

Outgrowing Your Accounting Department?

Outsourcing Is One Smart Solution

SPECIAL REPORT:

How to Take Your Business Far
by Outsourcing Your Accounting to
a Professional CPA Firm in Your Neighborhood

CONTENTS

- 2 Is your company positioned to benefit?**
- 3 The most attractive benefits.**
- 4 Are there any drawbacks?**
- 5 How a typical engagement unfolds.**

Compliments of
LEVY, SAPIN, KO, MOSS & FREEMAN
Certified Public Accountants, Inc.

Is yours an ideal company for outsourced accounting?

Feel like you have to run your accounting department, when you really want to just run your business?

It's a common lament. A lot of successful business owners find that one of the biggest obstacles to sustaining their growth is staffing an Accounting Department that can keep pace with—and solidly contribute to—that growth.

Your company could be struggling with this issue if you find that more and more:

- Your Accountant's numbers have only the slightest meaning to you
- Your payroll has become error-ridden and time-consuming
- Your Accounts Receivable are out of control
- You've been missing tax and other deadlines
- Your staff's inexperience or lack of agility has caused you to miss tax planning opportunities

Outgrowing Your Accounting Department?

Speaking a different language than your Accountant?
Finding that your CPA constantly has to clean up the books?
Missing deadlines that can cost you dearly?

Having trouble hiring and retaining good accounting help?
Spending too much money keeping track of your money?
Having your own unique problems?

Selected business owners are overcoming these obstacles . . . spending up to 40% less on their bookkeeping . . . and finding time to focus on the part of business they most enjoy. Find out how.

Each of these symptoms are magnified a hundredfold when you factor in the money you're spending just to keep track of your money. In fact, it can be quite costly to run accounting in-house when you add up salaries, benefits, payroll taxes, and training.

In addition to the direct labor costs, there are support costs. A networked PC desktop and file server can add \$1,000 a month to your overhead, according to GartnerGroup. Then there are the costs of single-source responsibility for something so important. If your in-house accountant makes a mistake, you can take a financial hit in down time, lost productivity, lost client data and lost business. If these are issues you have been wrestling with, then you may be a candidate for outsourcing.

Is your company a "fit" for outsourced accounting?

Since the basic goal of outsourcing is to streamline business processes, we find that businesses of all shapes and sizes can benefit. Service Providers, Distributors, Retail Operations, Entertainment Industry, Professionals, Contractors, Food Service, even Non-Profits are candidates.

A joint Accenture/The Economist study recently found that fully one-third of global businesses now outsource a portion of their accounting functions. The trend toward outsourcing is driven by cost savings that can run as high as 40%, but the reasoning is much broader. With outsourcing, you can:

The most attractive benefits of outsourcing

- **Choose the services you want a la carte**
- **Put financial headaches behind you at once**
- **Realize significant cost savings over the year**
- **Gain access to licensed expertise not otherwise affordable**

More companies are outsourcing their accounting to take their business far. “Cutting costs and enhancing productivity remain prime motivators, but it’s clear that some companies see outsourcing as a strategic weapon for change,” says Stewart Clements of Accenture. “Outsourcing brings an outsider’s discipline to reviewing and reshaping entire business processes, helping companies execute ambitious improvement plans. . .”

- **Spend more time building** your core business, or spend it on your family and interests—but not on administration
- **Have a smart financial ally** who works with you all year long, who understands your business and can read the early warning signs before they become crisis points
- **Bring high-level competence and balance** to your management team, with proactive tax planning and financial advice on cash flow, treasury management, financial statement preparation, banking and capital markets solutions, pension planning and the like

Another important plus is the “a la carte” nature of an outsourcing relationship. You should be able to pick and choose the services you wish to use. For instance, you may insist that all billing, banking and cash handling is performed at your office, and that only the record keeping is outsourced. You may wish to access your accounting records over a secure internet connection at anytime, from any location in the world. Or you may prefer old-fashioned monthly statements.

