

## TECHNOLOGY

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# The Big Install

## Deciding when you need lots of help

BY MARTIN DAKS

**W**hen the State of New Jersey moved away from a block grant advanced-pay funding mechanism for nonprofits and adopted a “fee for service” approach in 2013, some nonprofit staff members had to go through the painful process of researching and implementing new accounting software packages.

For organizations such as Community Access Unlimited (CAU) -- an Elizabeth, N.J.-based nonprofit that provides support services for youth and adults with disabilities -- the process also involved a secondary choice: A staff person installing the software or engaging a Value Added Reseller (VAR) or other provider to do the work.

“We decided early on that the added expense of contracting with a software provider would be more than justified by the expertise that the VAR would bring to the table,” said Bernadette Griswold, managing assistant executive director of Disability Services at CAU. “We wanted to work with a provider that would also maintain and update the software to comply with evolving regulations, freeing our employees to focus on our work and the individuals with disabilities who we support.”

CAU interviewed more than a dozen providers during a months-long search before settling on CareLogic, a clinical,

administrative and financial management system developed and maintained by Qualifacts, a Nashville, Tenn.-based provider of Software-as-a-Service and web-based



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Electronic Health Records for the behavioral health and human services market.

CAU officials tried to get representatives from every department involved in the process to ensure it met organizational needs. “We solicited input from staff members as well as executives, to ensure that everyone’s needs and thoughts were represented. So far the integration appears to be going very well,” said Millie Aurigemma, CAU’s accounting director.

Leaders at Goodwill Industries of Southern New Jersey & Philadelphia had to make some tough choices when deciding to upgrade the general ledger and point-of-sale (POS) accounting software. Managers at the Maple Shade, N.J.-based nonprofit weighed the pluses and minuses of doing a self-installation, and ultimately decided to go with a VAR.

“I went through this exercise when I worked at another nonprofit and I learned a lot,” said Stephen H. Castro, chief financial officer of Goodwill Industries of Southern New Jersey & Philadelphia. “Although an organization of our size (a \$32 million budget) would normally have an internal IT staff, we’re very spread out. With 42 locations covering 11 counties in New Jersey and the city of Philadelphia, it would be too costly to maintain an internal IT department.”

He cautioned, however, about the need to

*Continued on page 14*

# TECHNOLOGY



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*Continued from page 12*

carefully vet a provider. "My biggest issue with an earlier installation at another nonprofit was that the provider had internal conflicts between its own hardware and software consultants. The systems that they sold us never quite meshed," said Castro. "When I joined Goodwill (nearly four years ago) I found that the legacy provider there was hesitant to implement necessary system upgrades, so we eventually went with another VAR."

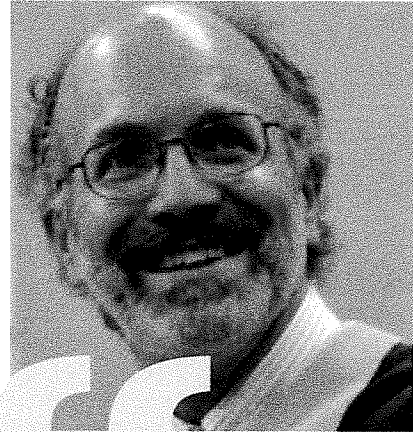
Managers should consider a provider "that has demonstrated expertise in this market and understands the client's needs" as part of the due diligence process, said Brad Tornberg, principal at Voorhees, N.J.-based E3 Consulting Partners Inc., which advises Goodwill on IT matters. "Success always starts with understanding the business needs of the client, and then implementing a solution that fits, as opposed to putting in a software solution and expecting the client to modify their business processes to fit it."

Added Castro, "Perhaps one of the biggest challenges for nonprofit (managers) is to think ahead when it comes to IT. You shouldn't limit yourself to a system that will accommodate your anticipated growth during the next three years. Instead, design your accounting, general ledger and other software to meet your planned growth over the next decade or so. If your software can't

keep up with your growth, it'll cost you more in the long run," he said.

Other consultants and nonprofit managers tell similar stories about allocating limited resources. Organizational managers are often challenged to operate within a tight budget and might be tempted to try to cut back on expenses by doing their own software installation and maintenance. Managers must consider all of the issues, said Bob Fouratt, managing partner of The Churchin Group, a CPA firm in Red Bank, N.J.

