



2020 Advisory Conference

October 27–29

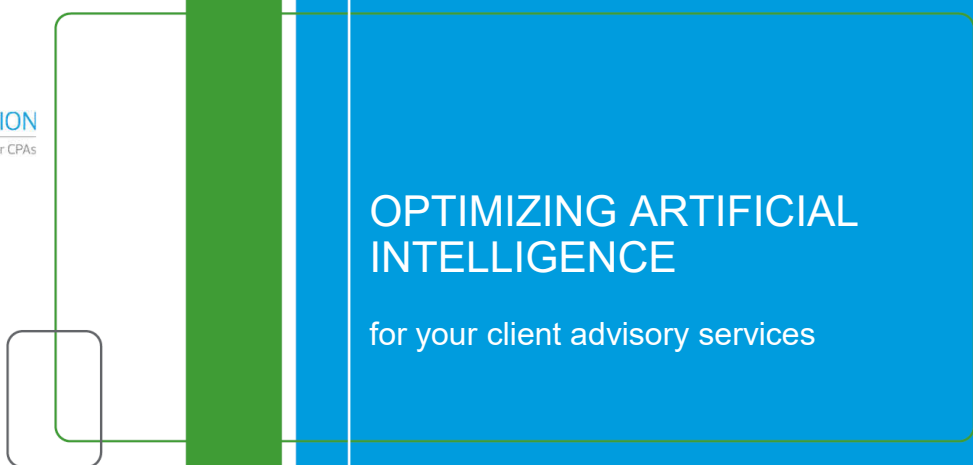
Converging knowledge and behaviors to deepen client relationships

CONVERGE

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FIRMFOUNDATION
Advice, tools and resources for CPAs

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OPTIMIZING ARTIFICIAL INTELLIGENCE

for your client advisory services

October 29, 2020

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Avalara

Rock Island Capital

Speaker



Deneen Dias
Director of Partner Success

Botkeeper
deneen@botkeeper.com



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Agenda

Topic
The Client Advisory Services Opportunity
What is AI/MF/RPA?
-AI Examples in Accounting
Bringing AI into CAS



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Objectives

By the end of this course, you will be able to:

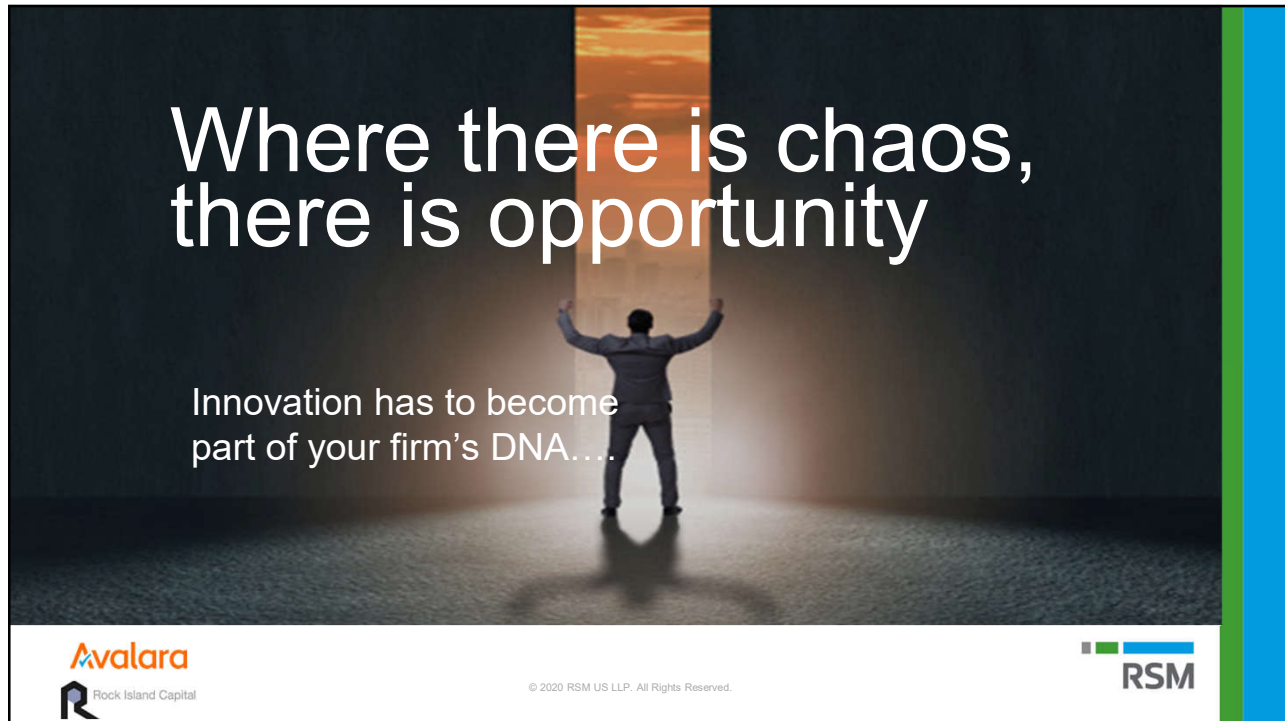
- Have a good understanding of the Client Accounting & Advisory Opportunity for firms
- Learn more about Artificial Intelligence, Machine Learning, and Robotics Process Automation
- How to bring AI technology into the firm, and use with clients



