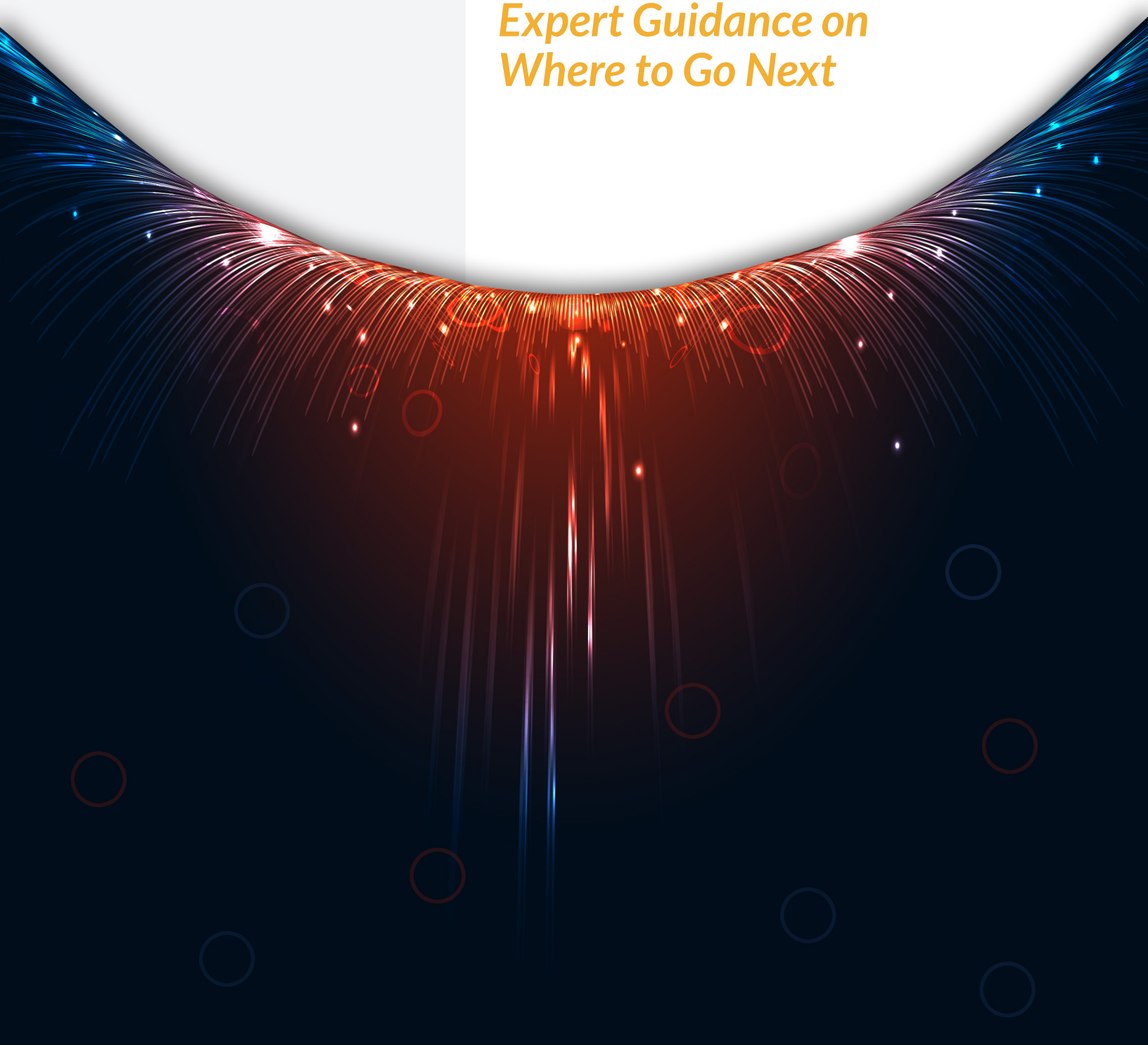
TSCPA
Tennessee Society of CPAs

2024 CPA Firm Tech Report

Expert Guidance on Where to Go Next



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Executive Summary

What Is Next in Firm Tech?

CPA and professional service firms have embraced technology as a key growth driver and vital component of firm operations. Technology is the essential force multiplier delivering efficiency, increasing quality, keeping your firm ahead of the competition, reducing risk, and retaining clients. Technology can also save time—helping to balance workload and enable staff to focus more on higher-margin clients and services, such as client accounting services (CAS). Despite the benefits, only 9% of accountants believe that they are getting the best use and value from their technology.[1] Technology selection and implementation are important challenges to solve, but adoption is the real difference maker.

Technology adoption is often slowed or stopped by a few key challenges. What is currently impeding your firm?

Many firms face similar challenges, but the path forward is different for every firm—each has unique budgets, resources, goals, expectations, timelines, benefits, and more. A small firm may have long-term affordability as a top consideration. A medium-sized firm may be focused on seamless integration. A large accounting firm may have scalability and capacity as key requirements. Leveraging experience and expertise from successful engagements can help define your path. We surveyed highly respected accounting technology subject matter experts who work with CPA firms of all sizes on technology strategy and implementation (see page 4) and aggregated their insights into this report.

This white paper provides a Digital Maturity Model and Firm Tech Ecosystem, addresses five critical challenges firms consistently face, and offers a deep dive into practical AI applications. It is structured so you can easily jump to a section that addresses predicaments your firm may be encountering:

- Challenge 1: If You Are Not Sure Where to Begin or What Comes Next
- Challenge 2: If You are Experiencing Resistance to Technology Adoption
- Challenge 3: If You Are Managing Tech Responsibilities Without Dedicated IT Staff
- Challenge 4: If You Are Addressing Inefficiencies and Managing Talent Shortages with Technology
- Challenge 5: If You are Worried about Return on Investment and Buying Future-Proof Tools

Technology is the essential force multiplier delivering efficiency, increasing quality, keeping your firm ahead of the competition, reducing risk, and retaining clients.

Meet the Experts

This *Insights* report on Firm Tech brings together the expertise of all-star professionals who consult with CPA firms daily on technology adoption and implementation. We are proud to present in one place their latest thoughts on where firms should invest in next.

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John H. Higgins, CPA, CITP, is the founder and CEO of Higgins Advisory LLC, established with the mission of helping CPAs, CFOs, and other financial professionals successfully guide their firms and business organizations through a successful digital transformation that leverages the power of emerging technologies such as artificial intelligence, blockchain technology, data analytics, workflow automation, and more. John has developed two best-selling courses: "ChatGPT Bootcamp for CPAs" and "Microsoft Copilot Bootcamp for CPAs" to harness the power of these AI tools effectively and expeditiously.

Jody Padar, CPA www.linkedin.com/in/jody-padar-18a9711

Jody Padar, CPA, known as "The Radical CPA," is a visionary in the accounting profession, advocating for technology adoption and forward-thinking practices. Consistently recognized among the "Top 100 Most Influential" by *Accounting Today*, she's authored books including *Radical Pricing* and *The Radical CPA: New Rules for the Future-Ready Firm*. Jody also contributes to industry publications such as *Accounting Today* and *CPA Trendlines*. With a passion for digital transformation and AI, Jody, now a senior tax adviser at April, aims to simplify and enhance the tax experience.

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Byron Patrick, CPA, CITP, bridges technology with accounting, innovating firms nationwide. He founded Simplified Innovations Inc., furthered automation at Botkeeper, and now aids leaders in achieving Business, Balance & Bliss at The B3 Method Institute. A prominent speaker, he shares insights on accounting technology at conferences and contributes to several publications, including the *Journal of Accountancy*. His dedication to progress is helping to shape the future of the accounting industry.

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Donny C. Shimamoto, CPA, CITP, CGMA, is managing director of IntrapriseTechKnowlogies LLC, which offers innovation acceleration and business transformation services. Internationally recognized for his expertise in accounting technology and IT risk management, Donny also acts as inspiration architect for the Center for Accounting Transformation. With leadership roles in esteemed organizations like the AICPA, he has been consistently acknowledged as a Top Thought Leader in Public Accounting and among the "Top 100 Most Influential People in Accounting" by *Accounting Today*.

