Risclarity – Moving Forward with Technology

This transcript is from an interview with Risclarity, first published on September, 2021.

Technology is always changing, and subsequently changing the way we work and interact with our customers. It can be a challenge to keep pace with financial technology, and wealth management firms can gain some beneficial insights by listening to this podcast. Join Mark Wickersham from AgilLink as he discusses the challenges of implementation and the capabilities of integrated financial services with Rick Higgins, founder and CEO of Risclarity, and Carl Knecht, president and CTO of Risclarity.

Interview Transcript:

Mark Wickersham:

All right, here we are, live and in studio for our first in-person AgilCast interview. And one, it's great to be in-person and it's been great to spend a couple of days with you guys and collaborating. Rick and Carl, wouldn't you just tell me a little bit about Risclarity?

Carl Knecht:

Our first company was a little bit of everything. A startup where we were running cable, building software, doing whatever it takes to pay the bills. But Rick's mom ran a multifamily office. That was my first introduction to multifamily office and family offices. But with the dawn of the internet and the ability to gather information, we started helping his mom's multifamily office figure out how to do things a little bit better.

Rick Higgins:

Yeah. Her challenge to us was, every time I bring on a new family, I have to hire three bookkeepers. And it just wasn't a scalable business. And so she challenged us to, "How can I build more efficiency?" And she kept saying, "How do I use the internet?" I mean this is '97 and the web was still kind of in its infancy, from a business tool perspective. And she kept saying, "How do we use the internet? How do we use the internet?"

And the first thing that we built for her was a data feed from Mellon Bank to our database. Then we would show a webpage. It was all behind the firewall back then, but a webpage with a pie chart that showed asset allocation. That was the very first iteration of what we were able to accomplish, kind of end to end, from the bank all the way through to the client. And from there it just kind of blossomed into adding additional reporting capabilities, adding performance reporting, tying it into a GL and really just trying to build out the entire back office for multifamily office. At that point it was pretty crude. It was very crude.

Carl Knecht:

But it caught the attention of a number of people in the industry. One being my CFO back in the late '90s, Jim Clark. Startup, the innovative things we were doing with the internet and bringing it to family office. So we sold the company, moved to Silicon Valley, worked with myCFO for a couple of years where Rick ran the reporting on the product side. I ran the general ledger accounting, which was also then became my first introduction to Datafaction back in 2000. And Brian Kleinman and the folks that were there. So had a long history with Datafaction and way back then realized that there's an opportunity to integrate Datafaction into multifamily offices and saw the abilities of multi-entity, general ledger accounting system. And then Rick started WealthTouch in 2001, 2002.

Rick Higgins:

Yeah, we were in Silicon Valley working from myCFO and we arrived in 1999 at the peak of the tech bubble. I mean, it was a very cool environment. I just remember pulling into the parking lot and there were Ferraris and there was a McLaren and it was this surreal environment. It was all Silicon Valley. And by the time we left the Toyotas and the Hondas had replaced the fancier cars, we realized that the bubble had burst and it was time to kind of regroup a little bit.

I think even more importantly, we learned what not to do or how not to spend hundreds of millions of dollars in building a solution and realized that a couple of us very focused, knowing exactly what we wanted to accomplish, could probably tackle it just as well. And that's what we did. We started WealthTouch in 2000, formed it in 2001, really got rolling about 2003.

Mark Wickersham:

That tends to be the key question with technology from a product standpoint. It's not figuring out what to do, that that can be fairly evident, it's figuring out what not to do when. What are your predictions in terms of technology trends and how firms are going to react? Do see firms doubling, tripling down on their tech budget because they know that they're going to stay in this accelerated mode or maybe backing off a little bit and what trends do we see that are really going to take root over the next 6, 12, 18 months?

Carl Knecht:

I think the trend is maybe not acceleration, but really more adoption and reviewing the base of technology that they have. Looking for new things that are going to take advantage of interactivity with their platforms and focus in on the platforms that they really need to put in place and make them work together. So whether the additional hiring is in integration and outsourcing their products or outsourcing their technology or it could be vice versa, finding the best solution so that you don't have to look for a one-size-fits-all now. You can look for solutions that work together.

And one approach we take when we sit down with a new client is let's start with a blank page of what do you have in place? How is it working today? And then what are the pieces we can fill in? And I think that was probably not an adoption we saw 18, 24 months ago that people were as open to as opposed to, okay, let's start over. Let's look at things anew and fresh and what we can do and take advantage of.

