OHI

The Real Estate Accounting Specialist

# real estate accounting outsourcing

a complete outsourcing guide

# content

# introduction

In today's highly competitive business environment, companies are balancing costs versus benefits in every key decision. Organizations are looking at ways to reduce the costs and be competitive in the market. Decision makers have realized that keeping all operational functions of the company in house may not be feasible anymore. That has given rise to business functions being outsourced at a much higher rate than in the past. Outsourcing is now a mature and intrinsic part of business strategy for most large US businesses. GE, Citibank, Boeing and many others do it. Small medium businesses (SMB) particularly real estate companies too have recognized the need of accounting outsourcing and are now increasingly adopting outsourcing as a powerful business strategy. According to an independent survey accounting outsourcing by small medium businesses (SMB) have gained significant traction across last ten years.

Businesses without the resources or infrastructure to manage the accounting and bookkeeping functions internally often look to outsourcing service providers for that expertise. Outsourcing is also attractive to larger companies due to high-cost savings, greater flexibility in staffing, faster turnaround due to time-zone difference among other benefits. Increasingly, companies are also going for hybrid custom solutions that involve both in-house and outsourced staff.

The document elaborates more on the specifics of accounting outsourcing, its benefits, trends, technology used and factors to keep in mind before one thinks about outsourcing.

# why outsource

### Accounts Payable Specialist

| US Cost | Offshore Cost |
|---|---|
| Annual Salary $36000 | |
| Payroll Taxes (8%) $2880 | |
| Overhead Cost (10%) $3600 | |
| Total $42480 | Total $20400 |

### Property Accountant

| US Cost | Offshore Cost |
|---|---|
| Annual Salary $52000 | |
| Payroll Taxes (8%) $4160 | |
| Overhead Cost (10%) $5200 | |
| Total $61360 | Total $30000 |

Outsourcing is not just a cost savings exercise. There are many other benefits listed below. In addition, the ready availability of economically priced technological tools has made outsourcing easier than a few years back.

## COST SAVINGS

Realize cost reductions of 40-60% on your existing staffing costs and overheads. mid-size real estate developers and management companies have got annualized savings upto **USD 500,000*** through our services. Refer Adjoining Chart.