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Allison M. Henry, CPA, CGMA, is Vice President of Professional & Technical Standards at PICPA, where she has worked since 2003. She manages PICPA's Joint Ethics Enforcement Program and oversees AICPA's Peer Review Program for multiple states. With extensive experience from Deloitte and a regional firm, she speaks at events, hosts webinars, and writes for industry publications. Allison graduated from Washington University in St. Louis and holds an accounting equivalency from the University of Arkansas.

All Paths Start Here: CPA Firm Digital Maturity Model and the Firm Tech Ecosystem

In the ever-evolving landscape of accounting practices, thoughtful navigation of the tech ecosystem allows CPA firms to maintain competitiveness and efficiency. Along with the Hinge Research Institute, we created the CPA Firm Digital Maturity Model to help firms self-identify their digital maturity. This strategic approach allows your firm to realistically benchmark its digital maturity—a vital step that sets the foundation for future tech stack work, such as selecting and implementing modern technologies that align with your current state and future aspirations.

Where does your firm stand today when it comes to technology adoption, processes, talent, training, and more? Where would you like your digital maturity to be in 12 months, 24 months, or 36 months? By evaluating factors such as infrastructure, skill sets, processes, and organizational culture first, you will better customize your technology stack to optimize performance and foster growth. A rating of one or two indicates low maturity, three indicates mid-level maturity, and four or five indicates high maturity.

CPA Firm Digital Maturity Model

LOW MATURITY (1-2) | MID-LEVEL MATURITY (3) | HIGH MATURITY (4-5)

1. Reactive	2. Organized	3. Digitized	4. Connected	5. Intelligent
Processes are immature, data is inconsistent, and paper and spreadsheet usage is prevalent. Firm reacts to circumstances as they emerge and projects are often carried out manually.	Data is categorized and stored in a centralized repository and organized so it is easily accessible when needed.	Inefficient processes have been eliminated and all main processes are automated and managed with technology, making them fast, efficient and measurable.	All processes are streamlined and fully integrated across departments. Vast amounts of cross-departmental data provide insights across the business. Digital data is an integral part of the firm's business model. While data is of higher quality, however, it is still incomplete.	Data is complete and consistent, processes are fully aligned with business needs, and the firm has the ability to include other people, such as customers, into the process. The firm's digital ecosystem extends into the consumer journey to deliver customized experienced for current and potential customers.

Source: The State of Pennsylvania Accounting Firms in 2023[2] and the Hinge Research Institute

The Firm Tech Ecosystem

Hundreds of platforms and tools help accounting firms solve countless challenges. This Firm Tech Ecosystem provides a snapshot of what the accounting technology landscape looks like today. While it is certainly incomplete, as the landscape is ever-growing and ever-changing, it does show the many areas where technology vendors are addressing firm needs—and where you may need to invest for the future. We will refer to the CPA Firm Digital Maturity Model and the Firm Tech Ecosystem periodically in this report to help you navigate your firm's investigation of and investment in future technology tools.

ASSURANCE

FIELDGUIDE
CCH Engagement
MindBridge
CCH a Wolters Kluwer business
good.lab
ThinkRisk

TAX

Wolters Kluwer When you have to be right
K1X
Avalara AvaTax
SurePrep
RC Reports Reasonable Compensation Simplified™
Tallyfor
TRULLION
StanfordTax
corvee™
VALUTICO

PRACTICE MANAGEMENT AND EFFICIENCY

ADP
jetpack workflow
laurel
RIPPLING
INTAPP
make
Practice Protect
canopy
ShareFile
aiwyn
Microsoft PowerBi

BUSINESS OPERATIONS AND CLIENT FACING

Copilot
stripe
WordPress
Expensify
Canva
CCH a Wolters Kluwer business
ignition
ZOHO

CLIENT ACCOUNTING AND ADVISORY

AVISE
ADP
PARO
VERIFYiQ
CIN7
Jirav
vertical IQ
accrualify » Corpay^ OUR BRAND IS CHANGING
FreshBooks
alegra
Relay
Expensify

The platforms highlighted above are not endorsed by TSCPA, but merely options compiled by the authors.

By leveraging the CPA Firm Digital Maturity Model with the Firm Tech Ecosystem, your firm can navigate the complexities of the technology landscape with confidence. Using these reference tools as part of your technology adoption process will help ensure that your technology stack both boasts robustness and efficiency and resonates with your firm's unique needs and strategic objectives.

As your firm considers and evaluates software in the Firm Tech Ecosystem, you will find that there is a range of large and small software vendors available to you. Each profile offers different benefits and drawbacks. Opting for large vendors like Wolters Kluwer, Thompson Reuters, or Microsoft can provide greater stability due to the number of employees and resources they have and the likelihood they will be in business in the future. However, they may not offer the cutting-edge innovation found in smaller companies. John Higgins, a contributor to this report, suggests that while engaging smaller vendors carries higher risk due to potentially underdeveloped products, it also presents the opportunity to discover innovative solutions that can propel competitiveness ahead of the curve. Therefore, investing in modern, cloud-based solutions is important for futureproofing your operations, ensuring sustained competitiveness and efficiency over time.

When evaluating large software vendors, determine if they have:

- Robust software development and delivery teams (typically leading to higher-quality software).
- Existing processes to accommodate customer feature requests.
- More complete products with desired features and integration capabilities.
- Larger customer bases for education and knowledge exchange.

A key disadvantage of large software vendors is that they tend to be less innovative. They do not want to disrupt their customer base.

You may find that relationships with small software vendors are a better fit for your firm. Smaller software vendors often can do the following:

- Offer specialized knowledge and products for specific vertical markets and applications.
- Adapt faster to industry and customer needs and changes.
- Ensure a higher level of personalized customer service and support.
- Innovate much quicker (taking advantage of new thinking and technology).
- Provide products or services at a lower cost.

Key disadvantages of small software vendors are that they have less financial stability and their products are not as complete with features.

In the face of numerous technological options (as shown in the Firm Tech Ecosystem), decision-making can be daunting. To streamline this process, it is important for your firm to explore the diverse range of options within the Firm Tech Ecosystem and seek guidance from trusted sources. The strongest next step would be to consult with trusted external peers. They can offer practical insights and real-world experiences, providing valuable perspectives on successful implementations and potential pitfalls to avoid. This will help your firm differentiate between technological solutions, while hopefully causing minimal disruption. Additionally, leveraging recommendations from state and national associations provides access to accounting expertise and best practices tailored to specific regulatory landscapes and professional standards. Engaging in discussions with vendors directly will further enrich your firm's understanding of available technologies, allowing for informed comparisons and decision-making.

"The pace of technological change in today's world is rapid. By not investing in technology now, you risk falling behind and missing opportunities for growth and success in the future. Embracing technology today is an investment in tomorrow's success."

- Jody Padar, CPA

Challenge 1: If You Are Not Sure Where to Begin or What Comes Next

To begin advancing your firm to a higher digital maturity level on the CPA Firm Digital Maturity Model (see page 5), it is essential to craft a comprehensive strategic plan. This process resolves ambiguity about goals and facilitates the development of the firm's short- and long-term needs.

Below are key considerations to guide a thorough evaluation when developing or reassessing a strategic plan.