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The CAS Advisory Opportunity



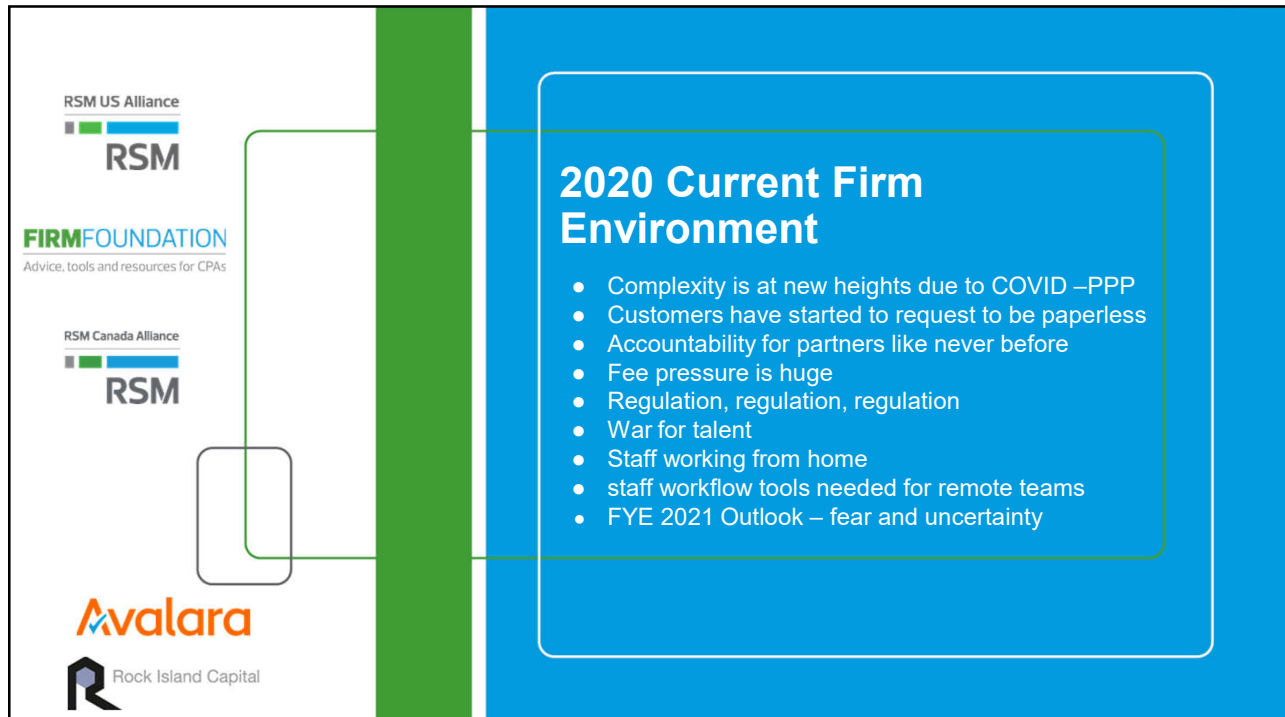
Where there is chaos, there is opportunity

Innovation has to become
part of your firm's DNA....

