



Ins and Outs of Outsourcing

Guide to Outsourcing

Introduction

Outsourcing can be a great strategy for CPA firms to increase their efficiency, reduce costs, and free up resources to focus on core business activities. However, it can also be a daunting task to undertake if you are not familiar with the process. This guide is designed to help CPA firms explore the benefits of outsourcing, understand the process and make the right decisions for their firm.

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Who Are We



Laurence Whittam

Founder and Managing Director of Impact Global Solutions, is an experienced advisor with a decade of expertise in working with over 500 CPA and Accounting firms across the US. He helps firms establish successful outsourced operations, offering hands-on guidance and leveraging his deep understanding of the accounting profession. As a featured speaker and podcast guest, Laurence shares best practices and insights on outsourcing, highlighting its transformative impact on CPA and Accounting firms. Through Impact Global Solutions, Laurence aims to drive sustainable growth for firms by providing industry-standard methods and tools for effective outsourcing.

 908 224 5627

 lwhittam@csuiteimpact.com

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Phil Whitman

President & CEO with 15+ years of experience in running firms and assisting managing partners across North America. He specializes in succession planning, mergers & acquisitions, strategic talent acquisition, and practice management consulting for CPA firms of all sizes. With a strong background in audit and tax work, Phil's expertise and speaking engagements have made him a trusted authority in the industry.



David Wolfskehl

Entrepreneur and author with extensive experience in guiding and supporting entrepreneurs. As part of our team, he ensures success and delivers effective coaching and training programs to help our clients reach their goals. With notable achievements in the printing industry and as the author of The Micro Niche Method, David brings valuable expertise in business development and specializes in assisting CPAs and consulting practices. His exceptional contributions have been recognized through awards such as ARC Employer of the Year and finalist for Fortune Small Business Magazine Boss of the Year.

About Impact Global Solutions

Impact Global Solutions fosters a collaborative partnership with CPA firms to unlock the full potential of outsourcing and achieve sustainable growth. Together, we can navigate the outsourcing journey with confidence and create strategies to drive your firm towards continued success.

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Guide Objectives

Let's start by examining the advantages and disadvantages of outsourcing, with a focus on the potential benefits for CPA firms. Then, we'll look at the types of services that are typically outsourced and explores the different delivery models available, such as onshore, offshore and nearshore. We'll go on to cover some of the key considerations when selecting an outsourcing provider, including financial stability, service level agreements, data security and legal and regulatory compliance.

Practical Advice

Contemplating on how to get the best from your current prospective outsourcing partner?

We'll cover areas such as setting expectations, building trust, communicating effectively, managing risks, monitoring performance and managing relationships. Finally, we'll offer tips on how to select the right partner, ensure successful onboarding, and manage the transition.

Is Outsourcing Right for Your Firm?

REWARDS	RISKS
<p>COST SAVINGS: Outsourcing certain activities can have a direct and immediate impact on a CPA firm's bottomline. By outsourcing some of the more labor-intensive tasks, such as bookkeeping, payroll and tax preparation, a firm can save money on payroll, overhead and other administrative costs.</p>	<p>LOSS OF CONTROL: By outsourcing certain activities, the CPA firm may be giving up some level of control over those activities. They may be relying on the provider to meet their standards and expectations, which could lead to quality issues and delays.</p>
<p>LEVERAGE EXPERTISE: Outsourcing activities can give a CPA firm access to expertise and specialized services, allowing them to take advantage of the knowledge and experience of other professionals. This can help them provide a higher quality of service for their clients.</p>	<p>SECURITY ISSUES: Outsourcing can also raise security concerns, as the firm may be sharing sensitive client data with an external provider. The firm needs to be sure that the provider has adequate security measures in place to protect the data from unauthorized access.</p>
<p>INCREASED EFFICIENCY: Outsourcing can help a CPA firm become more efficient and streamline their operations. By delegating certain tasks to an external provider, a firm can free up their internal resources to focus on more important activities.</p>	<p>DIMINISHED BRAND IDENTITY: The CPA firm's brand identity can be diminished if they outsource too much of their work. Clients may not be as impressed with the firm if they are seen as relying too heavily on external providers.</p>

Types of Outsourcing Models

Onshore Outsourcing

It is the practice of contracting with a third-party service provider in the same country. This type of outsourcing has become increasingly popular with companies looking for cost-effective solutions to their IT and business needs.