1. **Assess the business, not the technology:** Begin by assessing the current challenges your firm faces. Do not start with specific technology challenges. Start with operations, talent, and growth – how the firm works and why it works that way. This allows you to establish goals and propel the firm forward by solving operating challenges rather than starting with the vastness of the technology ecosystem without a clear connection to the business's needs.
   - Identify existing workflows, pain points, inefficiencies, and potential bottlenecks hindering productivity or impeding business goals.
   - Seek input from key stakeholders, staff members, and management. Donny Shimamoto, one of this white paper's expert contributors, emphasizes that direct feedback from diverse users can offer valuable insights into areas needing improvement without overcompensating for louder voices or existing technology power-users.
2. **Define Nirvana:** How would the firm operate in a perfect world, unencumbered by resource constraints? Establish long-term goals with an aspirational view of what the firm can become.
   - Incorporate future business aspirations into every plan to maintain the ability to anticipate challenges that may emerge two or three years from now. Shimamoto relies on this method when working with firms to ensure their strategies are future-proofed.
   - Defining a perfect end-state is the best way to ensure continuous improvement rather than one-time or start-stop commitments to evolution.
3. **Get specific about process:** Dedicate ample time to map out the processes that a tool is meant to support.
   - It is hard to solve operating or growth challenges with technology solutions unless you understand current processes. Use a process mapping tool or even a process mapping expert (business analyst) to define selected areas of the business function to target the exact areas where software can help.
4. **Start looking at tools:** Having explored and documented challenges, desired outcomes, and processes, it is time to start evaluating current and new tools.
   - Optimize your technology structure. Ensure that your firm's technology infrastructure is up to par. This is essential for maximizing performance, productivity, and security. Conduct a thorough technology audit and assess user experience and adoption to pinpoint areas for enhancement.
   - Be sure to conduct technology audits annually or bi-annually to proactively identify and address potential security issues. Additionally, prioritize adopting software as a service (SaaS) solutions for new software acquisitions. This allows you to leverage cutting-edge software development technology while enhancing data security for your firm.
   - If you have the resources, consider empowering an evaluation and selection team to help with the process.
   - With a specific function, process, or operating area identified, refer to the Firm Tech Ecosystem chart to see which providers offer tools to solve your specific needs.

- View websites and reviews, and reach out to peers to see who might be using an interesting tool before you request more information or a demo.

- Please see the subsection in Challenge 2 titled, Embracing Agility: Navigate Change with Flexibility and Adaptability, for a deeper dive on agile software selection best practices.

Here are key considerations Shimamoto recommends when evaluating new tools:

- Ensure tools align with both current and future workflow processes. Most importantly, remembering to evaluate applications based on their compatibility with intended workflows rather than solely relying on vendor demonstrations.

- Ensure that new tools, especially client accounting services (CAS) tools, facilitate proper segregation of duties to uphold accuracy, reliability, and integrity in financial reporting.

- Implement a strategic ranking system for technology selection, categorizing options as "must-have," "should-have," and "nice-to-have." This approach facilitates decision-making processes and resource allocation.

5. **Set practical timelines for the genuine adoption of technology.**

- Our experts want to draw your attention to a prevalent issue among firms: underestimating the time required to adopt and integrate new tools into their workflow. While many firms anticipate quick results, a more realistic timeframe typically spans two to six months, depending on technological complexity. Additionally, planning for ongoing assessment over an additional four to six months ensures sustained effectiveness.

- A realistic timeline for technology implementation should consider comprehensive training and effectiveness evaluation. The timeline should also consider potential disruptions to existing workflows.

- This thorough process for innovation can be daunting if your firm is attempting to keep up with the current workload it is facing. Therefore, outsourcing some of the considerations to a consultant may provide invaluable guidance in formulating a comprehensive strategic plan.

By attending to these fundamental aspects and gaining a deeper understanding of your firm's technological aspirations, you pave the way for a more effective path forward. This enables you to pinpoint the most suitable technological solutions that align with your firm's objectives.

"I have encountered this scenario many times: a solution seems perfect on the surface, but upon implementation it falls short because the firm did not fully grasp the scope of the challenge or the existing processes. Vetting and understanding the full scope of the problem, and ensuring the solution addresses it comprehensively, is paramount to success."

- Byron Patrick, CPA, CITP

Challenge 2: If You Are Experiencing Resistance to Technology Adoption

Technology investments are often expensive, but not investing in technology can be even more expensive. **But nothing is as costly as investing in technology that never gets used.**

While technology promises numerous benefits, the journey of adoption often encounters resistance from various stakeholders. Mere awareness of the benefits of new technology is unlikely to dampen concerns over cost, time, change, and expertise that frequently impede progress. From managing cultural shifts to assuaging team apprehensions, below are strategies to effectively tackle resistance and instill a culture of innovation within your firm.

Provide Purpose and Leadership for Successful Adoption

Purpose and leadership are pivotal for successful technology adoption. Firm leaders should clearly articulate the vision for a technology's adoption. Explain why it's important for the firm's future success and how it aligns with the firm's strategic goals. Use various communication channels, such as town hall meetings, newsletters, intranet updates, or one-on-one conversations to consistently reinforce the message and address concerns or questions among employees.

Our experts agree that robust support across all organizational levels is crucial for successful adoption. Additionally, appointing key leaders for a new tool fosters accountability and drives strategic changes. Leaders can demonstrate their commitment to adoption by being early adopters themselves. For instance, they can display their use of new software or tools in their own work processes and highlight the benefits they have experienced to others in the firm. They can also make sure that people are using the new technology instead of reverting to old habits, assess overall effectiveness, and get feedback. Firm leaders, not just IT personnel, should spearhead strategic changes. This approach cultivates a culture of innovation within the firm.

Build a Supportive Team Culture for Technology Adoption

Understanding entrenched norms will be key to a successful adoption. Assessing the firm and its users' readiness for new technology is paramount. Higgins highlights that entrenched norms come from all levels of the organization. He notes, "I have even seen instances where leadership gives up on new technology, allowing employees to disengage with it. The lack of leadership inherently creates a culture of stagnation." Peer-to-peer relationships can reinforce stagnation as well. One employee may encourage reverting back to old habits and discourage others from spending the effort to learn new technology. To avoid this, adoption must be done in a well-justified manner. Thus, buy-in from leadership is essential. Then there is greater acceptance among employees and a smoother transition process overall.

Ensuring effective training in new technology is fundamental to success. Requiring all users to attend training sessions is a crucial first step, but Shimamoto stresses that users often require more guidance than initially anticipated during the rollout to prevent reverting to old methods. One-on-one coaching offers personalized support to users who may need additional assistance, tailoring instruction to their needs and proficiency levels. Shimamoto reports that one effective option is building a video library for users, where experienced users record their journeys through new tools and share them with the entire firm as on-demand learning. Younger users tell us that they regularly learn how to use new tools on YouTube, and a firm can build this style of resource for themselves. Another option is to craft a tailored guidebook that aligns with the intricacies of the technology and the firm's specific workflow. This can serve as a valuable reinforcement to training sessions. Additionally, keeping training materials and documentation up-to-date with the latest software updates, enhancements, and best practices ensures that users have access to accurate and relevant information whenever needed.

Effective communication plays a vital role in leveraging employee feedback during technology adoption. Shimamoto has observed a common tendency to overlook resistance to change. To avoid this, he emphasizes the importance of listening to employees' concerns. "Firms that engage in addressing the concerns of naysayers upfront often have more successful technology adoption processes and less resistance overall compared to firms that do not address the concerns," he explains. "When addressed, those naysayers often align with the adoption process later and have now bought in." Tackling concerns upfront can prevent issues in the future and lead to a more successful adoption processes with less overall resistance.

Implementing feedback mechanisms – such as surveys, focus groups, or suggestion boxes – allows for gathering input from users about their training experiences and areas for improvement. Conducting post-implementation reviews or retrospectives helps evaluate the effectiveness of training programs and identify lessons learned for future technology adoption initiatives. This continuous improvement cycle ensures that training efforts evolve over time to meet the changing needs of users and the organization.

Inadequate communication and training can exacerbate skepticism and hinder adoption. Therefore, comprehensive guidance and support are essential for successful implementation. By prioritizing ongoing training, personalized support, effective communication, and continuous improvement, accounting firm leaders can navigate technology adoption more effectively and maximize its benefits.

Embracing Agility: Navigate Change with Flexibility and Adaptability

Adopting an agile approach to change offers substantial benefits by prioritizing flexibility, collaboration, adaptability, and continuous improvement in project development and implementation. This methodology advocates making incremental adjustments over time, thus preventing staff from feeling overwhelmed and increasing the likelihood of adoption. Below are suggestions on how to follow the best practices of an agile approach to technology adoption.

1. **Define Clear Objectives Incrementally:** Start by defining the core objectives and needs of your accounting firm's technology adoption, as described in Challenge 1 on page 8. Refer to the CPA Firm Digital Maturity Model with the Firm Tech Ecosystem to help you with this process.