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2020 Current Firm Environment

- Complexity is at new heights due to COVID –PPP
- Customers have started to request to be paperless
- Accountability for partners like never before
- Fee pressure is huge
- Regulation, regulation, regulation
- War for talent
- Staff working from home
- staff workflow tools needed for remote teams
- FYE 2021 Outlook – fear and uncertainty

Why is everyone talking about CAS?

CAS revenues now represent 10 percent of major firm revenues, CAS is a consulting service and inherently less risky for firm owners. Properly planned and implemented, a CAS engagement is significantly more profitable than either tax or assurance engagements, and since they are typically billed monthly, the revenues and margin for the work are distributed evenly through the year. For example, I recently talked to a firm that closed a \$200,000 per year CAS engagement. The audit and 990 for that same client was \$35,000 per year. Which of these engagements would you prefer at your firm?

CAS is a growing service because it's a win for the client and the firm. You will, occasionally, have to walk away from an audit to take on a CAS engagement, but the opportunity to grow revenues from doing so is definitely there...

According to Barry Melancon, CEO of the American Institute of CPAs in Accounting Today 9/2020



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Businesses need financial clarity and trusted advice more than ever, representing unprecedented opportunity for growth

Accounting Firms GROWTH Opportunities

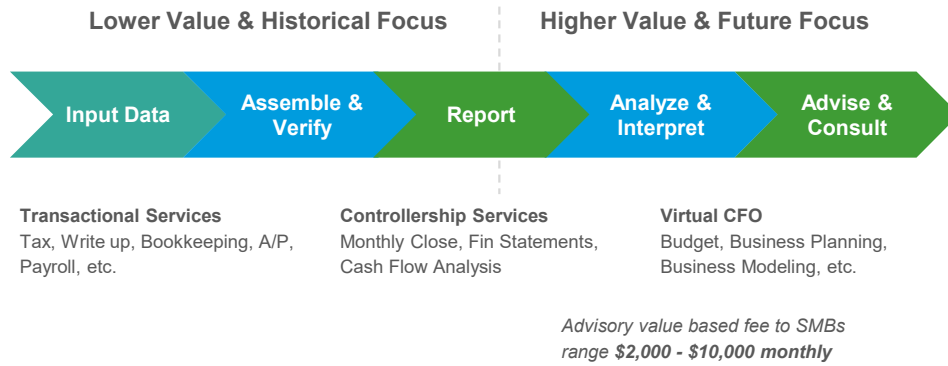
- 01 New client acquisition
- 02 Increased advisory revenue
- 03 Margin-lifting efficiencies
- 04 Improving client retention



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Where are you now?
Where do you want to be in 2021?



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Robotics is predicted to
automate or eliminate up to



40%

of **transactional**
accounting work by 2020

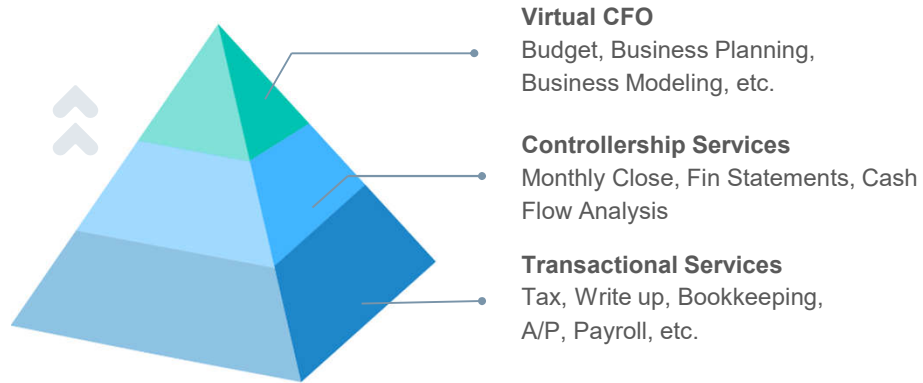


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Move Up the Client Value Pyramid

(from CPA.com Digital Client Accounting Roadmap Workshop)



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For accounting firms, there are challenges in the bookkeeping space...

