

6 Keys to Hire an Accountant

When you start a business, chances are you've never had to hire a professional like an accountant. Most people ask for a referral from a colleague, which is a great place to start, but because they're a good fit for your friend, does that mean they're good for you? So here are some tips:

1. Certification

Only a few states require a license to prepare federal income taxes. In most states you have more requirements to cut hair than you do to prepare a tax return. Currently, there is no oversight by the IRS either (although they're desperately trying). If the IRS wins its legal challenge, only approved preparers can sign your tax return. It is important to remember that the taxpayer is fully liable for the accuracy of the information on the return, regardless of whether you had someone prepare or advise you on the return. Of course you can sue the preparer for negligence if they screw up, but is that really what you want to do? And would there be anything to collect if you were successful in your lawsuit?

Your best bet is to hire a CPA, or an EA (see Alphabet Soup at the end of this article). They have the highest certification, ethics, and continuing education requirements.

2. Communication

This is THE most important aspect of hiring an accountant. The characteristics of accountants that make them good with numbers, many times make them not great with people. It is critical to find an accountant with which you can communicate. Do they talk over your head, using terms you don't understand, or worse, do they talk down to you because you may not completely understand? Of course

the worst is when they don't communicate at all! (See our article [7.5 Reasons Your Accountant Really Doesn't Call You Back](#))

Find a different accountant; you do NOT have to settle for poor service! There are firms that want your business. Don't be intimidated by the process, start interviewing today.

3. Expertise/Experience

In most cases, small business owners need both depth and breadth of experience and expertise. You need someone that understands your industry. There's a difference between dental bridges and road bridges; there's a difference in their accounting and taxes as well! Your accountant also needs to know a broad area of financial subjects including: local taxes (e.g. sales tax), payroll, human resources, software (e.g. QuickBooks®), estate and financial planning, and strategic planning. CPA's, specifically, are consistently rated the most trusted advisor for small business owners. You lean on them for all types of advice. Make sure they can answer ALL of your questions, or know who to ask.

4. Technology

Many in the accounting industry are what you might call "late adopters" of technology. Let's be blunt, they would still use rotary phones if they could find them! Again, it is the exact traits that make them good at their job that causes the lack of technology in most firms. Find a firm that uses technology in a way that is useful and valuable to you. They are out there!

Some questions to ask regarding technology:

- Can I access my tax documents online?
- How do you secure your network against identity theft?
- How can I securely transfer documents to you (the accountant)?
- Do you host my accounting software like QuickBooks® so that I don't have to always backup and send you my data?
- Can my employees have access to their payroll information online (e.g. W-s')?
- Do you offer direct deposit for my payroll?

5. Staffing

Many accountants work by themselves or in very small offices. This can cause some very serious issues. If there is only one person in the office that can process payroll, what happens when that person quits or is sick? Small accounting offices just can't provide coverage to deal with unexpected events. You need an accountant that has backups to all of its services.

Of course, not having enough people leads to tardy work, and more errors. If your accountant works 80 hours a week during tax season, do you want to be the one they are working on at 9:00 PM on Friday? Your accountant should meet deadlines. You should have time to review their work before the deadline.

Lastly, poor staffing causes problems when the accountant is ready to retire. Quite frankly, many don't quit, but literally die in their chairs (Yikes!). If you're 40, and your accountant is 60, are they going to still be with you in 10 years (or 20)? Going back to the importance of communication, you don't want to have to start over with someone 10 years into a relationship.

6. Pricing

I hate clichés like “you get what you pay for”. No you don’t! Sometimes you get a great deal, and sometimes you just get screwed. Of course, sometimes you do in fact get what you pay for! In the end, the question is one of value. If the perceived value of the result delivered is more than what you paid, you’re happy. If the value is lower than the price, you’re not.

Many accountants cling to an hourly billing method. This puts the accountant and you on opposite sides of the table. Think about it, the accountant wants to bill you the most possible, so they have NO incentive to be efficient with their time. You, on the other hand, want to pay as little as possible, so if you’re not sure, you don’t ask. No reason to pay \$75 for a phone call! The truth of the matter is that many things that are of very high value to you, may not take the accountant very long at all, and something that you don’t value at all, may take the most time for the accountant. So how do you reconcile those two things?

Two ways. The first is flat billing. The accountant delivers a menu of services for an agreed upon, upfront price. If you want a service that is not included, then you are given a price for the work, before the work is started. You wouldn’t let a plumber in your house and say “Have at it! Send me a bill when you’re done!” In the same way, you need to know what the accountant is going to charge you before the work is done. The second is value billing or TIP billing. This type of pricing puts the decision of how much to pay into your hands. The agreed upon work is done, and depending on the value received, you pay the accountant what you think it’s worth. Now you may think this is a crazy way to do business, but the dirty little secret is that accountants consistently undercharge their clients. This is not contingency pricing or a commission. This is an agreed upon service with a deliverable outcome. You may choose to pay nothing. If you really want to pay less though, ask the accountant to charge you hourly!