Smaller companies (with sales ranging from \$500,000 to \$20 million) have unique needs that outsourcing can address:

- **Rapidly growing or restructuring.** When needs are changing rapidly, a company needs the flexibility to outsource special projects as well as daily functions. They don’t have time to train people on the fly, ramp up for new projects, or maintain an expensive infrastructure.
- **Relying on one employee.** When the employee calls in sick, misses work, or leaves the company on short notice—the risks become non-trivial. Serious liabilities can ensue.
- **Needing lots of skills part-time.** When a company is growing, it requires a combination of bookkeeper, CPA, and CFO—but only part-time.

In each of these situation, there are benefits in outsourcing. You get a CPA, CFO and bookkeeper at a lower cost and at lower risk than you would pay for all of these functions combined. In fact, you can get a higher level of talent at less cost because an outsourcing firm efficiently eliminates the overlap and duplication of these different roles and streamlines the flow of information to you.

Are there drawbacks to outsourcing?

The principal issue is feeling “out of control.” Some owners loathe the administrative side of business, but they are just as uncomfortable letting an outsider handle the financial aspects of the business. Such a business owner should not outsource, as the chances of success are slim.

Another concern is cost. Traditionally only a larger company could leverage the cost efficiencies of outsourcing to their benefit. But today with the ubiquity of secure internet connections and standardized accounting software, an outsourcing firm can provide services to smaller companies at reasonable cost.

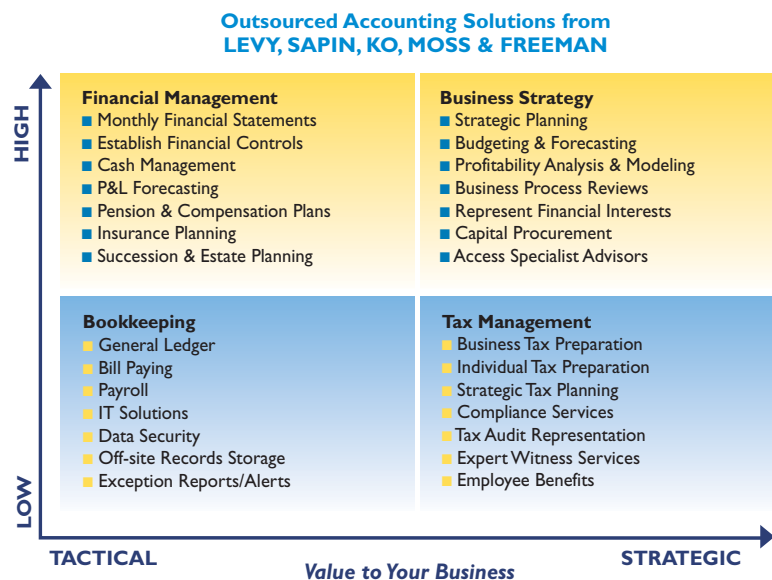
When considering whether to outsource, it’s wise to first evaluate your own financial objectives. Will you be most satisfied with the lowest-cost provider, or the highest-quality provider, or a mix of the two? As you well know, you should not choose financial advisors like office supplies. You are wise to seek a firm that can drive down the cost of accounting while powerfully improving the quality of service on a level you could quickly become accustomed to!

We believe the benefits of outsourcing outweigh the drawbacks—but we are biased. So from here forward, we will outline the services that we provide and share some snapshots of work we’ve done for clients over the past 35 years. In this way, you can reach your own conclusions about what’s best for you.

Competing in today’s “faster, better, cheaper—now, now, now” world.

To compete and win today, a small business needs to be lean and agile with a faster grasp on the financial opportunities . . . and threats . . . that lie ahead. This can happen when you augment your own business acumen with a solid financial system. Providing this system is the mission of Levy, Sapin, Ko, Moss & Freeman.

We offer a premium outsourced finance department for small to medium sized companies in the Southern California region. We are your neighborhood business partner that delivers services, systems and people that you might not otherwise afford, but which are crucial to the survival and success of your business.