- Tedious
- Time-consuming
- Low-margin

But **NECESSARY** as the **FOUNDATION** for **CLIENT SUCCESS & GROWTH**

Success depends on breaking bottlenecks of productivity

*"Bookkeeping is the single-biggest **BOTTLENECK** to scale & growth"*

Capacity Overload

Bookkeeping teams at max-capacity, hindering new client acquisition



Right People, Wrong Work

Staff Accountants who should be offering more high-impact advice can't escape bookkeeping burden

Hard to Hire & Retain Talent

Sparse talent supply to meet growth demands; bookkeepers are flight risks



Timeliness/Accuracy

Poor timeliness and accuracy from both outsourced bookkeepers and D.I.Y. clients hamstrings high-value service delivery



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Plus- There's a **SIGNIFICANT** Supply & Demand Problem.



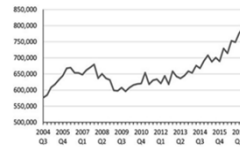
You've probably seen this firsthand-
But more importantly- what exactly is causing this problem? Why is this happening now?



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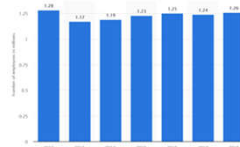


There are **MORE BUSINESSES** today than ever before



New Business Applications
Seasonally Adjusted

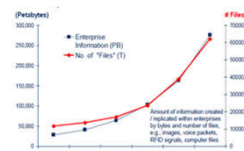
Meanwhile # of **ACCOUNTANTS** entering the industry is **FLAT**



Accountants Employed

In Millions

Businesses **DATA** production continues to **GROW EXPONENTIALLY** (40X higher in 2020 vs. 2010)



Today's Accountant Processes More Data than Ever Before



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Scaling and servicing clients at the speed of people is broken

WFHZ

Virtualization: scrambling to solve margin and deliverable slippage (COVID19)

Time

90%: spent on basic accounting and data entry

Errors

10-15% Rate: manual entry highly error prone

Client Churn

Client Growth=Disruption: human capacity limits and client shuffling

Attrition

Exodus: 70% of existing bookkeepers leave industry when leaving a job

Experience

No Backup: staff attrition = client knowledge walking out door



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Scaling and servicing clients at the speed of people is broken

Ramp
Months to Train: long,
 tedious, with many failed
 hires

Low Margin
30% GM & Declining:
 due to human capital
 cost increases

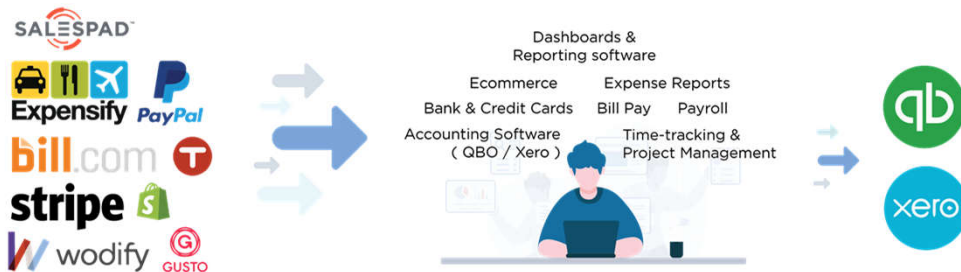
No Growth
Capped at 10-15%:
 lack of supply



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Tech stack to gain automation efficiencies – firms inadvertently become systems integrators



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What is AI/RPA/ML?



Artificial Intelligence



Robotics Process Automation



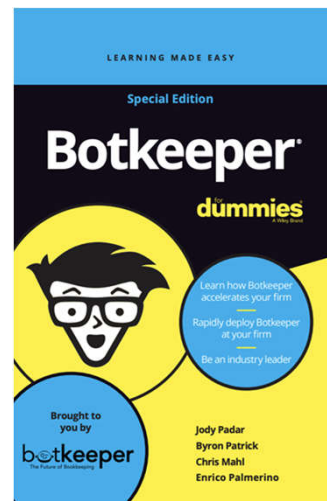
Machine Learning



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Botkeeper For Dummies

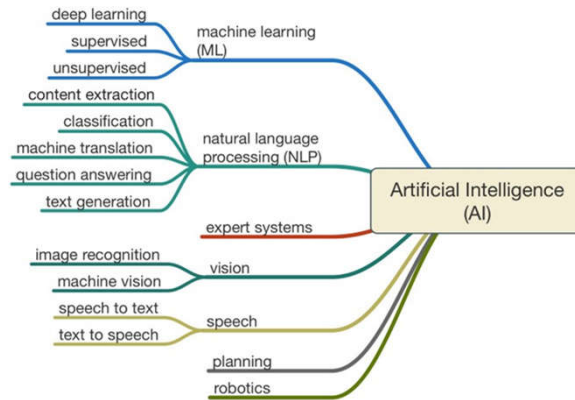


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What is AI?

