GOVERNMENT GUIDE
TO SELECTING
ACCOUNTING SOFTWARE

CLOUD

VS.

ON-PREMISE

AccuFund®

It's an Ongoing Conversation.

Cloud vs. On-Premise

What does cloud versus on-premise really mean? What benefit does each offer your entity? And which one is right for your given situation?

The biggest difference between an on-premise and cloud financial accounting solution? On-premise solutions are locally installed on a company owned server for employee access or on individual computers. Cloud-based solutions are accessed through the Internet and hosted by the software vendor or a third-party provider. Sometimes, there is a gray area around what both terms mean and what each deployment means for an entity.

In recent past, with the burgeoning popularity of the cloud, conversations often began with, "I want a cloud accounting solution for my entity". But now the discussion is changing, and becoming more nuanced. What's changing is how governments are going about the process of deciding what is best for them.

What's trending is a tendency towards research.

It's important to gain an understanding of the government accounting/ERP solutions available, both on-premise and cloud. To that end, AccuFund offers this valuable reference tool; helping you identify key factors for selecting the government accounting deployment option that ultimately best serves your entity's needs.

Today, government entities are keeping an open mind about what they need and what's available to them to help them be as efficient and fiscally responsible in meeting reporting requirements and overall financial management.

On-premise and cloud-based government accounting solutions are both valid options.

This Cloud Vs. On-Premise White Paper highlights **6 Key Factors** that can help you decide what's the best fit for your entity.

KEY FACTOR #1

ORGANIZATIONAL STRUCTURE

Determining how many people need access to your government financial management solution and where they are located is important. Do you have one main facility or multiple locations? Do employees only need access while on-premise or do they need to have mobile access? Do they work full-time in the office or do they need remote access? How will the government financial management system be used and where will it be housed?

Questions to Consider:

☐ Will you need to add or replace existing hardware to effectively run your financial management solution?

☐ What are the ERP/financial management solution's suggested system requirements?

☐ How fast and reliable is your Internet and do you need to make investments to increase bandwidth?

☐ What is the most effective way for employees to access the financial management solution?

☐ Do you have workers in remote offices/locations that need to have access to the ERP/financial management solution?

☐ Are there existing supplemental modules such as requisitions and timekeeping functions that workers might need to access remotely?

☐ Do you store data that would be a target for hacking or contains sensitive information?

☐ Is your network secure? Does your IT staff/provider ensure your network/data is secure?

☐ Should employees have access to data in the ERP system, such as dashboards, timesheets, etc.? Then they would need access to the cloud or network installation of the ERP system.

☐ What's the IT cost of maintaining, upgrading and purchasing the equipment?

☐ Does IT have the capacity to integrate an on-premise system with outside systems that may be in the cloud?

KEY FACTOR #2

FINANCIAL MANAGEMENT / ERP SYSTEM FUNCTIONALITY

What is an ERP? And do governments need an ERP system? ERP stands for *enterprise resource planning* and refers to the systems and software used by government entities to manage day-to-day activities. Specifically for governments, your ERP should be able to handle fund accounting. Payroll functionality should be tailored to government entities and reports should be generated *(and automated)* from the system satisfying all current GASB reporting requirements.

What do you need your financial management/ERP system to do? How can it be as efficient and streamlined as possible? Make sure your wish list items are addressed – from core system capabilities to modules that enhance and tailor the solution to meet your specific needs.

This is the point where you ask yourself, can this solution fit our needs versus are we adjusting our needs to fit the system. It's a tough task because oftentimes there are bells and whistles that seem very appealing, but when you strip away the bling, is the system functionality equipped to help transform your government.

From requisitions to in-house payroll and reporting requirements, the variety of government-specific needs vary from entity to entity.

Questions to Consider:

☐ Is the system geared specifically to government financial management?

☐ Does the system meet all your reporting and financial management needs?

☐ Does the system provide regular enhancements, indicating a priority of maintaining a best-in-class technology and best practices?

☐ How easy is it to create/customize dashboard elements and make sure the decision-makers have the relevant information they need?

☐ What type of training and support is available to help improve system efficiency?

☐ Does the system have government-specific modules such as utility billing or permits and inspections.