2. **Involve Cross-Functional Teams Early and Often:** Engage cross-functional teams comprising representatives from accounting, IT, operations, and other relevant departments in the software selection process. Gather input on their requirements, preferences, and pain points to ensure alignment with organizational goals.

3. **Prioritize Features and Functionality Using Agile Methods:** Use agile prioritization techniques, such as MoSCoW Prioritization (Must have, Should have, Could have, and Will not have), to identify the features and functionality for your accounting firm's software solutions. Continuously refine priorities based on stakeholder feedback and evolving business needs.

4. **Conduct Proof of Concepts (POCs):** Before making a final decision, conduct POCs to evaluate the functionality, usability, and compatibility of shortlisted software options. Involve end users in the testing process to gather feedback on usability and suitability for their workflows.

5. **Gather User Feedback and Adapt:** Continuously gather user feedback throughout the software selection process. Conduct user testing sessions and surveys to collect insights on usability, user experience, and feature preferences. Use this feedback to adapt and refine your selection criteria.

6. **Evaluate Total Cost of Ownership (TCO) and Return on Investment (ROI):** Consider both the upfront costs and long-term implications of software selection, including implementation, customization, training, maintenance, and support. Evaluate the TCO and ROI of each option to ensure alignment with budgetary constraints and business objectives.

7. **Assess Vendor Reputation and Support:** Research the reputation and track record of software vendors, focusing on factors such as reliability, customer service, and ongoing support and updates. Choose vendors with a strong commitment to customer satisfaction and responsiveness.

8. **Consider Scalability and Flexibility:** Select software solutions that are scalable and flexible enough to accommodate future growth and changes to your accounting firm's needs. Ensure compatibility and integration with existing systems to facilitate seamless workflows.

9. **Align with Agile Principles and Methodologies:** Choose software solutions that align with agile principles, such as adaptability, incremental value delivery, and collaboration. Prioritize solutions that support agile workflows and enable iterative development and improvement.

10. **Document and Review Decisions Regularly:** Document the rationale behind software selection decisions, including key criteria, stakeholder feedback, and trade-offs. Conduct regular reviews and retrospectives to evaluate the effectiveness of chosen solutions and identify areas for optimization and enhancement.

An agile approach to technology adoption involves a structured process aimed at implementing changes incrementally and efficiently. Cross-functional collaboration plays a pivotal role in this process, fostering engagement among diverse teams and departments, including IT, finance, operations, and client services. Open communication, regular meetings, and feedback sessions are encouraged to ensure alignment and promptly address emerging issues or concerns. Additionally, continuous feedback from end users and stakeholders throughout the process is crucial for identifying areas of improvement and making necessary adjustments. Retrospective surveys should be conducted to reflect on the outcomes, successes, and challenges encountered. Insights gleaned from these retrospectives are used to refine strategies, processes, and approaches for subsequent efforts, facilitating a culture of continuous improvement. By addressing these challenges head-on and fostering a culture of learning and adaptation, firms can navigate technological transformation more effectively and maximize its benefits for firm growth.

Challenge 3: If You Are Managing Tech Responsibilities Without Dedicated IT Staff

A big challenge faced by small and midsize firms is the absence of dedicated staff to manage technological responsibilities. To alleviate this staffing constraint, consider moving to cloud-based services if you are not already there. Then, consider two primary approaches: delegating IT tasks to existing staff in addition to their current responsibilities, or hiring a third-party service provider.

If You Are Stuck on the Low End of the Maturity Model: Get to the Cloud

If hiring a dedicated technology team is not feasible, there are alternative avenues to explore. Higgins suggests a strategic shift toward cloud-based software-as-a-service (SaaS) solutions to outsource tech management. Transitioning to the cloud can be swift, particularly with SaaS options, though it is essential to budget accordingly. Allocating a portion (around 5% to 15%) of the budget for technology is crucial. Higgins emphasizes that firms who "successfully" budget at the higher end enjoy a greater reduction in labor costs.

SaaS, simply put, is like renting software that lives on the internet. You access it through your web browser, and all the heavy lifting – maintenance, updates, security – is managed by the provider, saving you from the hassle of managing it on your own hardware. With SaaS, you pay a subscription fee, usually monthly or yearly, instead of buying a costly license outright.

SaaS applications cover a wide range of functions, including customer relationship management (CRM), practice management and engagement management, human resource management, and accounting. Some well-known examples of SaaS products include Salesforce, Microsoft Office 365, and QuickBooks Online. SaaS offers several advantages over traditional software deployment models:

- **Accessibility:** Users can access the software from anywhere with an internet connection, enabling remote work and collaboration.
- **Scalability:** SaaS applications can easily scale up or down to accommodate changes in the number of users or usage requirements.
- **Automatic Updates:** The provider manages updates and patches, ensuring users always have access to the latest features and security enhancements.
- **Lower Up-Front Costs:** Instead of purchasing expensive licenses, users pay a subscription fee, reducing initial investment costs.
- **Reduced IT Overhead:** Since the provider oversees infrastructure maintenance and support, users can focus on using the software rather than managing it.

Overall, SaaS has become popular due to its flexibility, cost-effectiveness, and ease of use. Leveraging external services provides flexibility in selecting specialized solutions, particularly for areas such as tech security where application software might fall short.

Delegate to Existing Staff

Another approach to addressing tech issues without dedicated IT staff is to empower existing employees through committee involvement. Jody Padar, one of our expert contributors, emphasizes that by actively engaging employees in decision-making processes related to technology adoption, firms foster ownership and commitment among team members. This not only can enhance employee morale but also promote a culture of innovation and collaboration. To further encourage staff ownership of technology responsibilities, firms can implement strategies such as the following:

- **Training and Development:** Highlight the importance of investing in training and development programs to enhance employees' tech skills and knowledge. Recommend a mix of formal training sessions, workshops, online courses, and peer-learning opportunities to cater to different learning styles and preferences.

- **Recognition and Reward:** Discuss the role of recognition and reward mechanisms in incentivizing and motivating employees to take ownership of tech responsibilities. Encourage firm leaders to acknowledge and celebrate employees' contributions, achievements, and innovative ideas to foster a culture of appreciation and engagement.
- **Empowerment through Delegation:** Emphasize the value of delegation as a means of empowering employees to take ownership of tech tasks and projects. Encourage firm leaders to delegate responsibilities based on employees' interests, strengths, and development goals, while providing guidance, support, and feedback along the way.
- **Feedback and Continuous Improvement:** Stress the importance of soliciting feedback from employees on their experiences, challenges, and suggestions for improvement regarding tech responsibilities. Encourage firm leaders to foster a culture of continuous improvement by actively listening to employees' input, implementing constructive changes, and iterating on processes and practices over time.

If the plan is to entrust current staff with tech responsibilities, heed our contributor Byron Patrick's advice: initiate a well-structured discussion early on. This discussion should align the firm's priorities with its technological needs. Patrick highlights the inherent friction that arises when employees are expected to maintain regular billable hours while also shouldering significant tech maintenance and advancements. He notes, "Juggling client deadlines alongside IT emergencies can strain employees – leading to burnout, diminished performance, or even unavailability when needed most. Addressing and avoiding this consistent expectation of overwork is paramount to preserving employee well-being and ensuring operational efficiency." This approach also needs to recognize the limits of individual expertise by leaning on software service providers for support and expertise. Try to assess your team's strengths and limitations to determine where they excel and where they may need additional support.

Hiring Third-Party Service Providers

When billable hours clash with tech responsibilities, it is crucial to find a balance. Hiring a dedicated tech professional might be a significant solution, but if that is not feasible consider outsourcing tech tasks to third-party providers. Outsourcing can help alleviate the workload on existing employees and ensure efficient handling of tech-related emergencies. Hiring a third party or dedicated team will ensure that the firm is not relying too heavily on a single individual for maintaining critical systems like the firm's intranet. Thus, if any employee leaves the firm, the system can still be maintained – underscoring the importance of diversifying expertise and ensuring continuity in tech management efforts.