Rick Higgins:

One thing I would add that we're saying, and this is a good thing, is security and workflow and process. I think through this, and I don't know whether it's a result of the pandemic, but we're seeing a lot more publicized security breaches. Ransomware is probably the biggest one we're hearing about these days and I think people are taking much more... They're paying attention and they're incorporating the security into the infrastructure, not bolting it onto the outside of their environment. And with people working remotely it's kind of maybe exacerbated that problem and accelerated that problem.

The other piece is just general workflow. It's easy to write checks when you're in the office and you have a check printer and you have it locked down and you have the check stock in a file cabinet with a key and somebody can go and unlock it and you go through this whole process. But when you're now printing things remotely, there's a different model around that. And so many accounting systems do not have any workflow around them or very light workflow or unenforced workflows is maybe a better way to describe that. And I think that's one of those areas that people need to spend a lot more time and thought, is making sure that everybody can do their job effect effectively and efficiently and very securely.

Mark Wickersham:

Certainly, I think a lot of the firms that workflow is: Tom ran over to Jen's desk and gave them to him, the work that was complete, and that passed it on, that kind of in-person workflow versus that digitized workflow. And I think to your point about unenforced workflow too, obviously one of the big advantages of AgilLink is that workflow's built into the accounting system, but more importantly, it's built into the treasury management platform so that you have to go through that workflow and get the proper approvals before the release of funds, versus some of these workflows are more paper based. So I have the approval and then any time I can log into the client's custodial account and move that money pre or post workflow. It's not really an enforced workflow.

So tell me about why APIs are so important and how firms should be thinking about APIs? Because I think sometimes they hear the terms and they kind of vaguely understand it, but what should they really be focused on when it comes to API integrations and their core systems in particular?

Carl Knecht:

Probably a couple of things. First is the accessibility of application programming interface, as you know is really just the way that computers can talk to each other. In the past, the only way they talked to each other was maybe you download a CSV from a process and then you upload it into another system. That was the manual API, I guess you could say. Today it's publishing a software firm might publish their API so that you as a client can come in and pull your information or upload your information or turn that information into a data warehouse where you can store it and move it to another platform.

But what it also really allows you to do, as Rick was talking about with workflow, it allows you to build your own workflow. So interfacing with the general ledger so that you take advantage of the workflow in the general ledger, but now we can build that information into our other systems and platforms and customize it for our business. So those APIs allow you to build your business around these software packages and build your process so that it's efficient and your data is where it needs to be.

You don't need everyone in your firm, if you're a wealth management firm or a family office or a business manager, going into the general ledger to find a cash balance. But if you can move that cash balance into the CRM where your client service personnel are working, they can see a snapshot of their client in one place, in a familiar structure that they know so that they're not in the general ledger. And vice versa, the general ledger folks can look at investment information without having to go into Addepar or their reporting or their data warehouse. So it allows you to work in the environment that you're used to as well as an accountant and environment. You're used to debits and credits and an investment advisor is used to transactions and positions. And so you can look at those two different systems but interface the data together.

Rick Higgins:

I think the point on that that's really important to make is we talk about APIs and you hear that term a lot and a lot of people are saying, "Well, does this have APIs? Does this system have APIs? Does it talk to one another?" APIs, in and of themselves, are really not that interesting. It's how you leverage them and how you use them. Can you get data in and out is probably the first question. And then what data can you get in and out and how can you build some granularity around that?

So having the ability to get data in and out is important. Knowing what to do with that and building the workflow, the process and the safeguards around that is probably even more important. And that's probably the one piece that a lot of the firms that are publishing their APIs, really haven't established that. They've said, "Here's what you can do." How you do that and what you do with that is kind of up to you.

Mark Wickersham:

Firms are evaluating a new vendor is to talk about not just are they in the cloud, but what is their API strategy, where is their eco strategy and does that line up to the tech stack that they're using or going on in the future? Let's switch gears a little bit from APIs and integrations to reporting. Certainly you guys have been involved in ultra-high net worth family office type reporting for decades, literally. What are some of the challenges with consolidating net worth reporting? Why is it so hard and what are some of the challenges that are involved in being able to produce that 360-degree view of wealth?