Near-shore Outsourcing

It is the practice of contracting with a third-party service provider in a neighboring country. This type of outsourcing is used by companies looking to take advantage of the close proximity to another country while still benefiting from the cost savings associated with offshore outsourcing.

Offshore Outsourcing

It occurs when an organization recruits a third party supplier to conduct operations from an outside country.





ONSHORE OUTSOURCING

U.S.A:

There are outsourcing options in your backyard, who are generally competing for the same talent but providing better flexibility/options to employees.



NEAR-SHORE OUTSOURCING

MEXICO:

One of the more popular near shore options with access to accountants that need to be groomed with US knowledge.

SOUTH AFRICA:

A near-shore option used for a number of years especially in the Audit & Assurance field

OFFSHORE OUTSOURCING

PHILIPPINES:

Experienced and well developed geography that has strong communication skills and is a great option for low - mid level accounting talent.

INDIA:

One of the top business outsourcing centers in the world where you can find highly skilled and technical accountants, tax and auditors.

How to Choose an Outsourcing Company

If the advantages of outsourcing outweigh the disadvantages, and your CPA firm has chosen the model which best suits its needs, it is time to evaluate each outsourcing company and choose a provider. A driving factor for most firms to choose onshore/near-shore/offshore accounting resources is price; however, the best results will come from finding a compatible partner for growth, not just seeking the highest cost-savings.

Research Criteria

Here are the key areas of research a CPA firm should collect when investigating an outsourcing provider:

- Financial stability
- References & reviews
- Compliance & Data Security
- Service Level Agreements
- Cost
- Scalability
- Support
- Legal compliance
- Infrastructure & technology
- Workforce
- Expertise

We have provided a checklist on the next page for your hiring team to use when interviewing a potential partner for growth.



Due Diligence

General Information:

a. Name of the offshore outsourcing firm:

b. Location of the firm:

c. Years of operation: _____

d. Contact person and their details:

Legal and Regulatory Compliance:

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

Have there been any legal or regulatory issues or sanctions against the firm in the past?

Does the firm 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 firm's financial stability.

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

Are there any indications of financial distress or irregularities?

Infrastructure and Technology:

- Assess the outsourcing firm's infrastructure and technology capabilities:
- Hardware and software resources.
- Data security measures and encryption protocols.
- Backup and disaster recovery systems.
- Evaluate the firm's technological compatibility with your systems and software requirements.

Data Security and Confidentiality:

- Inquire about the outsourcing firm's data security measures and protocols.
 - Does the firm have proper safeguards in place to protect client data and maintain confidentiality?
-

- Assess the firm's compliance with data protection regulations and industry best practices.

Quality Assurance and Processes:

- Request information on the outsourcing firm'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 firm?
-

Workforce and Expertise:

- Assess the qualifications and expertise of the outsourcing firm'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.

Client References and Case Studies:

- Request client references from the outsourcing firm, preferably from firms similar to yours in size and industry.
- Inquire about past projects or case studies that demonstrate the firm's capabilities and successful engagements.
- Contact provided references to gather feedback on their experience with the outsourcing firm.

Service Level Agreements (SLAs) and Contractual Terms:

- Review the SLAs and contractual terms proposed by the outsourcing firm.
- Assess the scope of services, deliverables, performance metrics, and escalation procedures.
- Evaluate the provisions for termination, intellectual property rights, and dispute resolution.

Security Assessments and Audits:

- Inquire about any independent security assessments or audits conducted on the outsourcing firm.
- Request reports or certifications from third-party auditors regarding their security practices and controls.