When deciding whether to engage third-party providers, it is crucial to weigh the advantages and disadvantages of the provider you are considering. A small third-party service provider is characterized by a limited scale of operations, a smaller team, and specialized expertise in niche areas, offering personalized solutions tailored to individual client needs. Despite their agility and responsiveness, they may face limitations in resources and scalability compared to larger counterparts. On the other hand, large third-party service providers boast extensive resources, a broad range of services, and established reputations, catering to diverse clients on a national or global scale. While they may entail higher upfront costs, they provide economies of scale and reliability to meet the complex needs of large enterprises across various industries. A few considerations are listed below to help you decide what type of provider is right for your firm.

Ultimately, the decision should align with the firm's specific needs, budget, and long-term goals, ensuring that the chosen provider can effectively support the firm's IT requirements while delivering value and reliability.

"Juggling client deadlines alongside IT emergencies can strain employees – leading to burnout, diminished performance, or even unavailability when needed most. Addressing and avoiding this consistent expectation of overwork is paramount to preserving employee well-being and ensuring operational efficiency."

- Byron Patrick, CPA, CITP

What Type of Provider is Right for Your Firm?

Consideration	Small Third-Party Provider	Large Third-Party Provider
Assessment of Needs	May offer personalized attention and customized solutions.	Have broader expertise and resources to address complex needs.
Vendor Selection	Limited options but may provide niche expertise or specialization.	Wide range of options with established reputations and track records.
Service Level Agreements (SLAs)	SLAs may be more flexible and negotiable.	Standardized SLAs with defined metrics and penalties.
Data Security and Compliance	May have limited resources for comprehensive security measures.	Robust security infrastructure and compliance certifications.
Scalability and Flexibility	Limited scalability but may offer more personalized service.	Scalable solutions to accommodate growth and changing needs.
Communication and Collaboration	More direct communication channels with key decision-makers.	Standardized communication processes but broader support.
Disaster Recovery and Business Continuity	May have basic contingency plans.	Comprehensive disaster recovery plans and redundant systems.
Cost Management	Lower upfront costs but potential for hidden expenses.	Higher upfront costs but economies of scale and predictable pricing.
Exit Strategy	May require more hands-on transition assistance.	Established processes for smooth transitions and data migration.
Continuous Evaluation and Improvement	More responsive to feedback and adaptable to changes.	Structured feedback mechanisms and continuous improvement processes.

Challenge 4: If You Are Addressing Inefficiencies and Managing Talent Shortages with Technology

When workflows are not running as optimally as they could, they might pose challenges to adopting and integrating new technologies. This can lead to overall inefficiencies, resistance from team members, and ultimately hinder the firm's ability to leverage the full benefits of modern tools and platforms.

Streamline Cumbersome Workflows: Address Inefficiencies

Suboptimal workflow efficiency can bog down employees through manual processes or outdated systems, for example. It is crucial to explore this issue and understand its impact on productivity. Refer to the Firm Tech Ecosystem (page 6) for ideas on which software to use. Focus on providers in the practice management and efficiency section who can deliver the most productivity.

"When workflows are already cumbersome or convoluted, introducing a new tech solution can initially exacerbate rather than alleviate the problems," Padar explains. "Employees may struggle to see the relevance or value of the new system, especially if it disrupts their familiar routines without offering clear advantages. This resistance can hinder adoption efforts and impede the successful integration of the technology into daily operations."

Addressing workflow inefficiencies before implementing new technology is crucial to ensure a smoother transition and to maximize the potential benefits of the innovation. By optimizing workflows, firms can free up time for higher-value tasks or innovation, enhancing overall efficiency and ensuring better adoption of modern technology.

Navigate Workflow Disruptions Caused by New Technology

Adopting innovative technology in accounting firms requires a balance between integration and ongoing workloads. The right mix is required because disrupting established workflows can prompt employee resistance. Shimamoto notes that a common pitfall is automating processes without considering a new technology's best practices. This can lead to excessive customization and reliance on manual workarounds. Thorough planning upfront, understanding the technology's capabilities, and prioritizing areas for improvement are crucial to mitigate these issues. Developing a tailored strategic plan, as discussed in Challenge 1, can involve redesigning processes, automating tasks, or integrating systems for a more efficient workflow.

In Pennsylvania Institute of CPAs' *Insights* white paper, *CPA Talent Retention 2024: Keeping Your Best Talent*, it highlighted the importance for firms to change their business models away from an emphasis on hourly rates and move to value-based billing, subscription service, and other nontraditional models. In doing so, staff will have the space to invest nonbillable hours in learning and experimentation to facilitate the adoption of new technology solutions. By communicating the long-term benefits of innovation and encouraging employees to embrace change as a catalyst for growth, accounting firm leaders can inspire their teams to actively engage in the process. Forward-thinking firms actively cultivate a culture that both permits and encourages staff to allocate time for such transformational efforts, thereby fostering a culture of innovation.

"Employees may struggle to see the relevance or value of the new system, especially if it disrupts their familiar routines without offering clear advantages. This resistance can hinder adoption efforts and impede the successful integration of the technology into daily operations."

- Jody Padar, CPA

Common Workflow Inefficiencies Found in Accounting Firms

Challenge	Inefficiency	Solution
Manual Data Entry	Accountants spend considerable time manually entering data from paper documents or spreadsheets into accounting software, leading to errors and delays.	Implement optical character recognition (OCR) technology (e.g., ABBYY FlexiCapture or Kofax Capture) to automate data extraction from scanned documents or invest in software integrations that allow for seamless data transfer between systems.
Reconciliation Processes	Reconciling bank statements, invoices, and accounts receivable/payable manually is time-consuming and prone to errors.	Adopt accounting software with built-in reconciliation features (e.g., QuickBooks Online, Xero, or Wave Accounting) that automate matching transactions, flag discrepancies, and provide real-time insights into financial discrepancies.
Paper-Based Document Management	Managing paper-based documents such as invoices, receipts, and contracts results in cluttered filing systems, difficulty in retrieving information, and increased risk of document loss or misplacement.	Transition to electronic document management systems (DMS) (e.g., DocuWare, M-Files, or SharePoint) that allow for digitization, storage, and retrieval of documents in a centralized and organized manner. Cloud-based DMS (e.g., Google Workspace or Microsoft 365) offer accessibility from anywhere with internet connectivity and provide robust security features to safeguard sensitive information.
Manual Report Generation	Generating financial reports manually by compiling data from various sources is time-consuming and prone to errors.	Utilize reporting tools integrated with accounting software (e.g., Sage Intacct, NetSuite, or FreshBooks) to automate report generation processes. Customizable dashboards and templates allow for quick and accurate creation of financial statements, performance reports, and budget forecasts.
Lack of Collaboration Tools	Communication and collaboration among team members, clients, and stakeholders are hindered by reliance on email exchanges, phone calls, and in-person meetings.	Implement collaboration tools such as project management software, client portals, and communication platforms (e.g., Slack, Microsoft Teams) to streamline communication, share documents securely, and facilitate real-time collaboration on accounting tasks and projects.

Challenge 5: If You Are Worried about Return on Investment and Buying Future-Proof Tools

CPA firms often grapple with balancing their current workload and the need to embrace technological change. The dilemma often involves a choice between maximizing existing system functionality and embracing innovation with technology replacement or expansion.

In this internal debate, it is important to recognize that holding on to outdated legacy applications for too long will introduce various additional challenges. Compatibility issues will arise when these applications no longer function properly with newer operating systems, hardware, or software systems, complicating integration with modern technologies. Also, older software often does not receive security updates or patches, leaving them susceptible to cyberthreats. Limited support is another concern, as vendors often discontinue support for legacy applications. Add to all this the fact that legacy applications often lack modern features and automation capabilities, leading to inefficient and manual accounting processes. Data silos may emerge, as legacy systems store data in proprietary formats that hinder integration with other organizational systems.

Higgins offers a practical approach to extending technology's return of investment. "Firstly, consider expanding the potential of your legacy software by transitioning it online initially rather than immediately opting for entirely fresh solutions. Secondly, it is essential to assess whether your current software meets your firm's workload needs. If there are doubts about its adequacy, first consult with the vendor as there may be unexplored functionalities or updates that can enhance the software's capabilities."
This approach enables your firm to make more informed decisions about maximizing your existing systems' potential or fully transitioning to new software.
Many firms can benefit from innovation and return on investment by leveraging bolt-on technology. This approach uses supplementary applications or software that can be integrated or connected to your firm's legacy core systems. Bolt-on technology offers specific functionality and is designed to broaden your firm's core software capabilities without replacing or reconfiguring existing systems. These tools ensure effective data flow and communication and can be integrated through application programming interfaces (APIs), connectors, or custom development.

