you can have.

Licensing

The other rule that hosting providers should not break is the licensing rule. This rule is determined by the maker of the application, and comes from their end-user license agreement (EULA). Different applications and software makers have different rules for licensing and using their applications. It is very important that you understand these rules, and ensure that your service provider is following them. Violation of rights you are granted under a software maker's EULA could result in a lack of support for the product or, more frightening, charges of software theft or piracy.

Some software makers have designed their products as workstation-based, standalone products that are licensed on a per-user basis. QuickBooks® is much like this. The license allows you to install the product on one PC for one user. There is no language that restricts you in terms of the number of data files you can have; the restriction is in installing the software license on more than one computer for use by more than one person. This is a documented restriction of the product, but reality has proven that the software can actually be installed on numerous PCs, using the same license. The additional restriction posed by the QuickBooks® product is no in the license, but in the data file or database manager. The Pro and Premier versions of the product, for example, limit the number of concurrent users connections to a data file to 5. This is not a licensing restriction posed by the software on the PC. Rather, it is a limitation built into the data set. In cases where a per-user licensing model is involved, the only right way to host the product is to require a valid license for each user who will have access to the product. ** It should be noted that Intuit has a very restrictive license when it comes to running QuickBooks® with an ASP. In short – it is not allowed unless the ASP is operating under a special license from Intuit.*

Some software products have been designed to allow any number of users to have the product installed on their PCs, but only a fixed number at a time are able to access the server and data. These types of

applications are networked applications and have a license "metering" capability. Goldmine is a good example of this type of application. You can install the client software on any number of computers, but the server will allow only the licensed number of users to access the data at any given time. This model is not a named-user model, it is referred to as a "concurrent user" model, and is difficult to apply to many desktop hosting environments if there is only a single application being delivered, but is frequently applied to Web-based application models.

Costs and Considerations

While the desktop application hosting model offers a variety of IT management and administrative benefits, the potential gain for the subscriber may also come in terms of lower acquisition and operating costs for technology. While this is not always the case, it has been demonstrated time and again that many businesses will benefit from this technology model. The argument typically centers around the value of time. While a business owner will not argue that there are costs associated with the tangible elements – such as equipment and software – there is often an ongoing argument regarding the ongoing costs of maintaining and managing the system. End-user support, backups and data management, network security and virus protection, content filtering, lost productivity – all are areas where the business spends time and money, but few businesses totally recognize these soft costs as being directly attached directly to their IT budget.

What the application hosting service does is turn all of those costs – both the tangible and the intangible – into predictable fixed expenses. Because the cost of the infrastructure (hardware, networking, datacenter, etc.) as well as engineering and technical support are all factored in to the cost of the service, the company no longer has to bear the direct costs of initial system acquisition, ongoing support and service, emergency break/fix, etc. This is not to say that an application hosting model will always be less expensive than a locally-installed system. But in many case, it is viewed as an insurance policy, protecting the business from what could happen. This is also why many businesses view the implementation of a hosted solution as part of their business continuity and disaster recovery plan, as the idea of having a separate system to fail over to can be extremely expensive. Rather, using an application hosting service can offer significantly more redundancy and protection than an in-house system, and the cost of that level of protection is also factored into the service fee.

The components that make up the cost of a hosting service are essentially the same costs that a business would bear if it implemented its own systems:

- Facility or building where equipment is housed (includes utilities such as electrical, HVAC, etc.)
- Networking equipment (hubs, switches, routers, firewalls, etc.
- Connectivity (Internet connectivity)
- Computer equipment (servers: database servers, file and print servers, web servers, application servers, "desktop" servers, etc.)
- Storage (hard drives, removable storage)

- Licensing (operating system licensing, licensing of administrative and management tools, application software licensing)
- Engineering and technical resources

The difference is that the hosting service provider enjoys a certain economy of scale, meaning that a single element in the infrastructure may be re-used many times over for many subscribers, allowing the provider to place a single expensive piece of equipment and leverage it over the entire subscriber base. This is certainly true when it comes to the datacenter, internal networking, broadband service, and engineering service. If a company were to attempt to provide for itself the class of systems, redundancy, fault tolerance, protection, and skill sets, the implementation would be far too expensive and would not likely provide a business benefit commensurate to the cost. Many businesses that attempt to create their own in-house hosting environments rapidly discover that the hardware and software cost may be acceptable, but the technical expertise required to implement the system and manage it over time is where their resources run dry. Many of the best customers of the hosting companies are the businesses who attempted to do it for themselves. These businesses realize the cost and complexity of what they want, and are willing to let the experts handle the hard part.