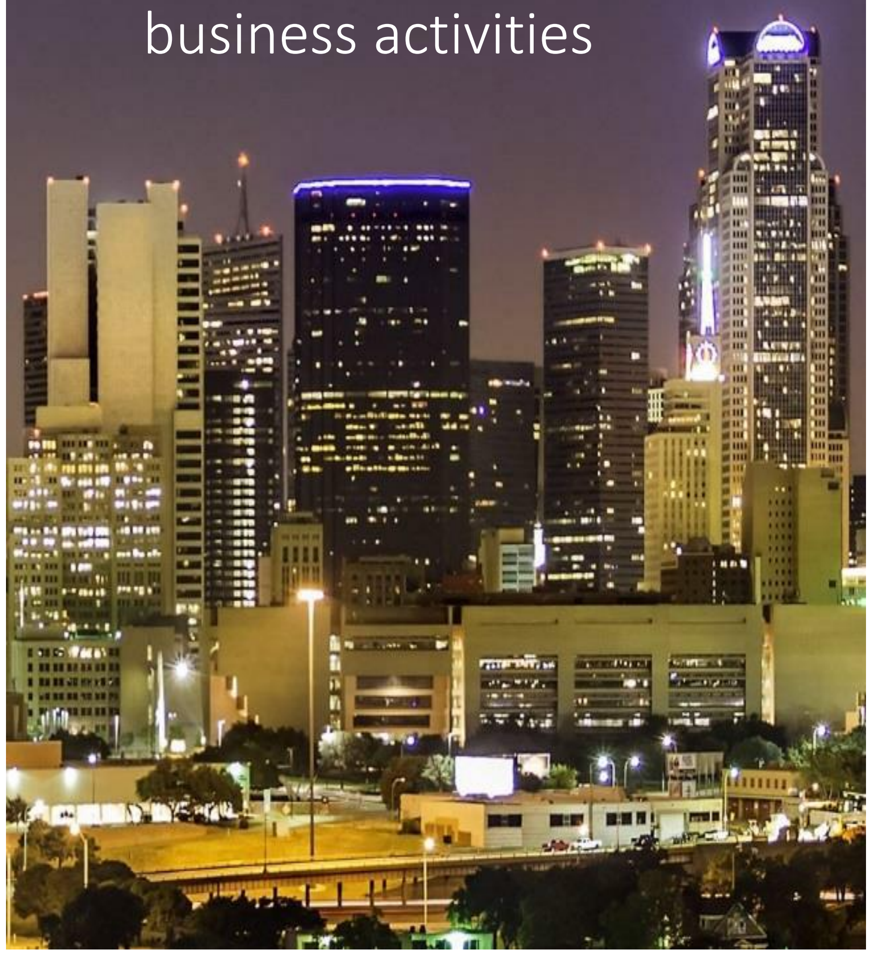
## FLEXIBILITY

Have flexible staffing levels as per business condition. Hire us when you need us. Eg. Manage seasonal increase in work load by outsourcing additional work.

Outsourcing generates 40-60% reduction in your current staffing and processing costs

## BENEFITS

- Savings between 40%-60%
- Flexible staffing levels
- Better financial control
- Access to latest technology
- Favorable time difference between India and US
- Focus more on critical business activities



### FOCUS ON CORE BUSINESS

Focus on your core competencies in this age of hyper competition. Accounting should be done by the specialists. Many of our real estate clients value the additional time that they could spend on property management, leasing, development and evaluating buy-sell opportunities.

### EXPERTISE

Outsourcing providers work with many small and large businesses. They have access to internally developed best practices in process design, accounting and technology. Outsourcing enables a small mid size business to access this expertise.

### FAVOURABLE TIME DIFFERENCE

The complimentary time difference between India and US (India works when US sleeps and vice-versa) increases the productive time available for a US business. Work gets done overnight and finished work output is available for clients when their day begins.

### ADD- ON BENEFITS

Outsourcing also leads to documentation and standardization of existing business processes such as month-end closing, AP, receipting among others.

# accounting outsourcing trends

**FACTS & FIGURES**

- Yearly growth of about 8-10%
- US$ 6.4 billion in Annual Contract Value (ACV)
- North America continue to be the principal adopters of FAO (45-50%)
- Cloud-Based solutions are expected to grow more rapidly in long term
- Robotic automation on the rise

Finance and Accounting Outsourcing (FAO) has traditionally been a horizontal service offering with a value proposition driven by cost savings and efficiency gains. However there has been a marked difference in the way outsourcing is being viewed in recent years. The value proposition for FAO is growing beyond cost reduction, to focus on process transformation, to measure business impact and to enable world-class performance. These tools have also streamlined work-flows, facilitated document management and also enabled shared working on the file. For instance, in month end closing process, the outsourced team and the US based controllers/senior staff share files and work jointly in shared Google Drive/Drop Box folders.

### Value Proposition Moving Beyond Cost Savings

FAO value proposition is moving beyond cost reduction. Now, service providers are increasingly being asked to explain how their services are adding value to the overall operations of the buyer. There has been an increased focus on simplification and automation of the entire or sub components of the process.

### End to End Solution and Industry Specificity

The scope definition of outsourcing engagements is evolving along three broad themes – end-to-end process-driven approach, industry-specific (vertical), and expansion into adjacent functions. According to a recent published industry report, **industry focus has emerged as a key differentiator in the FAO market**. For instance, OHI is a specialist real estate FAO service provider. The buyers are keenly looking at service providers who can provide industry relevant FAO solutions along with the ability to expand into adjacent functions.

### Cloud-Based Solutions

Cloud based solutions are now making seminal impact on outsourcing process flows and technologies. The impact is on multiple dimensions. Data-storage tools and sites such as Drop-box, Google Drive and Amazon web services (AWS) have eliminated the need for having dedicated storage servers.

Virtual meetings tools such as GoToMeeting, Microsoft Teams has facilitated interactive working, virtual training (with recorded sessions) and better communication. The adoption of web based ERP and accounting packages has galloped ahead in recent years, making outsourcing easy to implement. The cumulative impact of these technological changes is to make process transition faster, lower the technology cost and reduce the efforts required to get outsourcing going.