Insurance Coverage:

- Verify whether the outsourcing firm carries appropriate professional liability insurance coverage.
- Request proof of insurance and check the coverage limits and validity.



Outsourcing Best Practices

Best practice worksheet designed to empower CPA firms with the expertise and guidance needed for successful outsourcing. Covering preparation, execution, and optimization phases, the best practice sheet equips firms with strategies to streamline processes, maximize efficiency, and stay ahead in a competitive landscape.

Preparing to Outsource:

a. Clearly define your objectives:

- Identify specific tasks or processes that are suitable for outsourcing based on complexity, volume, or resource constraints.
- Set measurable goals and expectations for the outsourcing engagement to track progress and success.
- Consider the potential impact on your firm's capacity, cost savings, or strategic focus.

b. 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.

c. 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.

d. 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.

Onboarding:

a. 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.

b. 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.

c. 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.

Optimizing Outsourcing:

a. 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.

b. 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.

c. 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.

d. Monitor and manage 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.

e. Evaluate and adjust:

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

Tips on Effective Partnership

Now that you have researched and chosen the best outsourcing provider to suit your CPA firm's current and future needs, how do you get the most out of your new partnership?

First, outline your expectations and goals for the outsourcing relationship clearly and thoroughly, including desired outcomes, timelines, and quality standards. Maintain an ongoing dialogue about the project to ensure clear understanding of expectations.

In the pursuit of clarity, reiterate each party's roles and responsibilities through the documentation of standard operating procedures (SOP) and risk management procedures, e.g. define how you will assess and mitigate the risks associated with outsourcing.

Communicate effectively by identifying methods that work for both parties and ensuring communication is consistent and timely. To maintain a good relationship with your outsourcer, you should establish open and honest lines of communication, and insist both parties are respectful towards one another.





Outsourcing Readiness Self-Assessment: Preparing Your Firm for Success!

The "Outsourcing Readiness Self-Assessment" is a concise and insightful worksheet tailored to help firms evaluate their preparedness for successful outsourcing endeavors. This comprehensive self-assessment empowers businesses to identify strengths, address potential challenges, and lay a strong foundation, ensuring a seamless and efficient outsourcing

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:

a. What are your firm's existing accounting, tax, and audit processes?

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

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

3. Outsourcing Objectives:

a. Why are you considering outsourcing accounting, tax, and audit work internationally?

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. 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?

6. Point of Contact:

a. Who will be the primary point of contact within your firm for managing the outsourcing relationship?