How a typical engagement unfolds

1. We meet to get acquainted and study your corporate culture, so we can design a support strategy that best complements and advances your personal and business interests. We then set up systems for secure, private transfer of data.
2. We begin doing the bookkeeping and payroll, ensuring that proper controls and processes are in place.
3. We produce monthly financial statements (P&L, Balance Sheet, Receivables, Payables).
4. We meet with you, either monthly or quarterly, to explain what the numbers really mean. We begin with top line summaries, drilling down into the data as you desire, ending with a bottom line analysis and budgetary recommendations for the coming period.
5. We constantly monitor the health of your business and look for opportunities and threats you may be facing, such as:
 - Anticipating cash flow problems, and correcting them
 - Analyzing business processes, and presenting alternatives
 - Benchmarking your performance internally and against peers
6. We ensure compliance with all tax authorities. Through far-sighted tax planning, we leverage the latest tax laws to your maximum advantage.
7. At each step of the way, we focus on your goals. Our mission is not completed until we see you succeed and are there to celebrate with you in your successes!

It's quick and painless to begin with Levy, Sapin, Ko, Moss & Freeman. We have a QuickBooks Upload application that imports your data into a double-entry format. We can integrate with other accounting software, as well.

Your support team will include a Senior Partner, Account Manager, Senior Accountant, Staff Accountant, and Bookkeeper. To get started, simply call us at [323-936-8256](tel:323-936-8256) and we will begin at once to design a cost-efficient solution that dramatically lowers your cost of accounting while introducing you to a sophisticated financial support system of proven effectiveness.

How we are currently providing value to our clients

- As outsourced CFO to an organization doing business in 15 states with 250 employees, we participate in Board meetings, interface with bankers, drive expansion plans and senior management succession plans.
- As outsourced CFO to a 7-doctor medical practice, we handle cash management, negotiating with vendors, paying bills, personal tax and financial planning, even personnel.
- As outsourced CFO to a professional services firm, we receive monthly QuickBooks files by email and reconcile and close the books, then email back a 12-page report comparing results against projections.



- We structured a pension plan to give the owner \$140,000 in tax free income while requiring him to put away a nominal \$20,000 per year for employees.
- We set up procedures for timely closing of the books, lowering average accounts receivable from 85 days to 72 days, increasing liquidity and allowing the company to pay down a credit line by \$300,000 and reduce interest expense by \$18,000.
- We revamped accounting systems to allow tracking of profitability by five departments—including three warehouses, sales & marketing, and administration. Resulted in the closing of a warehouse, increasing profitability by \$50,000.
- We set up a forecasting system that allowed management to cut overhead by 20% through effective planning and on-going cost monitoring.
- When representing clients in IRS audits, we consistently win tax adjustments and even refunds. No significant tax assessment has ever resulted, despite tax positions highly favorable to clients.
- We have set up estates and trusts to preserve assets, provide for heirs, decrease estate taxes, gift family members and charities, and lessen estate taxes.

Through our experience and resources, we have acquired a working knowledge of every financial situation you may face . . . along with the solutions best suited to your interests.

Frequently Asked Questions

What size organization benefits most from outsourced accounting?

Small businesses with revenues of \$500,000 will begin to realize genuine benefits from an “external CFO” as will companies up to \$20 million in revenues before additional layers of financial management become necessary.

What kind of savings can you expect?

Typically, you can look to save 25% to 40% of the cost of maintaining an in-house staff. Just as importantly, you should receive a higher-quality work product, while allowing for real-time financial advice.

How do you stay in contact with clients?

The better we communicate, the better the relationship. But we need visit your offices only when required for reporting and effective consulting. Otherwise, we are a phone call, email, or fax away. One employee at your company usually liaisons with our staff.

What if you want to keep your in-house staff, and want only to augment?

By transitioning your accounting to Levy, Sapin, Ko, Moss & Freeman, you are upgrading to a team of seasoned accounting professionals with a level of expertise not normally available at a small or medium sized business. But you can use as few or as many of our services as you desire. Some clients like to transition their accounting to us gradually so they can see results and gain an acceptable level of comfort.