# technology involved in accounting outsourcing

Technology has transformed the way that accounting firms do business. The evolution of cloud-based computing, the growth of mobile, and advances in intelligent data management mean that accounting firms have a new set of tools available that can automate and streamline tasks. These tools have also streamlined work-flows, facilitated document management and also enabled shared working on the file. For instance, in month end closing process, the outsourced team and the US based controllers/senior staff share files and work jointly in shared Google Drive/Drop Box folders.

There are two basic data items involved in an outsourced accounting process:

a) Input documents or source data like bank statements, invoices, bills, check stubs etc.
b) Accounting file such as QuickBooks or Real Estate Accounting software like Appfolio, MRI, Onesite or Yardi

## Technology Options for Accessing the Input Documents:

Data can be electronically faxed or can be sent by clicking picture through smartphones , a method very popular among small clients. It is handy and easy way if the volume of data is not too much and very popular if the client is travelling or on the move on most occasions. Another option is where scanned documents can be accessed through a Google Drive or DropBox account. Alternatively, they may also be picked from the client server or just opened remotely by the service provider' staff. Client can provide online "View Only" access of bank accounts, credit card accounts, utility accounts, mortgage/ loan accounts and other online data.

### SOURCE DOCUMENTS

You scan the documents and upload them to our secure server or FAX them to us. These source documents can also be shared through Google Drive/DropBox account.

### REMOTE ACCESS

Our team connects to your computer using a remote desktop access tool like GoToMyPC, LogMeIn or Windows Remote Desktop Connection. If your firm uses an online accounting software, we can connect to the online software.

### UPDATED BOOKS

We update your Books and Logout. You come to the office next morning and find the books updated on your computer.

## Technology Options for Accessing the Accounting File

Primarily, there are four ways by which accounting file can be accessed namely Offline Accounting File Based, Remote PC Access Based, Hosted Software Based, and Online Software Based methods.

### Offline Accounting File Based:

The accountant works on the backup copy of the accounting file and once the work has been completed the file is uploaded back to the server.

### Remote PC Access Based:

The accountant connects to the clients' PC using a remote desktop access service, GoToMyPC.com, LogMeIn, Windows Remote Desktop, Citrix WebEx or Secure VPN connection to work on software installed at client's computer. This requires no expensive remote access software.

### Online Software Based:

In this method, the accounting software is a web-based version. access-based the accountant logs in to the online accounting software (access-based QuickBooks online Realpage -Onesite, Appfolio, Yardi) and updates the books and logs out.

### Hosted Software Based:

This version is a modified version of the remote access-based version. The hosting of the software can be in client office LANs or in third party hosting service providers such as Personable.com, Smartsheet.com.

# outsourcing risks and how to avoid them

### Quality

One of the potential risks is that the quality of work done by service provider does not meet acceptable standards. This could arise due to multiple factors such as poorly trained staff, inadequate process documentation, complex processes, inadequate service provider infrastructure or capabilities.  It can also arise due to insufficient staffing or other people related issues at the service provider end.

#### How to Avoid it?

This can be avoided by choosing the right provider who has a proven track record, credible team size and deep functional and/or industry experience. In addition, proper transition planning, good training and well document process manuals can minimize the learning curve and any transition related issues. Typically, the service providers can develop these documents with inputs from client staff members.

### Communication Barriers

In the light of globalization, it is quite common that a domestic business might outsource tasks internationally. The problem arises when such enterprises have to communicate with international firms. Language and cultural barriers might hinder the exchange of relevant information.

#### How to Avoid it?

Outsourcing involves team members from different countries communicating remotely. There can be communication gaps or mis-understandings arising due to difference in language skills, use of language or even form/tone of communications. Usually US based staff members are articulate and frank in their communications, which may be culturally different than staff in countries such as India. Usually good service providers sensitize their team to such differences. Also, multiple communication tools such as Skype, GoToMeeting etc. that enable screen sharing have reduced communication gaps and enabled faster training and resolution of issues.