☐ Does the system allow you to modernize your back office with tools like document management and automated report emailing?

☐ Does the system easily integrate with other mission critical software packages?

KEY FACTOR #3

SECURITY

Many governments store data that could be a target for hacking or contains sensitive information. Knowing your data is secure is critical. From ransomware threats to disaster recovery to increasing security risks among employees, security remains top-of-mind in your financial management solution decision-making.

External Influences – Ransomware occurrences are a very real threat. You know the story, in just moments, one opened piece of junk mail can lock down your entire system (or network). There are stories almost on a daily basis, and you are not immune.

Internal Influences – Damage done to a government entity as a result of fraud, misuse of information, and/or destruction of information or simple human error. The employee who puts a flash drive they found in the parking lot into their computer and infects their computer, or the employee who accidentally deletes a key file that is used by other employees for a report due in a month.

Ensuring your department managers, financial staff, and board/council members, etc. all have access to the information they need with built-in system security (access to key modules and systems within your entity) is critical.

It's a myth that the cloud is less secure than locally managed, on-premise systems. Cloud-based systems are managed by professional network engineers in hardened sites with multiple backup, Internet and power supplies. Compare that situation to a worse-case scenario of a local network running on old hardware, intermittently upgraded, and maintained by outsourced consultants, or worse yet, internal staff shoehorning the network management between all their other tasks.

No matter which deployment, on-premise or cloud, local governments and software providers alike must keep system security a top priority.

Questions to Consider:

☐ What internal controls are needed?

☐ What is your internal process if your server goes down?

☐ What safeguards are in place to ensure server dependability and continuity?

☐ Have you experienced phishing or ransomware emails sent to your workstations?

☐ With a cloud solution, is the software hosted by the company or a 3rd Party hosting provider?

☐ Do you have a disaster recovery plan?

☐ Is your network secure? Does your IT staff/provider ensure your network/data is secure?

KEY FACTOR #4

FINANCIAL EXPENDITURE. HARDWARE & OTHER FIXED COSTS

On-premise solutions are generally considered to be capital expenditures where a license is purchased up front with recurring fees for support and updates. Cloud-based is a service that is priced on a subscription basis and viewed as an operating expense. Support, security and updates are usually included in the subscription fee.

As you consider updating your financial management/ERP system, take an inventory of where you stand with your IT infrastructure, and what additional items are needed to get the system up to current standards.

Questions to Consider:

- ☐ What is the status of your internal server (s) and related infrastructure?

- ☐ How old is your hardware? *Experts agree servers have a 3-5 year lifecycle.*

- ☐ Does your hardware have enough capacity? Can it handle increased demands of a new system (s)?

- ☐ Can your system provide the off-site accessibility that may be needed by an increasingly mobile workforce?

- ☐ How's the back-up system? Is it based on industry best practices?

- ☐ If purchased on-premise, can you ensure backups happen?

- ☐ Are updates included in on-premise support fees?

- ☐ What are the recurring support fees for an on-premise solution?

- ☐ Would you incur IT fees to have updates installed on your server for an on-premise solution?

- ☐ Is your firewall up to the task? Can it let other systems integrate with your system, without compromising integrity?

- ☐ Is the use of space for IT worth the opportunity cost? Are you short on space and could you use the server room for other purposes?

- ☐ What is the cost and reliability of energy in your area?

- ☐ Prepare for the unexpected—Do you have an emergency plan in place to ensure that you can get your critical systems up and running quickly after a weather/natural event?

- ☐ Is your government entity more comfortable with purchasing software or a subscription model?

- ☐ Is remote accessibility a priority?

FINANCIAL EXPENDITURE WORKSHEET

How can you accurately account for all costs associated with either deployment over a 5-year timeframe? Below is a worksheet to help guide you in analyzing the various costs associated with either solution.

One worksheet is shown as an example. Use the second one to fill in with your specific expenses.

