armanino

Messaging Security Firm Grows with Dynamics GP

Technical Case Study

CLOUDMARK®

Business Challenge

Cloudmark is an award-winning leader in carrier-grade messaging infrastructure and security solutions, with the industry's fastest, most accurate and most scalable messaging platform for fixed, mobile and social networks. Cloudmark selected Microsoft Dynamics GP and FRx to manage its financials, but experienced limitations with its original value added reseller (VAR) as the company experienced a huge growth trajectory from the time the software was originally implemented. Cloudmark had acquired companies throughout the world and needed a VAR with multi-entity, multi-country expertise. Additionally, as it grew, the technology firm experienced vast challenges around revenue recognition reporting and collections management.

Armanino's Microsoft Dynamics GP team came aboard in 2007 to assist Cloudmark in addressing these challenges and to optimize its investment in the Microsoft platform.

Business Benefits

Cloudmark originally contracted with Armanino for the creation of new SQL databases for each of its new acquisitions. Over the years, Armanino has created multiple databases to ensure each new company's data and financials are neatly tied into the Microsoft Dynamics GP system and reporting is timely and accurate.

Like many other technology firms, the San Francisco-based company with 130 employees also encountered difficulties with properly recording and reporting revenue for their sales of technology products with multiple elements (hardware, software, upgrades, etc.). Prior to 2010, technology companies were unable to recognize revenue from the sale of hardware (devices) that include software (and the right to upgrades of that software over the life of the device) at the time of sale unless they could substantiate the fair value of the undelivered elements, typically with the stand-alone sales price of these elements. Since the software and related upgrade rights were never sold on a standalone basis, the old rules (written in 1997) required the revenue for the entire arrangement to be recognized over the estimated life of the device.

Cloudmark also experienced challenges when its auditor could not substantiate the company's deferred revenue claims due to vast discrepancies between the backup documentation and the general ledger. Armanino developed a methodology with Crystal Reports to extract the proper data from each sale and licensing agreement, which total in the hundreds of thousands of line items. This massive amount of data is streamlined through Microsoft SQL scripts that download the proper calculations from GP to Excel.

As the company's sales volume grew, the Excel calculations for revenue recognition figures began to take more and more time to process. Armanino then developed a QlikView business intelligence dashboard to

summarize and analyze the deferred revenue data from the Excel spreadsheet, bringing clarity to a process for Cloudmark that had been fraught with complications and inaccuracy. Cloudmark has found that these reports that are produced on a "per contract" and "per invoice" basis are a benefit to its audit preparation and ultimately support the audit process.

"We've had a working relationship with Armanino for four years now," said Jilbert Washten, Cloudmark's vice president of finance and accounting. "We see them as problem solvers for our organization."

Additionally, Cloudmark recognized an issue with the collection system for its more than 200 customers. Armanino installed the Collections Management module for Microsoft Dynamics GP and trained the Cloudmark staff on the new software. In the first run of collection letters, Cloudmark produced a stack nearly 12 inches high. Since the module has been installed, Cloudmark has made use of its multiple tools to follow up with customers and has experienced a reduction in its collection timeline of 10-15 days. The company is now on schedule and collection letters are sent on a regular basis to ensure payment.

Finally, Armanino helps Cloudmark optimize its investment in Microsoft Dynamics GP by providing training sessions for new employees. "Armanino's training is what I rely on whenever I have new employees or a need for cross training," said Washten. "They train with Dynamics GP best practices and this gets everyone up to speed very quickly."

Business Benefits
- Neatly incorporated financial reporting of acquired companies
- Shortened collection timeline by 10-15 days
- Increased accuracy of revenue recognition reporting
- Improved staff productivity through best practices training

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Jilbert Washten
*Vice President of
Finance and Accounting*
Cloudmark

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Microsoft Dynamics

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