An Umbrella term for the use of technology that allows computers and machines to operate in an intelligent manner.



RPA - Robotic Process Automation

An automation tool leveraging the graphical interface of applications to carry out repetitive tasks.



“ ”

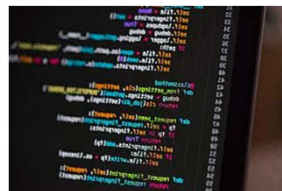
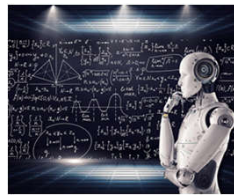
What's the difference between “rules” and “AI”?

Rules need to be maintained by a human. The AI maintains itself.

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ML - Machine Learning

Is a method where the **target** (goal) is defined and the **steps to reach** that target is learned by the machine itself by **training** (gaining experience)



Deep Learning

Is the method of analyzing a large amount of both structured and unstructured data

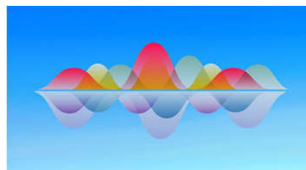
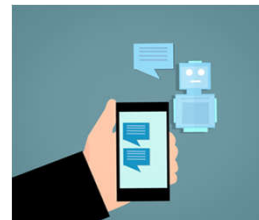


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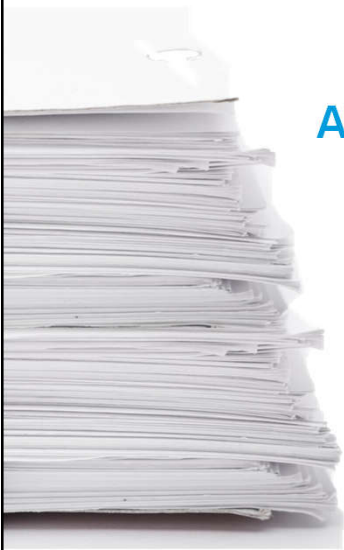
Natural Language Processing

Natural Language Processing is broadly defined as the **automatic manipulation of natural language**, like **speech** and **text**, by software



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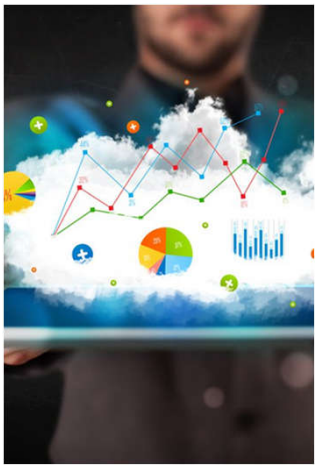
AI in Accounts Payable

- 1 Scan and grab the details
- 2 Pull out the bill details
- 3 Assign proper categorization
- 4 Input into the accounting system

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AI in Business Intelligence

- Alexa for your accounting data
- Natural Language Processing to answer questions
- Build dashboards based on questions

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AI for Finance Fraud Detection

- Review expense reports
- Review vendors bills
- Contract reviews



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AI for Transaction Categorization

Date	Type	Amount	Memo	Amount	Engagement Category
10/1/2018	Expense	100	Office rent services provider	\$100	Meeting
10/2/2018	Expense	500	Travel	\$500	Office Supplies
10/3/2018	Expense	100	Meal	\$100	Unrecognized Exp.
10/4/2018	Expense	100	Travel	\$100	Unrecognized Exp.
10/5/2018	Expense	100	Travel	\$100	Unrecognized Exp.
10/6/2018	Expense	100	Travel	\$100	Unrecognized Exp.
10/7/2018	Expense	100	Travel	\$100	Unrecognized Exp.
10/8/2018	Expense	100	Travel	\$100	Unrecognized Exp.
10/9/2018	Expense	100	Travel	\$100	Unrecognized Exp.
10/10/2018	Expense	100	Travel	\$100	Unrecognized Exp.