### Losing Managerial Control

Another major risk with respect to outsourcing could be that of losing control over essential activities of your business. This is an unavoidable but manageable risk.

#### How to Avoid it?

To manage this risk, discuss and establish data access and storage procedures, review mechanism, and performance standards. Also, regular review of current SOPs (standard operating procedures) by key client staff members, helps in retaining crucial process knowledge over the years.

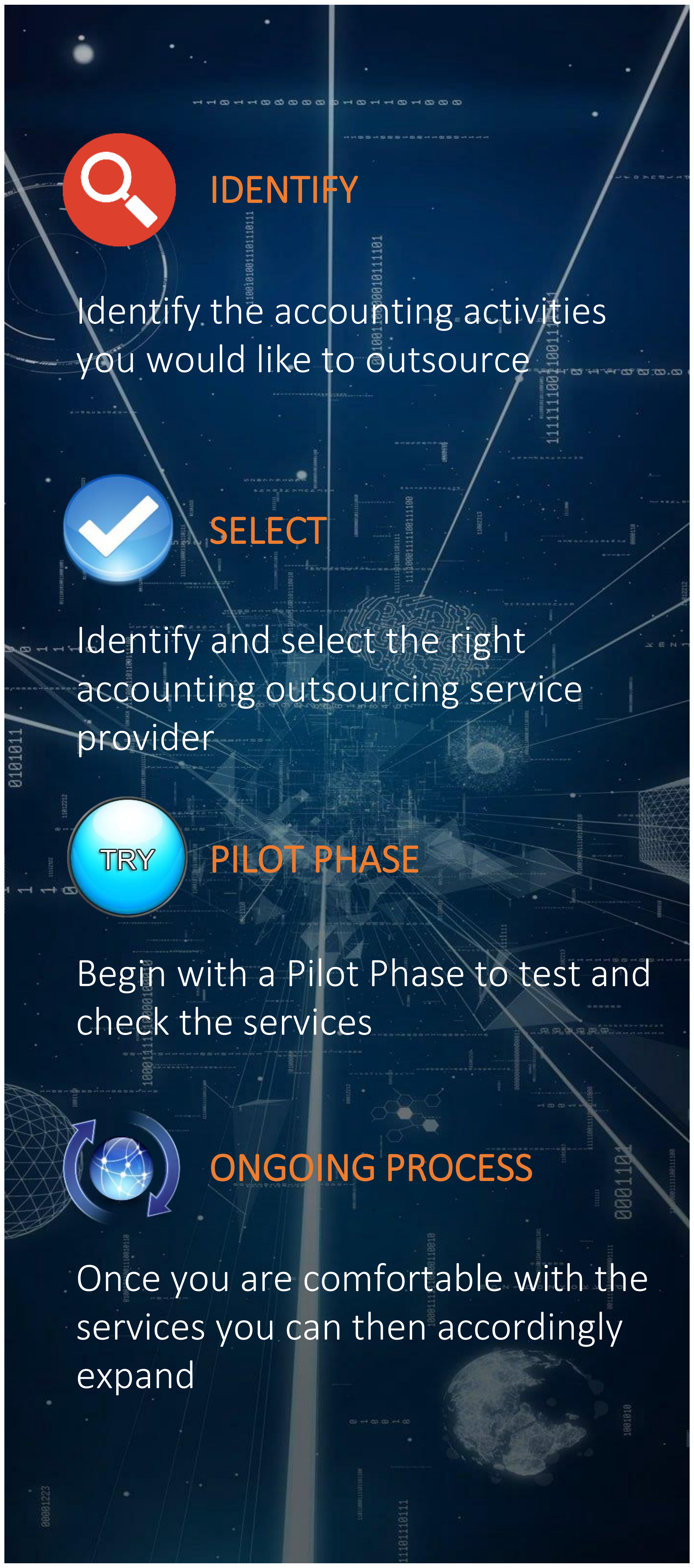
### Shielding Data

Large businesses share extremely sensitive data including accounts in huge quantities with outsourcing firms each day. A breach of the same might pose real-time threats to your enterprise.