Some of the benefits that firms experience with the bolt-on technology approach include the following:

- Increasing the functionality of your firm's existing software in a cost-effective manner.
- Integrating new functionality with your firm's existing systems with little disruption.
- Responding to specific needs/requirements without overhauling your entire technology stack.

When evaluating legacy applications, consider its customizations and your staff's familiarity with the system. While switching to new software might seem like a simple fix, it often involves redefining business processes and providing training for your team on new procedures. This calls for careful change management to ensure a smooth transition.

Embracing more efficient processes might initially result in fewer billable hours, but adopting newer technologies opens the door to higher-value services, keeping your firm relevant and competitive overall. Forward-thinking firms are always on the lookout for the latest technology investments, which enable them to offer innovative services that meet evolving client needs.

If you find that your current software is not meeting your needs, it is a clear signal that investing extra time in evaluating new software will be worthwhile. Dedicate the time upfront to thoroughly assess the solutions you truly require, anticipate future needs, and explore what the market offers. While this demands a considerable time commitment - which may be scarce amid ongoing workload demands - it will save time in the long term.

Conducting extensive due diligence ensures selecting the right software tailored to your firm's needs and minimizes the need for repeated evaluations caused by initially choosing an unsuitable software package.

Whatever approach your firm chooses, we recommend that it implements Six Sigma's DMAIC framework for continuous process improvement (see graphic on page 20). DMAIC is data-driven and composed of five key phases: Define, Measure, Analyze, Improve, and Control:

- **Define:** At this stage, you are defining the business problem in as much detail as possible. You will want to outline and agree on the scope and boundaries. Make sure the problem is coordinated with your firm's goal. Some questions you will want to answer at this stage include:
    - Who is the customer?
    - What business groups are impacted?
    - What is the business impact of the problem?
    - What does success look like?

- **Measure:** Start by creating a baseline of the current situation. Develop performance metrics that you can use for comparison at different stages. Questions you will want answered at this stage include:
    - How often will data collection occur?
    - Who will own measurement and reporting?

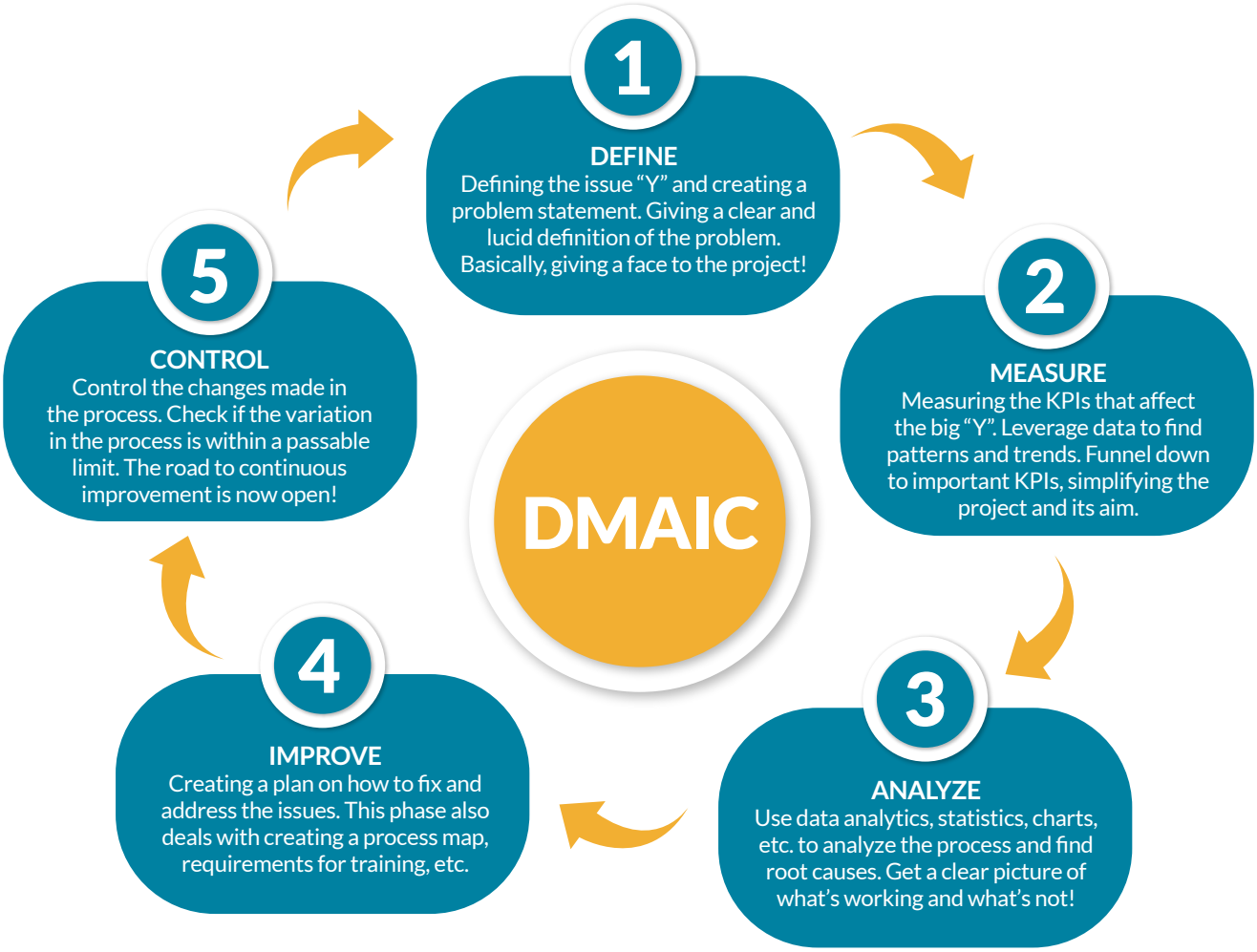
- **Analyze:** This phase will help you understand the gap between current performance and the target goal. Here, your firm wants to get to agreement on the top potential causes of problems. You will want to ask:
    - Have we captured all the potential problem causes?
    - What is the priority for each cause?
    - Can we validate the suspicion of each cause?

- **Improve:** At this step, you may want to gather feedback from stakeholders outside of your firm so you can create out-of-the-box solutions if necessary. This is the phase where you will identify, evaluate, and implement various solutions. A few questions that you will want to answer include:
    - Do we have a plan for improvement and who will implement it?
    - Are there risks to the plan we must address?
    - How are the results performing against key performance indicators?

- **Control:** At this phase, focus on ensuring that any improvements can be sustained over time. Questions to be answered include:
    - Do we have a process control plan?
    - How do we ensure that the improvement processes will not break down over time?
    - What can we apply to other areas?

"Firstly, consider expanding the potential of your legacy software by transitioning it online initially rather than immediately opting for entirely new solutions. Secondly, it is essential to assess whether your current software meets your firm's workload needs. If there are doubts about its adequacy, I would consult with the vendor as there may be unexplored functionalities or updates that can enhance your software's capabilities."

- John Higgins, CPA, CITP



Source: 6Sigma.US

2024 Deep Dive: Unlocking the Potential of Artificial Intelligence

In 2023, the world made a massive, and likely permanent, pivot to artificial-intelligence-enabled life. We are all now figuring out how to apply these new tools to make life better, more productive, and more rewarding. How do accounting firms start on such an audacious project as incorporating artificial intelligence (AI)?

Our experts unanimously council small and midsize firms to prioritize AI that is already integrated with other, larger software solutions. They encourage understanding the practical applications of AI over a theoretical understanding, but stress the importance of refraining from introducing problems into your firm solely to justify the implementation of AI.