Carl Knecht:

Well, probably first off is that information's not in one place. It's in your portfolio reporting, your portfolio accounting, it's at the custodians, it's in your general ledger. There's cash information from the banks. So the information is really scattered. And I think the approach in the past was, well, let's try and get it all in one of our systems. We'll work in one system or we'll work in another or, really, we'll put it into an Excel Spreadsheet, when it comes down to it, to pull the data together.

But today the ability to, and what we're doing with AgilLink, is to bring together the data from multiple locations, bring in the best of the AgilLink information that we have in the general ledger, the best of the portfolio information from the custodian or the accounting system to build the holy grail of reporting, which is bringing that information together in a timely fashion. So that was one of the challenges is the location of the data.

Rick Higgins:

I think the second challenge is, particularly in the family office space or the private wealth space, is the uniqueness of each individual client and their asset, the investments that they select or the assets that they acquire and how to track that information and how they would like to track that information. If you're running stock bonds, mutual funds and cash, it's pretty straightforward. When you start layering in private real estate and private equity and hedge funds and collections and you name it, all kinds of other things, it becomes complex.

Just because two families own the same asset doesn't mean that they report on it the same way or that they view the world the same way. So finding that customization, or as we like to say, personalization, where we can adapt and configure and categorize and order and sort things differently for two different clients, even though it's really the same set of data.

Mark Wickersham:

I think personalization is key. You want to try to get away from the customization business, but if you can provide that because a lot of times it's not the 80% change they're making, maybe it's a categorization thing, to your point. I think some of those challenges around that consolidated net worth reporting, you look on the investment side, marketable securities and non-marketable securities, such as alternative investments, even hard assets, very different, very different reporting cycles, when you only get unstructured data. The other one's pretty structured, pretty unified. There's CUSIPs and those type of things. The other one's just bit of the wild west in terms of data and being able to just pull that picture together, consolidate investment views hard.

But then also investment data and investment accounting and financial accounting, very, very different. One speaks Russian, the other speaks Italian. They're not really even based on a core language. Rick, you spend a lot of time and have developed a fairly unique solution around this, but why is it so hard to be able to take investment data and translate that investment data into usable financial accounting data? What are some of the challenges on that front?

Rick Higgins:

This has been ingrained in me since I was a little kid. Both of my parents are tax accountants, both of them CPAs, and worked in the ultra-high net-worth space. I chose not to go that route. I joked with them in college. I said, "You guys are always looking backwards. I'm going to look forward." So I went the finance route. But connecting those dots, it's actually pretty clear. Portfolio accounting are single-entry systems. General ledgers are double-entry systems. Accountants need the ledger, they need the double entry, they need the debits and the credits to balance out. And you don't typically get that from a portfolio accounting system.

So taking what we get from the bank or from another system and translating it, I mean it really is translation from Russian to Italian and back, into that language that the GL will understand, that the accountants appreciate and can look and say, "Yes, my credits and my debits balance. Everything has been accounted for." And there's a little bit of a secret sauce there. It's taking all available data and being able to look at deltas and differences between cost at the end of last month and cost at the end of this month, looking at transactions and cost adjustments that might have played a role in that. And then being able to create a journal entry that is a balanced journal entry for whatever period of time that we're reporting on that investment account.

Carl Knecht:

That's why we've collaborated together on InvestLink, and it takes the best of both worlds in that we're translating the information, the portfolio, the positions and transactions into those debits and credits that balance. So we make sure that the cash is correct, we make sure that the categorizations correct, that the information is all flowing through. And it's kind of a unique mix of taking portions of the positions, your cost, and portions of transactions, like income, and translating those into a general ledger that we know balances.

As opposed to just taking transactions and trying to dump them into a GL and leave it for the accountant to figure out, "Well, where's my cash? Where did it go?" It becomes a manual process when you're either coming off of a statement or trying to just take transactions out of a brokerage account and to put them into a GL.

Rick Higgins:

That's a really good point in that a lot of people feel that taking transactional data out of the portfolio accounting system and just cramming it into the GL system is the answer. We see that a lot. We've seen that in more cases than not. We believe that you use the right tool for the job. Portfolio accounting systems are very good at accounting for portfolios. General ledger systems are good for tracking debits and credits. And keeping those somewhat separate, keeping the detail of every transaction.

So instead of putting in 100 dividends every month into the general ledger, let's put one number that represents all the dividends. We have all the detail, we have it, we didn't lose it. We just have to run another report, look in another system to get that detail if we ever needed it. I mean, the chances of needing that in the general ledger are pretty slim. And then we don't clutter it. We keep it a little cleaner and a little tidier.