When comparing a QuickBooks® hosting service to the QuickBooks® Online Edition, prospective clients often ask about the significant difference in pricing. As discussed before, the QBOE application is a Web-based solution which you "rent" the use of when you subscribe to the application service. You cannot obtain a license for QBOE and run it on your local computer; the product only exists via the Web, and only on Intuit's servers.

With a QuickBooks® application hosting service, your service fee includes everything BUT the application software license. The software must first be obtained through any legal means, and the subscriber must be able to provide proof-of-ownership of that license to the service provider. The fee to the service provider includes all the facilities and infrastructure costs, engineering and other labor costs, and software licensing for the Windows and other servers, as well as the terminal server user sessions. As with the software required on a PC, each subscriber uses a Windows network server connection license and a desktop OS license. Additionally, the tools which enable secure Web-based login services, remote printing, and other features come with a license fee as well. The hosting service typically replaces resources in your local network, and is therefore not often viewed as an additional cost but as an alternative.

The final, and one of the most important aspects of using an application hosting service is the orientation of the data and the ownership of it. The rule of thumb for the service provider is "whoever pays for the service owns the data". The other side of this coin is, of course, if you don't pay your bill, you could lose your data. Service providers are under no real obligation to store your data if your account is terminated for any reason, including nonpayment of services. Most, however, recognize the importance of the accounting data to a business, and will attempt to find a way to resolve any issues

and return data to a subscriber. And most, if not all, providers give you a means for getting your data prior to terminating service.

In a situation where an accounting professional and their clients will all be using the service and working together on data, it is important to consider the ramifications of handling the payment of subscription services by the professional versus by the client. Considering the rule of thumb, if the accounting professional is paying for the service, then all data, including data being accessed by the client, is considered to be the professional's data. The professional has the authority to grant or deny access to the data, and also to move the data, or copies of it, from the hosted system. This a very convenient situation for the client, as the application service may simply be considered as part of their service from the professional. If they leave the professional, then they potentially lose access to the service.

Other professionals may elect to pass the charge directly through to the client, and let the client know that the service has a certain cost attached to it. It is often a good idea to let the client know that this is an optional service, and that they can subscribe to and utilize the system in the event that their relationship with the professional doesn't work out. Often the cost savings realized by the professional in terms of productivity in working with the client more than offset the cost of the application service.

If the client business is going to be financially responsible for their own service, it is important to remember that they are under no obligation to provide access to their data for their accounting professional, even if the professional is paying for their own service. When a professional sets up the system so that they can access their online client data, but has the client pay for the subscription directly, then the professional is bound by the status of the client's subscription when it comes to getting access to the client data. If the client subscription goes in arrears, or is terminated for any reason, the data in their account is no longer accessible to them or to any other users who had permission to access their folders and data. Specifically for this reason, it is recommended that the professional retain copies of any information that is relative to their work product or their required record-keeping, and to keep this data in their own file area. This allows them to retain access to required information even in the event that access to the client subscription and associated data is removed.

Supporting Applications and Services for an online accounting model

The introduction of hosting services for the QuickBooks® and other products caused numerous practitioners to move in to an "outsourced online accounting" type of model. Because the client applications and data could be seamlessly accessed by the accounting professional, it only made sense for the professional to take on more of the client bookkeeping responsibility. Accountants and bookkeepers have always performed outsourced services for their clients, but the online model delivered a few new twists. One such "twist" was the realization that getting transaction source documentation was going to be a problem. Trading data files back and forth was one issue, but in taking the bookkeeping responsibility for the client, the outsourcer must now also have the source information

to work from. The need to deal with this source data, coming in the form of invoices, bills, register tapes, and such, became the foundation for an entirely new range of software and services centered on document management and file sharing.

Fundamentally, the technology-enabled outsourced accounting model works this way:

- First, you turn a piece of source information into a picture.
- Then, you send the picture to somebody to process (make transaction entry).
- Then, you store the picture so you can find it later.

This is a very simplified outline of the steps, but covers the essential workflow. The hosted QuickBooks® solution comes in at the second step, where somebody processes the transaction in the accounting software. How they got the source information, where it gets stored later, and how it is located for future retrieval are the questions that are answered with some of today's available solutions.