Stay Ahead: A Competitive Outlook

Indecision itself carries consequences, contends Shimamoto. Failing to make proactive decisions can lead to missed opportunities and increased inefficiencies. While introducing AI into workflow processes holds the promise of streamlining operations, it necessitates careful change management to ensure smooth transitions. Large accounting firms and related companies are setting the pace by integrating AI services into their operations. This is a clear signal for smaller and midsize firms to prioritize AI education and adoption to remain competitive. Certainly, the pressure is on to keep up with technology, but it is important for small and midsize firms to remain informed without feeling overwhelmed. Our experts unanimously agree that investing time and resources in AI education now will empower small and midsize firms to confidently embrace new technologies as they become fully integrated in the near future.

If Your Firm Has the Appetite to Experiment More with AI

For those eager to delve deeper into AI and explore its transformative potential, now is an opportune time to embark on a journey of experimentation and innovation. From self-driven chatbots handling client inquiries to prebuilt AI embedded within platforms, AI will alter traditional accounting practices. However, the development and implementation of AI solutions often requires specialized skills and resources that may not be readily available within accounting firms. As a result, many firms are more inclined to adopt AI capabilities built by external providers rather than attempting to develop their own. This trend reflects the broader shift toward consuming prebuilt AI solutions tailored to the specific needs of accounting professionals.

Start small. Purchase a few licenses for consumer AI models and let interested team members start playing around with the tools – outside of client work! Here are a few tools to consider:

- Self-driven AI-powered chat tools
    - **ChatGPT and Claude:** These chat tools are designed to assist users with a wide range of tasks, including answering questions, providing information, and generating text. These do not integrate with other software, thus there is a larger learning curve with regard to ethics and applicability to your firms' work.

    - **Microsoft Copilot:** This AI-powered chat tool, seamlessly integrated with Microsoft 365, enhances the tools CPAs use daily. It ensures incremental AI adoption with minimal learning curve, simplifying tasks and offering valuable suggestions across Word, Excel, PowerPoint, Outlook, and Teams. It can summarize Teams meetings, with future updates to support advanced AI models for greater efficiency and utility.

    - **Pegg by Sage:** Pegg is a chatbot developed specifically for accounting and finance-related tasks. It allows users to track expenses, manage invoices, and access financial data through conversational interactions via messaging platforms like Slack and Facebook Messenger.

- Pre-built AI solutions: Accounting tools with AI-powered features
    - **Xero:** Xero offers AI-powered features such as automated bank reconciliation, expense categorization, and cash-flow forecasting. It is a cloud-based accounting software designed for small and medium-sized businesses, allowing users to streamline their financial processes with AI-driven automation.
    - **QuickBooks Online:** QuickBooks Online leverages AI to simplify accounting tasks such as invoice categorization, expense tracking, and report generation. It offers features like automatic transaction matching and insights into business trends, helping users make informed financial decisions.
    - **Botkeeper:** Botkeeper automates data entry, categorization, and reconciliation for accounting firms and businesses using AI-driven bookkeeping. It extracts info from financial docs such as bank statements and employs machine learning for efficient bookkeeping with minimal human input.

Navigating the Landscape: Challenges and Considerations in Integrating AI Technologies for Small and Midsize Accounting Firms

Change Management: Preparing for AI Adoption

Below are some considerations when first planning on introducing AI to staff and workflows.

Organizational Culture	Introducing AI technologies requires a cultural shift within the organization, as employees may be resistant to change or fear job displacement. Effective change management strategies, including communication, training, and leadership support, are essential to foster a culture of innovation and collaboration.
Employee Engagement	Involving employees in the decision-making process and soliciting their feedback can help mitigate resistance to change and foster buy-in for AI initiatives. Providing opportunities for skills development, career advancement, and recognition for contributions to AI projects can boost employee morale and motivation. **Set Up an AI Lab:** With trial licenses, empower interested team members to start experimenting in collaborative ways. Plan regular, informal get-togethers to talk about what they are learning, to share successes and failures, and to troubleshoot together. 1. **Incentivize Breakthroughs:** Some firms, including some of the biggest in the world, empower their teams to experiment with AI and offer bonuses or prizes to the most successful innovations. Let the team share their tools, bots, and GPTs, then have the whole firm vote on their favorite timesavers or growth-enablers. 2. **Make Room for Failure:** With a technology as new and dynamic as AI, you need to assure your team that they won't be breaking the bank, so they should feel free to try new things, break stuff, and learn from everything.

Optimizing AI Investment: Balancing Budgets and Building Skills

Investments in AI not only hinge on the budget to adopt new AI technologies, but also on building the skills for your staff to utilize it. Some AI-integrated features could already be present in the software you have access to, so integration here would be low-cost budgetwise. However, you want to be mindful and allow staff the time to be professionally trained and educated on AI features. We have outlined some investment considerations below to help you create a plan that best suits your firm.

Balancing the Budget for AI Integration	Initial Investment	Implementing AI technologies often requires an upfront investment in software, and training. Small and midsize firms with limited financial resources may find it challenging to allocate funds for these expenses.
	ROI Assessment	Conducting a thorough ROI analysis is crucial to justify the expenditure on AI technologies. Firms need to assess the potential benefits in terms of increased efficiency, productivity, client satisfaction, and revenue generation against the costs incurred.
Skills Development: Building Capacity for AI Implementation	Technical Expertise	Integrating AI on your own into a program requires specialized technical expertise. However, there are many accounting tools with AI-powered features (see page 21) which are much more user friendly, easier to manage, and integrate into your firms' work processes.
	Training and Education	Investing in training programs and upskilling initiatives for existing staff members is essential to bridge the skills gap. However, finding suitable training resources and balancing operational demands with learning opportunities can be a significant challenge.
	Access to Talent	Recruiting external talent with expertise in AI and data analytics may be an option, but competition for skilled professionals is fierce, particularly for small firms competing with larger organizations offering higher salaries and benefits. A second option is to connect with CPA state societies to access resources and learn about AI integrated technology.

Ethical Frameworks: Addressing Compliance and Legal Implications

Technology will transform the accounting profession in profound ways. It is easy to focus on the end goal and overlook ethical consideration and legal and regulatory compliance. It is vital to step back and consider the ethical principles within the AICPA Code of Professional Conduct that are relevant to technology implementation. These principles include exercising due professional care, serving the public interest, integrity and objectivity, independence, reliance on the work of others, and responsibilities to other professionals to cooperate with each other to improve accounting. As technology evolves, the concepts and guidance supporting these principles are also changing. For example, the confidentiality requirements within the Code are becoming more robust, evolving from a basic requirement not to disclose confidential information to taking more active steps to protect client data and to consider the ethical use of that data. This could come into play when looking to use client data to test an algorithm: explicit client authorization would be required. This ties in closely with the obvious requirement to comply with laws and regulations. Keeping abreast of all related laws and regulations in all applicable jurisdictions is a monumental task.

Competence is also a key ethical consideration. Specifically, the Code requires that you have the competence you need to perform the services that you provide, which includes ensuring appropriate accountability for the use of technology, ability to understand and evaluate the results of the use of that technology, and overseeing the work of others. The Technology Initiative Phase 2 Report of the International Ethics Standards Board for Accountants (IESBA) includes a chapter on skills that CPAs need to learn to secure the profession's role in technology deployment. Many of these skills relate to data and related concepts.[3]

AI is creating new ethical challenges, including the potential for algorithmic bias, data integrity, completeness, and relevance; lack of standards and a uniform regulatory framework; privacy and security; and related concerns about cultural acceptability, liability, and controllability. In addition to the Code, numerous ethical models of trust have been developed using variations on the following concepts: provability, regulatory compliance, explainability, security, transparency, fairness, and free from bias. Beena Ammanath in her book, *Trustworthy AI: A Business Guide for Navigating Trust and Ethics in AI*, discusses a similar model of trust and includes a list of practical questions for each component of the model to use to evaluate the myriad of ethical challenges associated with deploying AI ethically. Ultimately, those charged with governance are responsible for any ethical issues with AI deployments; so it is important to establish an overall ethics governance structure including clear lines of accountability, protocol for overriding an AI's decisions, and a feedback mechanism that includes a whistleblower hotline.[4] Similar ethical concerns exist when using generative AI, and companies should establish internal policies to provide parameters for its use and how to evaluate the accuracy of the output.

Below are a few ways your firm can address ethical issues with AI that your staff may encounter.