Mark Wickersham:

I think that's a good point. I think one of the things that when we have clients that first adopt, InvestLink, we have this discussion around the right tool for the right job and that not cramming everything into your general ledger. And I know that that amount of detail does not need to live within the general ledger, that you have an investment ledger and you should utilize that investment ledger. Addepar does a great job of marketable and non-marketable securities and there's a great deal of detail within those systems, but you don't need to then track all that detail within the general ledger. Like you said, if you had those 12 dividends, you roll that up and that's dividend income earn. You need the detail where those dividends came from. You go back to your investment ledger.

It is a challenge for these firms, especially when they add components to their tech stack, that it requires a change, that you don't continuously do things or try to drive all the reporting out of your general ledger when you have these kind of capabilities. But when I comes to, and we were talking about this investment data and financial data and how hard it is to bring the two, some of that that Carl starts with, that first mile around data aggregation. What are some of the challenges that exist today with data aggregation and why is it so hard?

Carl Knecht:

Well, I'd like to think back to our days 20 years ago at MyCFO and they were looking to build something really unique and something new and revolutionize the multi-family office industry, which they ended up doing in many cases. However, from a technology perspective, the technologists were used to systems that worked together. And in banking you see this a lot, similar systems. You have SWIFT systems and things for transferring assets or transferring cash and money. But in custodial and investment arena, there's no consistency across platforms. There's no consistency across data. So being able to aggregate information, every custodian looks and feels different. They all have different ways of gathering information, they all have different ways of legally accessing information. So the client has to approve the ability for you to aggregate that information, which of course you want. You want that security. But every custodian, every bank, has a different way of gathering-

Mark Wickersham:

That authorization, right.

Carl Knecht:

... that authorization process. So the first hurdle is really just getting access to that information. And you need to build systems for gathering that information, for reaching out, and really, there's still a human element to making a connection with the advisor or with the custodian to make that happen. So there are a number of great providers and we partner with some of them, that make that an easier process, but it's still a process of getting the approval to gather that information. And then all the data is also then from different systems and it all looks different. What one bank might call an income, another one might call interest. There's different ways. So we have to work with that data to make it into a consistent model for importing into the GL and for reporting.

Rick Higgins:

And that's at the fundamental level looking at, is a buy a buyer purchase or a buy a code 29? By going to the next level, when we start talking about cost basis, when we start talking about cost changes or amortization and cost adjustments or we talk accruals, those are the Wild West. I mean, everybody handles those a little bit differently and there really is no consistency. I think generally if you buy Microsoft at one bank and you buy it at another bank, you're going to see a similar transaction come through. But if you're buying municipal bonds at one and municipal bonds at another one, how they're booking cost adjustments and amortization and accrued income, you never know what you're going to get.

Carl Knecht:

But it brings an opportunity for, as firms are making that transition from receiving a custodial statement, a bank statement, and just entering it into a GL, now we have a new opportunity for a new workflow. So while it's kind of a messy process of gathering the data, once we pull it together and make it all look similar, which is what we do in InvestLink and what we've worked on for 20 years, now that gives you an opportunity. The data all starts to look the same. And we can look at our process, as a family office or a business manager of how do I take advantage of this new information?

Instead of the old way of just entering it off of a statement, now I have new data, more up-to-date data that comes in more frequently, how do I use that information, and then I can streamline my process. We worked a lot with Pathstone on streamlining their process for data acquisition and booking information into the GL so that it's done the same way every single time for every single client. And so as you grow, you bring on new staffing, you can have the same process over and over again and the systems are running the process as opposed to training people over and over-

Mark Wickersham:

The bookkeeper, depending how they want to do it, right. Right.

Rick Higgins:

The bookkeeper.

Mark Wickersham:

I think, with data aggregation, you bring up a couple good points. One is that authorization process is hard. I mean, there's legal statutes, the Gramm-Leach-Bliley Act, and that clients have to opt in and have the right to opt out in terms of data sharing, and that has to be in place before the data can be shared. But that getting the authorization in place can be hard, but certainly it's much more operationally stable than credential-based authorization. The second component of it, to your point, is around bank data. A SWIFT file's a SWIFT file across the banks.

Whereas the file that you get from custodian A versus custodian B, completely different formats. Someone's got to provide cost basis. Most don't provide cost basis. And it is a challenge. So not only is there that the physical act of aggregating that data, but then that normalization that needs to take place across literally hundreds of custodians, is a challenge. And there's a lot of technology that we have in place to be able to do that with the partners that we use and a lot of technology to get you that first mile component versus having to just rely on that paper statement.