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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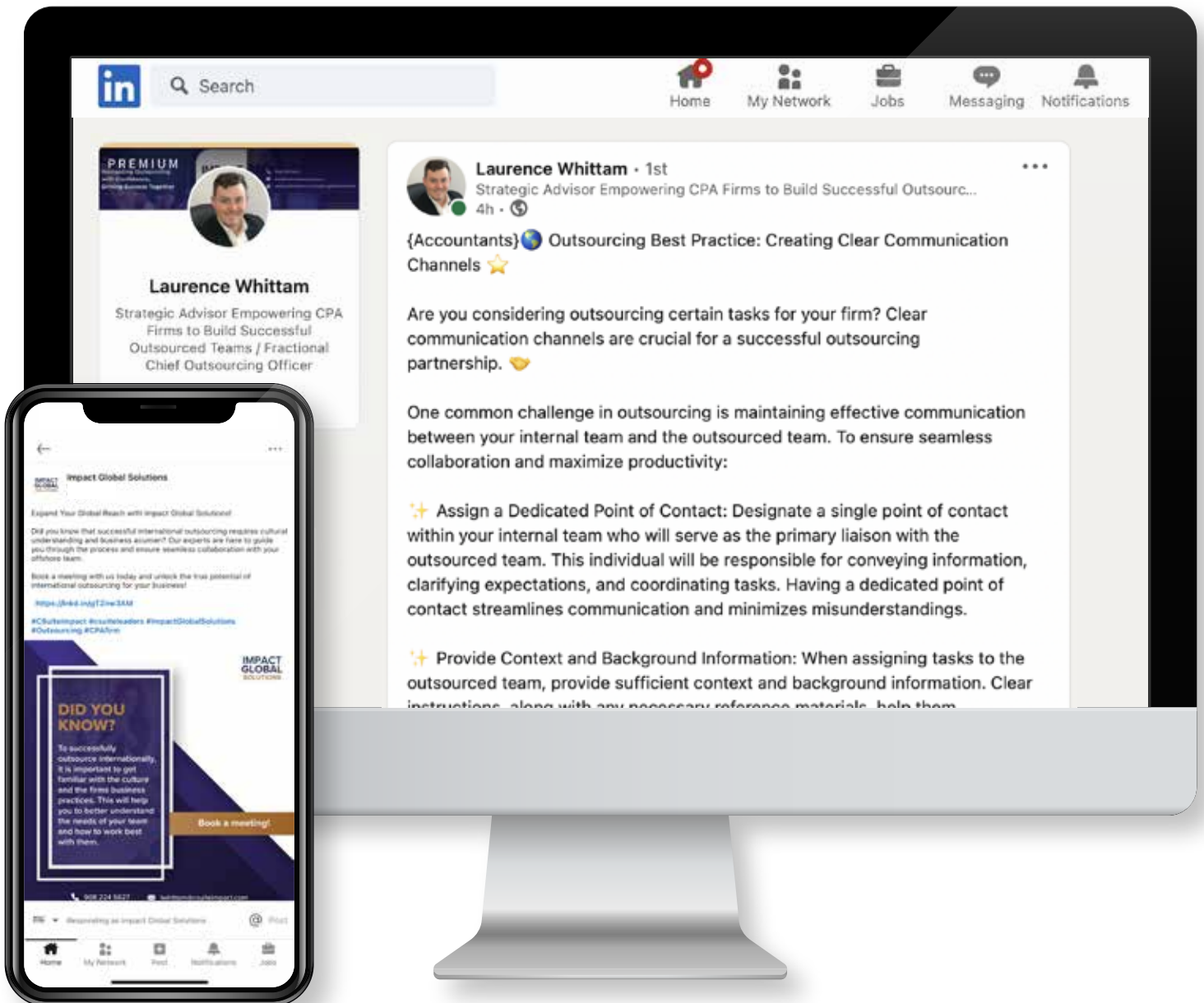
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Outsourcing Reports and KPIs Worksheet

Performance Reports:

a. Task Completion Report:

- Percentage of tasks completed within the agreed-upon timeline. _____
- Number of tasks pending completion. _____
- Average time taken to complete tasks. _____

b. Quality Assurance Report:

- Number of errors or discrepancies identified in the outsourced work. _____
- Accuracy rate or percentage of error-free deliverables. _____
- Client satisfaction ratings or feedback on the quality of the outsourced work. _____

c. Productivity Report:

- Number of tasks or projects completed by the outsourcing team per unit of time. _____
- Time taken to complete specific tasks or projects compared to benchmarks or historical data. _____

d. Resource Utilization Report:

- Allocation of resources (human and technological) to specific outsourced tasks. _____
- Utilization rate of outsourced resources compared to the allocated capacity. _____

Financial Reports:

a. Cost Analysis Report:

- Cost breakdown of outsourcing expenses, including labor costs, technology expenses, and any additional fees. _____
- Comparison of outsourcing costs to the expenses associated with in-house operations. _____
- Cost savings or cost efficiency achieved through outsourcing. _____

Communication and Relationship Reports:

a. Communication Effectiveness Report:

- Frequency and mode of communication between the CPA firm and the outsourcing partner. _____
- Response time and resolution time for communication or query handling. _____

b. Feedback Report:

- Solicited feedback from clients on their satisfaction with the outsourced services. _____
- Analysis of feedback to identify areas of improvement or potential issues. _____