#### How to Avoid it?

In order to combat the problem, ensure that you find out if the firm has previously handled such data responsibly. Finding out credentials is recommended. Reaffirm if the data is well encrypted while being transferred and always sign a Non-Disclosure Agreement with the service provider.

# ready to outsource. what next?




This section elaborates more on the basic steps small medium businesses should follow to successfully outsource their accounting activities

## Identifying what finance and accounting functions to outsource

The first step involves in deciding whether you want to outsource your entire accounting process or some part of your accounting functions.

If you are new to accounting outsourcing, start with outsourcing some part of your accounting functions to the service provider. Clearly identify which accounting function you would like to outsource. Generally non-core accounting functions which would require minimum guidance to the service provider are ideal to start the process.

Once the familiarity increases additional accounting functions can be outsourced to the service provider. A/P, A/R, Bank Reconciliations, payroll are some of the activities that can be good starting points to initiate the outsourcing process.

## CONTRACT NEGOTIATION

- Define the scope of work and level of quality
- Negotiating price and payment terms
- Length of the contract
- Build flexibility into the contract


### Selecting the right accounting outsourcing service provider

The second step would involve in finding the right service provider. While searching for an accounting outsourcing service provider online follow the following steps:

1. Search for vendor names through a Google/Bing search. This throws up multiple vendors with vastly varying capabilities. Prepare an initial list of 10-12 names
2. Study the provider's website for quality and comprehensiveness of information, services and capabilities. Study their client testimonials, case-studies and client profiles
3. Shortlist about 6 names from the list for further questioning. Questions that can be asked include the following, how long have they been in business, industry experience, do they have clients that you can do a reference check etc.

### Pilot/Trial Project

Once you have selected the final candidate, begin with a pilot phase with the provider. The pilot project is important to establish a working relationship and to test and check the capabilities of the service provider. It also provides an opportunity for you to understand the procedural activities involved in outsourcing (like transfer of data, reporting formats etc).

### Finalizing and Contract Negotiation

Once the service provider matches you expectations, finalization and contract negotiation is the final step.

# outsourcing roadmap

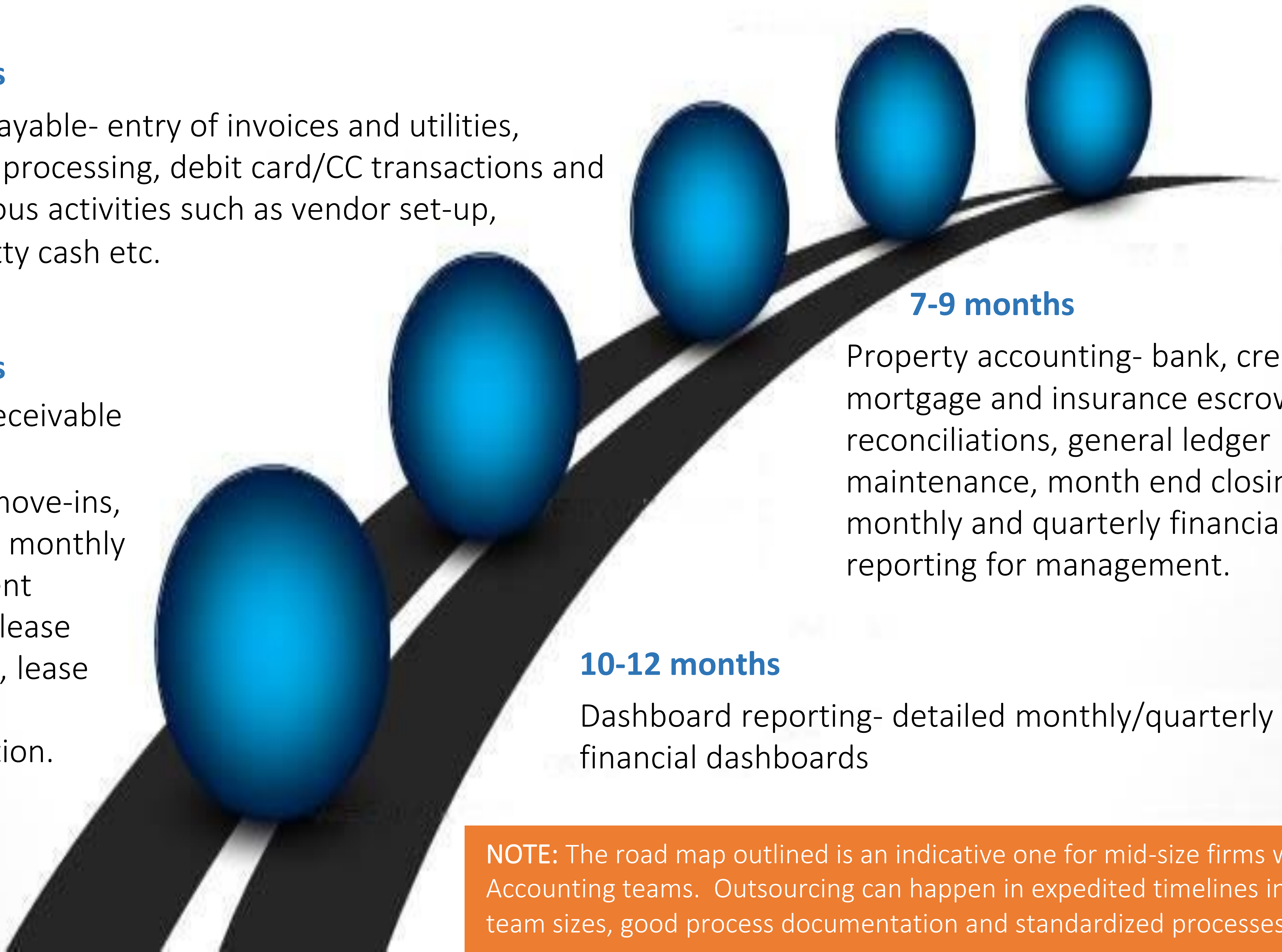
How will an accounting outsourcing process for a mid size real estate firm look like in 12 months.