But when it comes to the paper statements, what are we seeing in terms of the challenges that we have? A custodian send us a data file, a custodian produces a statement and there's differences. Why is that and what are some of those kind of differences that we're seeing?

Carl Knecht:

Well, a lot of times it comes down to one is that the custodian has taken the data, put it into another system, and now they run their reports out of that system. So even at a custodian, they're not always pulling it from the same source and it goes through a different review process. As well, and we talked about the APIs earlier, where there's logic on top of that. So in the case of adjusting cost, that happens as a reporting function as opposed to it's not a data function. Custodians aren't constantly keeping their adjusted costs up to date. And so you'll see something a little bit different, but usually that's not the core of the data. The core of the data is a transaction when it happened and what was its effect on cash or a holding, and that's really what you're looking for.

And then they're going to go through another process at the end of the year for, say, 1099 reconciliation, which is going to give you even a different number than what you're seeing on the statement. So especially a lot of accounting firms will, at the end of the year, look at the 1099s, and that's when the adjustments really happen because that's when you want it. But throughout the year it's really just reporting to the client basic information about what was their cost, what was their gain or loss? How much income have they had, what's their gain or loss? And that's the function of that monthly process out to the client, and for cash flow and planning. And then at the end of the year is when you can come back and say, "Okay, let's true it up for tax planning."

Mark Wickersham:

The 1099 is the key. No matter whether it's the statement or the data files, there's always going to be differences in that 1099. And it doesn't mean that if there are differences between the electronic file and that statement, it doesn't mean one's right and one's wrong. They could be just timing differences or one's a settlement date, one's a trade day. It's the same data. They're both accurate. But there are differences in the presentation. Like you said, one goes through literally another system and at runtime can generate an accrued interest or adjusted cost, and the other one may be doing that on a different back side or whatever that might be.

Carl Knecht:

And that's where that workflow change can come in, of reviewing your process. Now that I'm gathering data in a much more efficient way, how do I review my process to take advantage of that efficiency, and build those efficiencies across my platform and my firm?

Mark Wickersham:

You have new capabilities, you have new data. Instead of taking a new system and applying old procedures to it. Can you think of a new ways of doing that? Rick and Carl, you guys have worked with a lot of firms over the years and invoking change and change management is hard, but why is this so hard with the firms that we work with, the family offices, the business managers, around technology, and for them to be able to either adapt to these new technologies? And what are some things that these firms may be thinking about that can kind of ease that transition? Talk to me a little bit about change.

Rick Higgins:

Well, I think it ultimately comes down to the human element and understanding how somebody works, how they're used to working, how their mind wraps around the data and the process that they're using. Just because there's new modern technology doesn't mean that it's going to make their life easier. A good example of that, and we've witnessed this, we've made these mistakes, is the way that somebody's manually entering data into a system. I remember building webpages with mouse clicks and they were beautiful and they had check boxes and it worked really well. And we were trying to replace the old terminal type of screen where somebody could type in and it was black screen, green text, one font, and their ability to enter data in was so fast.

Mark Wickersham:

Superfast.

Rick Higgins:

I mean, they never took their hands off the keyboard and it was enter and tab to move around the screen. And then we said, "No, take your hands off the keyboard. Go over to this mouse now and move around and then go back and type and click." It broke the flow. I mean, it totally broke the flow. And they fought us and we heard that and we said, "Okay, I gotcha." So we went back and we revamped the webpage to mirror what they were doing with the tabs and the enter buttons so that when you tab, you go down to this field and you go to that field and try to replicate that. And they never had to go back to the mouse.

So that's part of where technology people struggle. And then I think the second piece is just spending enough time training them so that, if there is a paradigm shift in the way that they're thinking, if we're saying, "Don't go reconcile to the statements," then we need to give them some alternative so that they can still go through a reconciliation process.

And that's something that I think we've made that mistake in the past where we've said, "Well, just stop reconciling to the statement," and you think you were ripping their child from them. It was pretty dramatic. And so we said, "Okay, wait a minute. Wait a minute. Let's get back to your process. Let's find a better way to do what you're doing and what you know and what you're comfortable with."