Scalability and Growth Reports:

a. Capacity Utilization Report:

- Assessment of the outsourcing partner's capacity to handle increased workloads or additional tasks. _____
- Identification of any bottlenecks or capacity constraints. _____

b. Growth Opportunities Report:

- Analysis of the outsourcing arrangement's potential for supporting the firm's growth plans or expansion into new service areas or markets. _____
- Identification of opportunities to leverage outsourcing for strategic advantages. _____

- Processes, reporting, and constant feedback are crucial when utilizing outsourced employees.
- Well-defined processes provide clarity, promote consistency, and ensure tasks are understood.
- Streamlined procedures enable efficient workflows, reducing bottlenecks.
- Reporting allows tracking of progress, productivity, and adherence to deadlines, fostering accountability.
- Quality assurance reports help identify and address errors promptly.
- Effective communication and regular feedback enhance collaboration and performance improvement.
- Risk management is facilitated by documented processes and clear reporting mechanisms.
- Processes and feedback support scalability and align outsourced work with firm goals.
- Continuous optimization is achieved through analyzing reports and refining processes.
- These practices enhance clarity, efficiency, quality, and collaboration, maximizing the benefits of outsourcing.



Seamless Communication Channels for Outsourcing Success

This comprehensive guide equips CPA firms with the essential knowledge to establish effective communication channels with outsourcing partners. From selecting the most suitable platforms to following best practices, this guide empowers firms to foster collaboration, streamline processes, and achieve outstanding results in their outsourcing endeavors.

Email:

- Use email as the primary mode of communication for sharing project details, requirements, and updates.
- Send instructions, clarifications, and any supporting documents or files via email.
- Establish clear subject lines and concise, well-structured messages to ensure effective communication.

Video Conferencing:

- Schedule regular video conferences to facilitate face-to-face interactions and discussions.
- Use video conferencing tools such as Zoom, Microsoft Teams, or Google Meet for virtual meetings.
- Conduct kick-off meetings, project updates, and performance reviews through video conferences.

Project Management Software:

- Utilize project management software to centralize communication, track tasks, and monitor project progress.
- Assign tasks, set deadlines, and share updates through the project management platform.
- Ensure both the CPA firm and the outsourcing firm have access to the project management software.

Instant Messaging:

- Employ instant messaging platforms such as Slack or Microsoft Teams for real-time communication.
- Use instant messaging to address quick questions, seek clarifications, or provide immediate feedback.
- Establish dedicated channels or groups for specific projects or teams to streamline communication.

Shared Document Collaboration:

- Utilize cloud-based collaboration tools like Google Drive or Microsoft OneDrive to share and collaborate on documents.
- Store project-related files, templates, and reference materials in a shared folder accessible to both parties.

Enable version control to ensure everyone has access to the latest document updates.

Regular Progress Reporting:

- Implement a reporting schedule for the outsourcing firm to provide regular progress reports.
- Specify the required information in the reports, such as completed tasks, milestones achieved, and any issues or concerns.
- Review and discuss the progress reports in scheduled meetings or via email to maintain transparency and alignment.

Escalation Procedure:

- Establish an escalation procedure to address any urgent matters or issues that require immediate attention.
- Define the individuals or teams to contact in case of escalations and provide their contact information.
- Clearly communicate the escalation process to both the CPA firm and the outsourcing firm.

Performance Reviews and Feedback Sessions:

- Conduct periodic performance reviews and feedback sessions to discuss the quality of work, adherence to timelines, and overall satisfaction.
- Schedule these sessions at regular intervals to address any areas for improvement and recognize achievements.
- Provide constructive feedback and offer guidance for enhancing performance and meeting expectations.

Cultural Sensitivity and Etiquette:

- Foster cultural sensitivity and promote respectful communication across both teams.
- Encourage open dialogue to address any cultural differences or misunderstandings.
- Provide guidelines or resources to ensure effective cross-cultural communication.

Record Keeping:

- Maintain a record of important communication, decisions, and agreements for future reference.