- Beyond rules
- Intelligent transaction categorization
- Evaluate hundreds of variables
- Provide predictive confidence
- Increased accuracy and efficiency




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Bringing AI into CAS

The AI Accounting Landscape




Do it yourself

Automation Applications (with a touch of AI).
Tools you need to cobble together (Expensify, MindBridge, Receipt Bank, Vic.AI, Roger.AI etc)




Botkeeper

An AI Platform made for Accountants.
Integrated Platform for Staff Augmentation.
Your one stop shop.

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Botkeeper

Botkeeper is a Human-Assisted Artificial Intelligence (AI) platform that automates bookkeeping, **purpose-built for Accounting Firms.**

TECH & TEAM: Combining artificial intelligence & machine learning technology, with high-quality skilled accountants, we deliver **a full-suite bookkeeping & pre-accounting solution to Accounting firms.**



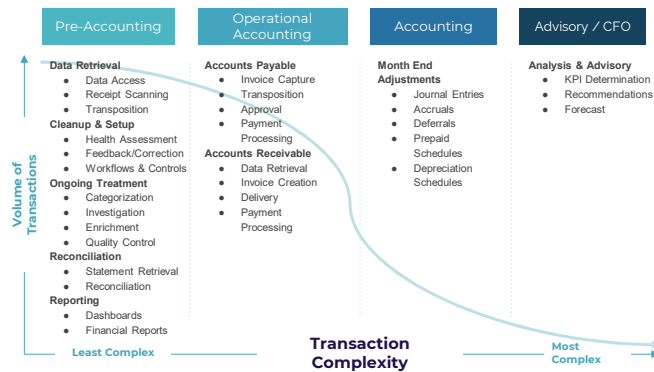
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Pre-accounting to advisory

Freed-up CAPACITY used to drive:

- New client acquisition
- More advisory services



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BETTER, FASTER, CHEAPER

Automating Accounting for Accounting Firms & SMBs



BETTER

- 99% Accurate vs. 85-90%
- Scale beyond people
- Unified Platform vs. Siloed Apps
- Reliable: No attrition & no knowledge loss



FASTER

- Up to 30X Faster
- Daily/Weekly vs. Monthly Accounting
- Same day deployment vs. weeks/months
- ML trained on client business instantly vs. human over months



CHEAPER

- 50-90% cost reduction
- Economies of scale as you grow



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How do we stack up?

01

Solution Scope

- AI is one of several techniques applied to various aspects of bookkeeping
- Example: 55% of transactions can be classified with 98% accuracy

04

Precision Requirements

- Accuracy is critical
- Human-in-the-loop process handles lower than acceptable confidence

02

AI Applicable

- We leverage AI to problems where we cannot scalably codify rules for each client
- Metrics help us determine the next path and measure if we are moving the needle

05

Continuous Learning

- Online, business change and the machines must grow along with them
- Attract the best from industry and university, R&D new techniques

03

Data Readiness



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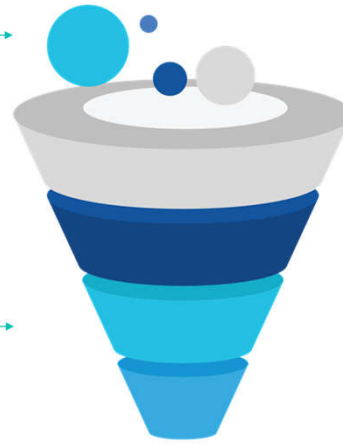
How does Botkeeper fetch bookkeeping data?

QBO & Xero: Bank and credit card feeds, 3rd party payroll apps, POS systems, time & expense, and more- pulled directly from QBO or Xero

Financial Institutions: Botkeeper is able to connect to your client's financial institution details, and monitor the connection on an ongoing, easing the burden at month end during reconciliations

3rd Party Apps: Our Vault feature connects directly to your client's 3rd party applications

ScanBot: Using OCR technology, Scanbot can transfer electronic images of expense receipts, sales data from 3rd party POS system, or vendor invoices directly into QBO, Xero, and/or Bill.com



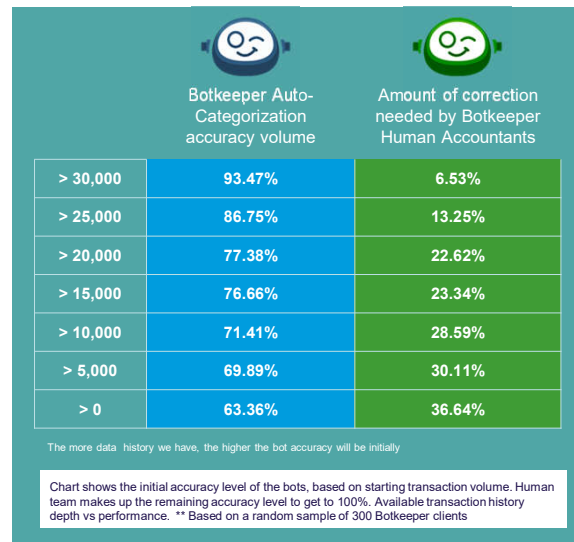
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How does Botkeeper automate transactions?