Carl Knecht:

And a lot of times not everyone's sitting around with half their time saying, "Oh, I've got time to implement a new system." No, you're already filled to capacity providing for your clients, providing reporting and support, and now someone wants to change everything on you. So the firms we've worked with that did really, really well with this brought in support for these folks. So during the transition, it wasn't, "Well, you have to do your old job as well as work on a transition to a new process and think through that." It was, "No, we're going to bring in people to help transition this process." Or potentially even realign what people are doing.

One firm we worked with that really brought in a whole new department that could understand in investment and accounting information so that the folks that were working in the accounting world, they could continue to do what they wanted to do and there'd be a shift for their workflow. But there was a new group that came in to really support this, that could understand how do we more efficiently take advantage of investment information and general ledger information and rebuild those processes? So through a project management or just additional support during that transition phase. Otherwise, you have to, at the end of the day, get your work done and provide great support for your clients. And that should take priority. And so how do we build the business and do a little bit better? Well, let's provide some support there.

Mark Wickersham:

Changing the wheels on the bus as the bus is moving along, so how do you do that? And I think we see firms that they'll put so much energy into the selection process and then the same amount of effort and focus tends not to be there sometimes. And I think that key component of having a project management office or a project management function, somebody that, from an AgilLink side, we definitely have more success when we can line up with somebody on the other side of the table that is there to manage that project. There's tasks that we need to do, there's tasks that the client needs to do, and there's a lot of tasks that only the client can do. So having that project management function within that firm really can help facilitate them doing those tasks and stops these things from stretching on and on and on.

I think to your point, too, Rick, is that these firms, there's so much energy of the input into just getting that data converted and getting that data into the system that they're really not fully trained on the capabilities of the system, how to do the things. And then you can really struggle with adoption because they don't know how to use the system. They knew how to use the old system and they don't know how to do their jobs anymore.

Sometimes the job needed to change procedurally, sometimes the job really hasn't changed that much. They just don't know how to do the same thing on the new system.

And that comes down to that training component that's so important. That often gets overlooked because it's really one of the last phases there that needs to happen. But that saying, change is hard. It's hard. It's hard no matter who you are, how big you are, how advanced you are, or whatever the change is. It's hard.

Rick Higgins:

Well, it's hard to compare apples to oranges too when you're doing a transition. It's one thing to look at an existing technology and go through the checklist of what it does and its capabilities are, and then go to the other technology and make sure that we check all those boxes. But what we're missing is what the real workflow is. What do they export to Excel, manipulate, save, print off, hand to the next person? You lose that piece of the process.

And if you don't give them the same tools or better tools or a better way of doing that, they're going to be saying, "Well, I don't know how to export this to Excel so that I can manipulate it, sort it and hand it to the person next to me." And you're like, "Well, why would you need to do that?" It's still an important part of the process. So kind of uncovering that next level as to what's the real workflow?

Mark Wickersham:

I would agree with that. And then firms know on the new system, how do I manipulate that data? How can I filter, sort, extract and then be able to get it into whether it's my tool of choice of Excel or Power BI or whatever it may be. What are some of the common mistakes that you see with family offices when it comes to how they do bill payment?

Carl Knecht:

Sometimes being too broad. When it comes to bill payment, we've run bill pay systems in the past, it is a process that you need to, number one, build security in. Of course, that's the number one piece because you're moving a lot of cash around, you're doing a lot of bill payment, so security is paramount, but you need to build a process that is efficient for your firm. And if you're potentially paying bills for clients across 40 or 50 different banks, 40 or 50 different locations, you're not going to build efficiencies. So I think not separating out the client service from the bill pay portion. Bill pay is a process. It's not a client-focused solution. It's okay, I'm going to pay your bills. How that gets done is up to me as a firm, I think, to make it efficient, cost-effective, and repeatable and easy.

And I think that interface with the bank that AgilLink has makes that process super-efficient. So I think really thinking about that as a business process as opposed to a client process. I mean, the client has interactivity. They need to see their information. It's the thing that they understand the most. Paying your American Express card and how much did I spend on certain things that month, is very personal. But how the mechanics happen of getting that done, I think is really up to the firm that's doing it. And they should make it more efficient. When they don't, it becomes a lag on the company.