"Doing a program install and implementation with internal resources can save money, but smaller nonprofits in particular have to be sure they've got the internal resources to handle it," he said. Fouratt serves on the board of the nonprofit Coastal Habitat for Humanity, which tapped staff members to set up QuickBooks. Although QuickBooks is



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--Frank Cervone

a relatively simple program and the staff members were able to utilize it for basic bookkeeping functions, "they simply didn't have the expertise to configure it to generate reports and other data intensive activity," Fouratt said. "Eventually, a Churchin Group staff person volunteered her time to assist in the setup."

Nonprofits running on a shoestring budget don't have the support staff needed to adequately run and upgrade sophisticated accounting software, said Charles N. Persing, a partner in the West Orange, N.J., office of the CPA firm Bederson. He also serves as a director at Support Center for Child Advocates, a nonprofit in Philadelphia, Pa. "Most of their budget has to go toward operations," he said. "It might be more economical for them to use an outside provider to install, upgrade and maintain sophisticated accounting and other programs."

In fact, Support Center for Child Advocates used to do its own software installation, "but we moved away from that in favor of using an outside vendor," explained Frank Cervone, the organization's executive director. "Buying the service from an expert can be safer, more efficient and could end up costing less in the long run."

With 32 employees and a \$3 million annual budget, Cervone's organization is not exactly small, but he estimated that the "tipping point"-- when a nonprofit is large enough to support full-time software experts

## Picking a VAR: Make a checklist and check it twice

*Picking a Value-Added Reseller (VAR) or other third-party provider is a big decision. Experts say a formal checklist might help you to make the best choice.*

1. Ensure that the provider understands your business needs and will implement a solution that fits, instead of trying to put in a software solution and expecting you to modify your business processes to fit it.
2. Trust but verify. Find out how many software applications the provider has worked with, and then find out how many nonprofits they've worked with. Speak with some clients directly to see if they were satisfied with the implementation, the provider's responsiveness, and its follow-up support.
3. Ensure that the provider has worked with organizations that are similar to your size and structure. There's a big difference between the software needs of a small animal-rights group, and those of a large foundation.
4. Does your organization have someone who can work with the software provider? Does the person have the authority to make decisions? Does the rest of the organization recognize that "point person's" role and leadership?
5. Develop a clear schedule of goals, spending limits and delivery dates. Hold the provider to them. -- Martin Daks

on staff -- at 100 or more full-time staff.

The decision to take on a VAR isn't always cut and dried, of course. Cervone, along with other experts, acknowledged the potential for a conflict of interest -- a VAR's ties to a specific software package could lead the person to recommend a product that isn't a perfect match for the nonprofit's specific circumstances.

He countered that concern with two observations: "First, we engage in our own due diligence before accepting the recommendation of a VAR or other consultant. Second, keep in mind that you're engaging that consultant precisely because he or she is familiar with the software."

Most large nonprofits turn to VARs when it comes to installing a new accounting package or implementing a major upgrade, said Jacqueline M. Tiso, CEO and founder of Patterson, N.Y.-based JMT Consulting Group.

"Many nonprofit (managers) turn to consultants because of resource constraints," she explained. "But, another major driver is process objectivity. An independent third-

party provider can objectively examine a nonprofit's needs and abilities in light of best practices and then recommend the best solution. Of course, this is only if they are not tied to a single software themselves."

The challenge, she noted, can be selecting the correct provider. "Many consultants say they service nonprofits, but you need to determine the true extent of their reach," according to Tiso. "First, find out how many software applications they work with, and then find out how many nonprofits they've worked with. But don't just accept the consultant's word at face value. Ask to speak with some clients."

To get a good idea, she suggested asking for a client that the consultant implemented a year or so back; one that the provider is currently working with, as well as a client who recently completed an implementation. Ask for clients that have implemented different software applications.

"You can call the in-process one and find out how the implementation is going," she said. "Then, call the client that was complet-

ed a year or more ago and ask them how the install or upgrade went, and how the consultant's ongoing support is. Finally, you can ask the recent one if the consultant completed the assignment on time and within budget. This gives you a holistic view of their ability."

Tiso also said it's a good idea to find out in which "verticals" or segments the provider works.

The consultant might work with nonprofits, "but there's a big difference between working, say with an animal-rights group, and working with a foundation," explained Tiso. "Verify that the provider has worked with nonprofits that are actually similar to yours, so the provider will be familiar with the types of applications and associated needs." E

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