- What if there isn't any history or it's a new client?
- What if the books are messy?
- What if the books have unknown errors?

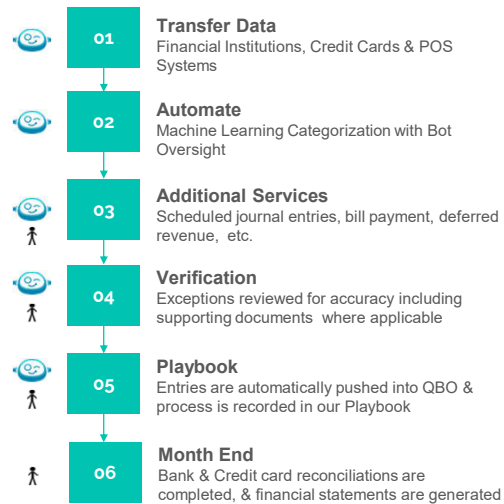
1. We 'trust' the bot, at a **minimum of 99% accuracy**
2. If accuracy confidence falls below 99%, our human team reviews and applies changes
3. Continuously teaching the machine, and **increasing bot accuracy** over time



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Botkeeper Platform | Our Pre-Accounting Process



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Botkeeper changes FIRM visibility



1. Wait for month end close
2. Review books
3. Make decisions



A New Approach

1. 'Live' P&L is available 24x7
2. No more waiting for books to close
3. Firms can now easily help clients make informed decisions quickly



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Case Study: Gettry Marcus

Gettry Marcus attributes 100% of their new virtual clients to Botkeeper

- Top 200 Firm
- 28 Partners and Principals; 115 full-time employees
- Utilized some cloud software (HubDoc)
- Services offered: accounting, tax, consulting, VRTL



Objective

- Find the right tools to provide bandwidth to properly scale and grow their SMB book of business



Botkeeper Solution

- 100% new virtual client growth driven by Botkeeper
- 50% reduction in time spent on bookkeeping
- 10-day monthly close process
- Robust solution for SMB clients
- Shift from reactive to proactive on client activity
- Replacement of software (i.e. HubDoc)



Results

100%

Of new virtual client growth because of Botkeeper

10-days

To complete monthly close for clients

50%

Reduction in time spent on client bookkeeping

GETTRYMARCUS



ALWAYS LOOKING DEEPER.™

“

I can safely say that Botkeeper is the reason we can confidently transition 100% of our new small business to our Virtual Accounting Group. We can offer them a full-suite bookkeeping solution—technology, service and features.

Steven Marcus
Managing Partner

Case Study: DSJCPA

DSJCPA saves 92 bookkeeping hours each week with Botkeeper

- 7 Partners and 26 full-time employees
- 100% Cloud: QBO, CCH Axcess, IOP4A, Bill.com, ADP Wholesale Platform
- Services offered: accounting, tax & advisory services



Objective

- Modernize the firm from antiquated practices by implementing a technology solution. Reallocation of Staff accountants/CPAs to higher level advisory services to increase margins and grow the firm.



Botkeeper Solution

- Implementation of AI/automation allows increased focus on advisory services
- Addition of tools allows for the ability to offer forecasting and strategic planning for clients
- Robust platform allows for firm to be scale-ready
- Clean-up services offered for all new clients



Results

80

Bookkeeper hours saved each week

+

12

Senior-level accountant hours saved each week

=

92


Cumulative bookkeeping hours saved each week by bookkeepers and senior-level accountants



“

We recognized that DSJCPA needed to modernize the firm from both an efficiency and scale perspective. We could not do this on our own. We needed a partner to get us there, and Botkeeper's tools and service have done it.

Stephen Jahelka
Chief Business Officer




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+1 800 537 7178

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