Mark Wickersham:

It's one of those things where they run off that service, but then they become reluctant to offer the service because every time they add a client to it, they're going to add staff because of the way they set it up. What do you think, Rick? What do you see in terms of some mistakes that you see fairly-

Rick Higgins:

The mistakes that I've seen, we've seen some catastrophic things in the industry. Embezzlement and fraud and other things that have taken place because there wasn't a strong separation of duties and there wasn't an enforced workflow, not a designed workflow, but an enforced workflow. Meaning a check will not be cut until there's been two or three approvers in that process. So the person entering the invoices and the person cutting the check should not be the same person. Fundamentally, a big problem. Because even good people, given access in a bad situation, can do bad things. And we've seen that.

We've seen bookkeepers who have gone from one firm to another firm. We've got an unfortunate story. We got a call from the district attorney. There was a situation. She could never have done what she did on the Datafaction (now AgilLink) system we're running in our family office. It just wasn't possible. But when she moved to QuickBooks and she could enter the statement in, she could enter the vendors in, she could approve it herself and she could cut the check, it was only a matter of time when she was in a bad situation that she was able to accomplish things that she should not have been able to do physically, I mean at all. And I think that's one of the biggest downsides to using some of the off-the-shelf packages is they don't have any enforcement around that.

Mark Wickersham:

That consumer, small business market really wasn't meant for that multi-client. I think when we talk about security and we talk about fraud, I think a lot of times firms are thinking, try and protect themselves from the outside. But a lot of cases that we do see, actually, it's an internal fraud. For the 99% of the employees out there in the firms that they're good people, and this isn't happening. But there are cases where the opportunity does exist and it does happen. And we certainly have firms that use multiple packages and then they'll call us saying, "Hey, we need help. We need a forensic accountant that needs to come in. They need to find out." And to your point, if that was on Datafaction (now AgilLink), it can't happen. You have to go for that approval workflow before those funds can be released.

You can't fudge the bank racket. It's just these fundamental things that are built into the system that kind of prevent fraud, and these firms really need to be thinking about internal fraud as they offer that service. And I think, to your point, Carl, around scale and when they're setting this up, the common mistake that we see is that these firms will offer the service to a handful of clients. We call it accidental bill payment. Their biggest client wants it and they do it. And how they set it up is fine for one or two clients. But then when they go to expand that service more broadly, based on the infrastructure, the lacking infrastructure that they've created, it just doesn't scale. So you need that multi-entity accounting system. You need the accounting system that integrates with the bill payment system and the workflow to be able to do it efficiently.

And I think Datafaction and AgilLink's value prop is kind of unique in that we can add scale yet at the same time bringing controls. And normally when you add more control to a process, you tend to slow down that process. But with everything being integrated, those key components being integrated, we're actually able to add scale.

So looking back a little bit on more of a personal note, in terms of the pandemic, what has been some of the personal surprises? I know it's impacted so many people in so many negative ways, but there's also been some bright spots in terms of a pandemic, in terms of having more time at home or catching up on a Netflix series. What has been some of you guys' personal surprises or highlights through this time?

Carl Knecht:

For me, it was learning to be more flexible. I'm very much a control person and it needs to go in a process. And I've learned, and it's been great because I have younger kids and I've been able to teach them, when things go wrong, you flow with it and you move on to the next thing. You find the best of what's happening and you end up finding even better things.

So when running a business, we have to go with what's in front of us and be able to change and move forward quickly and adapt. I think it's really enforced that. We can't jump on a plane to go meet a client. We have to find other ways to do that, to keep a client happy or to interact or to keep our family happy. "Well, we're not going on vacation. What are we going to do? Let's figure it out."

Rick Higgins:

I like the fact that business has become so much more informal. People are just more human now in business. There's not that facade. We don't put on the suit of armor and go out there, and it's okay if your dog jumps up on you while you're on a Zoom call, or your microphone, you're on mute. People are just, we're more forgiving and we realize that everyone's human. And we're taking calls from our personal spaces, our homes and our kitchens, and the kids are walking around.

I like that. I think that really makes us all a little more human. It makes us all a little more tolerant of one another. And so that's probably the one thing that I've really noticed. And then just the informality of, I mean, we're not wearing suits anymore. We're not wearing jackets. Sometimes we're not wearing pants. Today we are, but sometimes we aren't wearing pants.

Mark Wickersham:

Yeah, I really hope some of that, the things around people being more flexible, obviously you got to play the hand that you have and learning to pivot. I look at my two daughters, one's graduating from high school, the other one's in college. It's been tough and I feel bad, especially for my senior. But on the flip side, the lessons that they're going to live in terms of adaptability, who knows how that's going to manifest itself?

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