### Pilot Phase (1st month)

The first month of service is used to initially explore mutual working and test the effectiveness of our services, fine-tune the process, establish a working relationship, determine service level parameters and gradually scale up the activities done from India.

### 2-3 months

Accounts payable- entry of invoices and utilities, check/ACH processing, debit card/CC transactions and miscellaneous activities such as vendor set-up, funding petty cash etc.



### 4-6 months

Accounts receivable and leasing activities- move-ins, move-outs, monthly rent run, rent receipting, lease abstraction, lease entry and administration.

### 7-9 months

Property accounting- bank, credit card, mortgage and insurance escrow reconciliations, general ledger maintenance, month end closing, monthly and quarterly financial reporting for management.

### 10-12 months

Dashboard reporting- detailed monthly/quarterly rental and financial dashboards

**NOTE:** The road map outlined is an indicative one for mid-size firms with 10-15 member Accounting teams. Outsourcing can happen in expedited timelines in clients with smaller team sizes, good process documentation and standardized processes.

# about us

300+ clients in USA (150+ commercial and residential real estate firms)

Staff with at-least 6 years of US real estate accounting experience

Monthly accounting for more than 300000 units across USA

## OHI- OutsourcingHubIndia.com

OHI is a specialized finance and accounting outsourcing service with over nineteen years of finance and accounting outsourcing experience. We are based out of New Delhi with offices in USA. We work with companies across the real estate value chain right from real estate agents to property management firms to real estate developers to fully integrated real estate companies. We have worked with more than 150 real estate businesses and more than 300 other businesses based in United States.

- Strong delivery team of accounting professionals comprising of qualified accountants, CPAs and MBAs.
- Spacious office set-up (50,000 square feet) with modern facilities to ensure optimum productivity
- Diverse client base spread across US, UK and Canada
- Scalable operations to meet any requirements either through in-house expansion or through our links with other service providers
- Have doubled our team size since last two years

### Software Expertise

- Yardi-Voyager, Genesis
- MRI
- QuickBooks
- Timberline Property Management
- Spectra
- Realpage - Onesite
- Appfolio

https://www.ohiaccounting.com/ 1-646-367-8976 sales@outsourcinghubindia.com