Comparison of Estimated On-Premise vs. Cloud Costs

	Purchase Price	Annual Cost/Amortization	Monthly	
On-Premise Costs:				
Servers & Other Hardware	$7,000	$1,750	$146	*Accrued Cost Over 4 Years*
ERP Software Purchase	$8,000	$1,143	$95	*Amortized Over 7 Years*
Energy			$30	*Estimated Energy Cost*
Space Cost			$80	*Cost of Org Space (Use/Rent)*
IT Staff			$750	*Portion of IT Staff Time Devoted to ERP*
ERP Support			$167	*Charged by ERP Provider*
			$1,268	**Total On-Premise Estimated Monthly Cost**
Cloud ERP System			$848	**Cloud ERP System Estimated Monthly Cost**
		Difference	$420	
		Percent Savings	49%	

Comparison of Estimated On-Premise vs. Cloud Costs

	Purchase Price	Annual Cost/Amortization	Monthly	
On-Premise Costs:				
Servers & Other Hardware				*Accrued Cost Over 4 Years*
ERP Software Purchase				*Amortized Over 7 Years*
Energy				*Estimated Energy Cost*
Space Cost				*Cost of Org Space (Use/Rent)*
IT Staff				*Portion of IT Staff Time Devoted to ERP*
ERP Support				*Charged by ERP Provider*
				Total On-Premise Estimated Monthly Cost
Cloud ERP System				**Cloud ERP System Estimated Monthly Cost**
		Difference		
		Percent Savings		

KEY FACTOR #5

STAFFING & TECHNICAL EXPERTISE

Government entities come in all shapes and sizes and have unique needs and IT resources. Some have internal IT departments who are capable and have dedicated staff to manage an on-premise financial accounting solution as part of their overall technology initiative. Others have limited staff and might be more comfortable outsourcing to an IT Consultant on an as-needed basis.

Does your government have the IT infrastructure to maintain an on-premise solution or is it best for your staff to have the software provider manage IT Support?

Questions to Consider:

☐ Does your staff have the bandwidth and expertise to maintain a financial accounting solution in-house?

☐ Who will be responsible for back-ups and software upgrades to the solution?

☐ Are you able to keep your servers and network secure?

☐ How can you compare IT costs of going with a cloud solution versus recurring fees of an on-premise solution? Are the common itemizations the only factors? *[see Page 7]* Or do you have different needs?

☐ What's really needed to install and maintain?

☐ What fail-safe plans are in place for power issues?

☐ Do you have sufficient email security on your workstations?

KEY FACTOR #6

DEPLOYMENT FLEXIBILITY

Change happens. The decision you make right now, given all the research you've done, is the best decision at this time.

But in 5 years, as your entity grows, it's possible your needs could prompt change. Based on some or all of the categories we've identified – organizational structure, budget, expertise, functionality, and security – there could be a need to revisit your government financial management deployment option.

In fact, it is common (and encouraged) for government entities and their boards to review IT controls and review best practices regularly.

Questions to Consider:

☐ Is your government financial management solution offered in both an on-premise or cloud solution?

☐ Can you convert to the other deployment if necessary?

☐ What are the costs associated with conversion and how long does it take?

☐ What happens to your data if you decide to leave your current online financial management solution?

☐ Can you have a local copy of your online data for testing and integration with other software?

About AccuFund.

AccuFund Accounting Suite was designed specifically for fund accounting and the unique reporting requirements needed by municipalities and government entities—it's one reason municipalities and government entities have put their trust in AccuFund for over 20 years.

AccuFund is known for its scalability, core function capabilities, reporting, integration and support. It enables government entities to streamline every aspect of their operations. Additionally, entities are able to customize their solution to fit their needs with AccuFund's all-encompassing module selection.

The AccuFund system will free your accounting team, department managers, and key decision-makers from the burden of maintaining static spreadsheets. In addition to hundreds of reports that can be generated and distributed directly from the system, including GASB reporting requirements, critical information can be displayed through dashboards so that every manager has their key data metrics visible throughout the day.

AccuFund offers three platform choices:

Cloud-Based Solution. Subscription-based. After the initial set-up and associated costs, you pay a monthly subscription fee to access the software through a browser.

On-Premise. The traditional method of housing your software. You license a solution that is installed on a server that resides physically within your organization.

Hosted Solution. License the software and it resides on a "host" server that resides in a facility operated by the hosting service company.

Learn More:

We invite you to visit **www.accufund.com/gov** to watch a short, 3-minute overview and register for a more in-depth live webinar about the AccuFund for Government financial management solution.