Source Documents and Document Management

Many practitioners have selected to utilize document systems that integrate with QuickBooks® on the desktop to manage client source accounting information. This type of document system allows you to (usually) scan the original document, turning it into an image, and then notate or otherwise categorize the document for later search and retrieval. Some of these systems even integrate directly with the QuickBooks® application, allowing the user to essentially attach the source image to the transaction in QB, so that the source image can be later retrieved by referencing the QB transaction.

Since the source information may relate to other areas of the business than simply as backup for a financial transaction, it is sometimes desirable to utilize a document solution which can address a wide variety of records and document management issues. However, an increase in document-based capabilities often means a lesser capability to integrate directly with other applications, such as QuickBooks®. Most broad document management systems offer integration with Microsoft Office, but not necessarily to other specific business applications.

There are a wide variety of online document management solutions available today, some of which also integrate with the QuickBooks® system. Since a document management solution could be online, on the local PC desktop, or on a hosted desktop, it is important to select the one that offers the features, functionality and integrations that the business will need long term and to not necessarily focus on where the application runs.

The basic steps for dealing with source documents are:

- Obtain the document
- Scan the document
- Code or categorize the document
- Store the document

Frequently, no single solution is utilized to handle all of these steps. The reason for this is that, in many cases, the "document management" solution is used by the accounting professional but not by the client business. This means that the accounting professional must first obtain the source material, either in image or raw form, and then bring it in to their own software. The question of "how do I get the materials from the client?" was at least partially answered with client portals and file sharing services.

Client Portals and File Sharing

In order to easily obtain information from the client, many practitioners subscribed to portal or file sharing services. These services are typically Web-based services, and offer the ability for a user to login to a secure location where they can upload and download files from their computer via the Internet. These days, most of the Website designers that offer professional websites to accountants offer a version of this type of service in their standard design packages, and many online application providers (such as Creative Solutions or CPAASP) have incorporated this type of solution into their service offering.

Most file sharing services offer a reasonable level of security, only allowing permitted users to view files or folders. These services frequently store files based on folder names and file names (as on your hard drive or file server), and do not often provide a means indexing or otherwise searching for files, as would a database-drive document management application. This is one of the main reasons that file sharing systems should not be widely used as a long-term document archive. But simple file sharing services are valuable in that they provide a simple, secure method for obtaining documents from the client, and for returning documents to the client.

How Accounting Professionals and Their Clients Use QuickBooks® Hosting

The first and most valuable aspect of hosted QuickBooks® is that it is the leading small business accounting application, and it is now available for you and your clients to access at any time and from anywhere. This means that client location is no longer a barrier to an engagement; the professional and the client can be located on opposite sides of the street or opposite ends of the world and still have the same seamless interaction. Professionals are able to expand the reach of their service beyond local markets, and client businesses are able to access professionals in areas that they were previously unable to connect with. Fundamentally, a hosting solution could be the right answer for almost any business. And, if the business is working on line with their QuickBooks®, then providing access for their financial professional or business consultant can be a simple, immediate, and cost-efficient answer to improving their mutual ability to collaborate or consult on various business issues.

The most basic arrangement that can be applied to this model is one of accounting oversight. This is where the accounting professional does not actively perform bookkeeping work for the client, but offers help in performing adjustments and reconciliations, and possibly assistance with the financial reporting. Some refer to this activity as "controllership" work, or being an on call CFO. Because the business is

using their QuickBooks® with a hosting provider, their login information could be shared with their accountant, providing a no-cost method of granting access to the accountant.

If the accounting professional is handling certain processes for the client, such as payroll or bill paying, using the online system can make this sharing of work much easier and more straightforward. Specifically in the case of bill paying or payroll activities, the professional is able to handle all of the work up to and through check printing, but could simply allow the client to log in to the system to print the checks directly to their own printers. In a more traditional model, the accountant would have to have a copy of the client data on their systems in order to perform functions such as accounts payable invoice entry or check writing, or to work on payroll. This could lead to confusion with the data files, creating a situation where current data might exist in both the accountant's copy of the file as well as the client's copy. At minimum, if the accountant is actively working on the client's data file, then the client should not also have a copy to work on at the same time. This leaves one party or the other without the ability to get work done for that period of time.

When the client is using a hosted solution, the accounting professional is able to simply access the online service and work on the client data where it sits. The data file does not have to move anywhere – it remains where it is in the managed environment, and the client and the accountant are able to access it at different times. In the event that the client and the accountant both wish to access the system simultaneously, they need only to have a sufficient number of subscriber accounts with the hosting provider, and an adequate number of QuickBooks® licenses to cover the number of subscribed QuickBooks® users.