Is there special software we have to use?

Our systems are fully compatible with yours. No new systems or training required.

Does outsourcing remove the control of an in-house accounting department?

Quite the opposite. Outsourcing to an external CPA gives you the very checks and balances that can be difficult to achieve in-house.

How secure is your data at any given point?

We employ the same security protections as in online banking—a level of security far beyond what the majority of businesses can afford to implement on their own. Additionally, all of your data is backed up daily. You also have the option of backing up your data to your computers for added protection. Your data is transferred via state-of-the-art processing that uses 128-bit encryption software, so it would be impossible for anyone to decipher any data being transferred online. We use double firewalls to further protect against unwanted intruders. Indeed, with these built-in safeguards your data is probably safer than it is currently!

Model Cost Comparison In-House vs. Outsourced Accounting

	In-House	Outsource
Accountant Salary & Benefits	\$4,000	-0-
Bookkeeper Salary & Benefits	\$2,000	-0-
Hardware & Software Expense	\$1,000	-0-
CPA Fees	\$1,000	-0-
Outsourcing to CPA Firm	-0-	\$5,000
TOTAL	\$8,000	-0-
Monthly Savings from Outsourcing		\$3,000

Industries Served by Levy, Sapin, Ko, Moss & Freeman

- Professional & Service Providers (Doctors, Lawyers, Architects, Computer, Marketing, Medical, Recruiters)
- Real Estate (Construction, Developers, Property Managers, Investors)
- Wholesalers (Food Service, Auto, Garment, Magazines, Videos, Materials Suppliers)
- Entertainment (all categories)
- Food Service Retailers
- Manufacturers
- And more in Southern California and beyond to where our clients' expanding businesses take us.

Senior Partners of Levy, Sapin, Ko, Moss & Freeman

Scott A. Freeman

Mr. Freeman's professional experience includes over 25 years in accounting, tax, and financial planning for individuals, businesses, and estates. He served previously in financial and tax management positions at Arthur Andersen, Warner Bros., Carolco Pictures, and Price Waterhouse. He has written for financial journals and taught classes in Income & Estate Taxation at the college level. (B.S. from UCLA; MBA from USC; CPA in State of California; MS from College of Financial Planning)

Steve Ko

Mr. Ko brings over 25 years experience in tax planning for individuals, small business consultation, and financial reporting. He deals with high-level issues from organizing real estate partnerships to structuring the sale of a manufacturing company, always with the goal of maximizing client returns with a high level of safety. He received his audit training at Peat, Marwick & Mitchell. (BS from California State University, Northridge; Masters in Business Taxation from Golden Gate University; CPA in State of California)

William Levy

Mr. Levy has extensive experience and training in income tax consultation for small businesses and high net worth individuals. He has testified many times as an expert witness in court cases and depositions regarding fraud, insolvency, property settlement, marital dissolution, forensic accounting, and income tax planning. (BS from UCLA; CPA in State of California)

Martin Moss

Mr. Moss has over 30 years experience in tax planning and compliance, small business consultation, accounting systems, and forensic accounting. He services a wide range of clients from retailers and wholesalers to manufacturers and service organizations. He writes columns for several trade journals. And he speaks at seminars for attorneys on the topic of "Preparing the Witness" for trial. (BS from California State University, Northridge; CPA in State of California)

Andrew Sapin

Mr. Sapin brings extensive background in tax planning and compliance, small business consultation, and automated accounting systems. He has a comprehensive knowledge of computers and their software applications, and is the firm expert in selection of the most appropriate systems for our clients. (BS from UCLA; CPA in State of California)

LEVY, SAPIN, KO, MOSS & FREEMAN

4221 Wilshire Blvd., Suite 430 ■ Los Angeles, CA 90010

Phone: (323) 936-8256 ■ Fax: (323) 936-2649 ■ Email: outsourcing@lacpas.com