Algorithmic Bias	Algorithmic bias presents a significant concern because it can affect the accuracy and fairness of financial analyses, audits, and other critical processes. To address this issue, accounting firms, regardless of size, must adopt proactive measures to detect and mitigate biases in AI algorithms. This involves implementing robust bias detection tools and strategies during the development and deployment of AI systems. Additionally, ongoing monitoring and evaluation are essential to identify and rectify biases that may emerge over time.
Transparency and Accountability	Maintaining transparency and accountability in AI-driven processes is essential to build trust with clients and stakeholders. Small firms must be transparent about how AI technologies are used, the data they rely on, and the limitations of AI systems to manage expectations effectively. By creating clear reports to share how AI improves accuracy and streamlines operations at your firm, clients gain a deeper understanding of its reliability and efficacy. Moreover, transparency extends to discussing the accuracy rates of AI systems compared to traditional methods, alongside mechanisms for error detection and correction, thereby fostering confidence in AI-driven solutions.
Data Security	Encryption protocols ensure the confidentiality and integrity of client data. By explaining encryption standards and implementing stringent access controls such as multifactor authentication (MFA), accountants can reassure clients of their data's protection. Regular security audits further underscore the commitment to data security, providing clients with tangible evidence of ongoing vigilance against potential vulnerabilities. Such measures not only fortify data security but also bolster client trust in the firm's dedication to safeguarding their sensitive information.
Regulatory Compliance	Compliance with regulatory frameworks and industry standards is paramount in AI-driven accounting practices. Accountants must ensure adherence to data protection regulations such as the General Data Protection Regulation (GDPR), California Consumer Privacy Act (CCPA), and Health Insurance Portability and Accountability Act (HIPAA), and communicate these efforts transparently to clients. Additionally, obtaining and maintaining industry certifications related to data security and privacy, such as ISO 27001 and SOC 2, serves as tangible evidence of the firm's commitment to upholding stringent standards. By proactively addressing compliance concerns, accountants reinforce trust and demonstrate their dedication to operating ethically and responsibly in the digital age.

Navigate Tech Complexity and Consulting Expertise

Patrick believes AI integration into software is going to grow exponentially in the next 12 months. Currently, small and midsize firms should not be too worried about integrating AI fully into their workflow, but they should pay attention to what is coming out. Patrick is confident that general ledger packages and customer relationship management systems are going to have AI "built-in." Meaning that they will incorporate AI technologies that enhance its functionality and provide additional value to users. These can be capabilities such as the following:

- **Workflow Automation and Optimization:** AI-powered workflow automation can streamline repetitive tasks such as invoice processing, reconciliation, or report generation. This frees up time for accountants to focus on more strategic activities and provide higher-value services to clients.
- **Regulatory Compliance:** AI can help accounting firms stay compliant with regulations and standards by analyzing data for compliance risks and providing recommendations for remediation. This reduces the risk of noncompliance and potential penalties.
- **Personalized Client Communication:** AI algorithms can analyze client communication history and preferences to personalize client interactions. Accounting firms can use AI to send emails, newsletters, or notifications based on client interests, needs, or upcoming deadlines.
- **Automated Data Entry and Processing:** AI-powered technology can automate data entry by extracting relevant information from invoices, receipts, and other documents. This saves time and reduces errors associated with manual data entry.
- **Predictive Analytics for Revenue Forecasting:** AI-powered predictive analytics can analyze historical financial data and client trends to forecast future revenue streams. This helps accounting firms better plan their resources, budgeting, and staffing requirements.

The role of consultants in navigating technological changes is essential, given their extensive experience. By leveraging available resources and fostering partnerships with knowledgeable consultants, firms can overcome these obstacles and effectively navigate the evolving technological landscape.

How Accounting Firms Are Turning AI from Concept to Reality[5]

Garbelman Winslow CPAs (GWCPA)

GWCPA is a Maryland-based practice with five CPAs and 11 employees that uses AI in a variety of ways. One example is financial statement analysis. They export a client's financial statement into a PDF and take out all the identifying information. They then upload it into an AI platform and ask, "If you were going to analyze this, what are the key factors you would alert the client to quickly?" Within seconds, they have an answer. Another example is exploring hypotheticals. The staff asks the AI platform if they provided the platform with a client's leases on equipment and comparables for the leases in the Washington, D.C., area, could AI tell them if the leases were below or above market. The platform answers and even puts the comparisons in a table format.

RSM US

RSM US is a top-25 audit, tax, and consulting firm in the United States and Canada with more than 16,000 employees. They are leveraging generative AI to automate regulatory compliance. RSM US takes a client's regulatory environment, internal controls, and process document and inputs them into an AI platform. The AI platform integrates them together to map where a client is meeting, or only partially meeting, regulatory requirements, saving RSM US a tremendous amount of time.

Armanino

Armanino is one of the largest independent accounting and business consulting firms in the United States, serving more than 12,000 clients in 100-plus countries. Armanino uses robotic process automation, machine learning, and analytics to conduct 13-week cashflow analysis. The RPA gathers information around spend and cash, the machine learning analyzes the collected information, and then the predictive analytics explain what a client's cash will look like in 13 weeks.

Takeaways and Next Steps

Embracing new technologies is essential for small and midsize accounting firms aiming to maintain competitiveness and relevance in today's dynamic market. Fostering a culture of continuous education on emerging technologies, nurturing an environment conducive to innovation, and adhering to a comprehensive long-term strategic vision are pivotal steps for successful adaptation.

Assessing your firm's digital maturity and aligning it with your desired future state is fundamental in shaping strategic objectives. By conducting an in-depth evaluation of current technological capabilities and pinpointing areas for improvement, firms can chart a clear pathway toward achieving their business goals.

The proactive integration of new technologies coupled with a strategic approach to digital transformation not only enhances operational efficiency but also positions accounting firms as leaders in an ever-evolving industry. Each firm will develop a different strategy depending on their need for growth, but here are a few suggestions of next steps:

- **Long-Term Impact Assessment:** Developing a plan to understand how technology adoption and user performance is affecting outcomes at your firm, such as growth, profitability, and client satisfaction.

- **Change Management Strategies:** Examine how leadership styles, communication, and organizational culture influence adoption and acceptance of technology innovation at your firm.

- **Emerging Technologies and Disruptive Trends:** Investigate how new technologies may impact your firm. Stay informed about emerging policy developments around new technologies, especially AI, and the implications for your firm.

Proactively integrating new technologies and strategically embracing your digital transformation not only boosts operational efficiency but also positions accounting firms as frontrunners in the industry. As you venture into this journey of growth, it is essential to continually assess your firm's technological needs and invest in solutions that align with your long-term objectives. By doing so, you will navigate the complexities of technological innovation with confidence, steering your firm toward a successful future, a future where:

- Technology, including AI, will make accountants better, not replace them.
- The accountant's role moves toward an advisory role, where planning and insights are table stakes.
- Productivity, accuracy, and time management will only get better.

TSCPA
Tennessee Society of CPAs

About TSCPA

The Tennessee Society of Certified Public Accountants is the state professional organization for CPAs. The society's membership is comprised of nearly 10,000 members working in a variety of areas including public accounting, business and industry, government, and education. With more than 100 years of service to the accounting profession, TSCPA has supported generations of accountants and led the profession through countless changes and environmental shifts. TSCPA operates today with guidance from its Board of Directors, council, numerous committees and established strategic plan.

the VISION of TSCPA

The INNOVATIVE and TRUSTED RESOURCE for the accounting profession in Tennessee.

the MISSION of TSCPA

Driving the success of our members and the communities they serve through CONNECTIONS, PROFESSIONAL DEVELOPMENT and ADVOCACY.

Endnotes

[1] Wolters Kluwer, *US Accounting Industry Report*, 2024.

[2] PICPA, *The State of Pennsylvania Accounting Firms in 2023*.

[3] https://www.ethicsboard.org/publications/iesba-technology-working-group-phase-2-report

[4] https://www.icaew.com/technical/technology/technology-and-the-profession/new-technologies-ethics-and-accountability.

[5] Gaetano, Chris, "Accountants Share How They're Using AI," *Accounting Today*, May 2024..