The online working model allows the client and the accountant to both access the applications and data in real-time, so it is possible for the client to outsource virtually all of their accounting and bookkeeping work to an outside professional, yet retain complete access to and control of their applications and business data.

In situations where a client business has multiple users, and those users all need access to the QuickBooks® applications (or other applications), the business may subscribe user accounts for each individual or role in the company. These users are all able to access company shared data on the host, allowing them to work in real-time on a single set of data files. The scenario is much like having multiple workstations connect to a file server on a local network – all stations are permitted to access files stored in the shared area on the server rather than storing the data on individual PCs.

Because the hosting environment is built on a Windows platform, file system permissions and security can offer a number of interesting aspects to the hosting solution. One of these is the ability to create multiple levels of permissions and security within a single account. For example: An accounting practice desires to work in an online model, and they have numerous clients that they want to work online with. This scenario could also apply to a franchise operation, where the operator wishes to offer online

application services to their franchisees. Virtually any organization with multiple units, managed organizations, or locations could use this applied security model (sometimes referred to as a "hub and spoke" model).

This security model allows for a "top-level" organization to have multiple organizations under it. These could be business locations, different business units or business entities. When members of the top-level organization access the system, they are able to see their own files and folders of their organization, and they are able to drill down into the folders and file areas of the sub-organizations as well. For an accounting practice, a user is able to access all of their company shared data as well as the shared data of their clients from a single desktop login. With this security model, the users at the sub-organization level are able to only see their own organization data, and cannot see "up" the file tree into the top-level folders, nor can they see any other sub-level organization files or folders. There can be complete privacy for the sub-organization or client users, with one not knowing the other is also on the system.

Even in situations where the accounting professional or client business may be using contractors or outsourcers to assist with the work, the security model can facilitate the necessary access and permission restrictions to only provide access when and where it is required. In a corporate IT delivery, for example, there may be administrative personnel who need access to secure information, and workers who need access to general shared data. The security model is able to address this requirement, as well.

Solving the problem of having a variety of QuickBooks® installations and client data files on the accounting professional's system is the first and best reason to implement a hosted QuickBooks® model. The requirement to manage and maintain multiple year versions of software, as well as the client data associated with it, is a big expense that the professional currently, traditionally, bears. This is a redundant resource, as the client is also bearing the cost of housing and maintaining their software and their own data. Using a hosted QuickBooks® model centralizes the resource, and eliminates the redundant cost of having it in two places at once.

Once the accounting data is close to the accounting professional – just a click away really – it makes sense to look at the other ways the professional utilizes that data. Frequently, in the case of an accounting practice, this means that the data will be used as the foundation of preparing the business tax returns and in addressing other tax compliance processes. Many firms have found that it makes sense to have the tax and engagement applications also in a hosted environment, allowing seamless access to and integration of data between the accounting application and the tax applications. For some firms, this has eliminated the requirement to purchase or maintain servers and other network equipment in their offices and can now work from a variety of locations and with online clients easily and in real-time with shared data.

As small businesses grow and require more complex solutions to help them manage their business and operational processes, the accountant or business consultant may assist them in selecting and implementing these new solutions. Frequently, in order to ease the burden of initial implementation, these more complex solutions are deployed in an application hosting model rather than that the client's location. By eliminating the difficulties of equipment implementation, software installation and configuration on the network, both the business owner and the consultant benefit by being able to focus on the task at hand, which is implementing the solution in the business, loading and setting up data, and training users. Using an application service provider to assist with the rollout of these new and beneficial applications can make the process much easier on all parties involved, and can lead to a higher level of success in the implementation. Further, the business benefits from the ongoing management and maintenance of their environment, and having their consultant and software support organizations able to access their system in real-time, at any time, for the purposes of training, troubleshooting, or expansion of use.

Wrap Up

Accounting professionals and business consultants are outsourcers, providing services to business on a fee or contract basis, and not as employees of the company. As with any outsourced business arrangement, time and distance become the enemies of working closely together and collaborating in real time about business issues and topical subjects.

The internet, if you look at it as just a long hunk of cable, can connect users from virtually anywhere and allow them to work together just as though they were in the same room. The technologies are available to make this a safe, secure, and affordable solution for many businesses, and the competitive aspects of building a business beyond geographic boundaries cannot be ignored. Connectedness is what allows you to work together and reach levels of capability and efficiency never before accessible to the small and growing enterprise.