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## Diving Into Document Management

Almost all firms are in the paperless chase. Let's see how some are faring.

by Jeff Stimpson

Firms have always stored reams of paper for each client, but electronic document management is changing that.

Document management is "an ultimate repository where you store all documents, including works-in-progress, a paperless archival and retrieval system that serves as a foundation for becoming a "less-paper" office, says Adam Kupperman, director of the document management services practice for the Cohn Consulting Group, in Parsippany, N.J.

### Beating the Blizzard

Jodee Paape, owner at a sole proprietorship in South St. Paul, Minn., and who with seven year-round and 14 busy-season staff does some 1,000 individual 1040s and 150 business returns, in addition to more-frequent write-up work for some 70 other. Paape has been using File Cabinet Solution by Creative Solutions (a Thomson business) since 2001. "We started slowly at first by simply sending a copy of the tax return to File Cabinet," Paape says. "We still kept a paper copy, along with hard copies of documents and work papers. As we gained confidence in the software, we very gradually made changes to our processes to get to the point we are now: as paperless as I believe we will be able to be," Paape says.

Jeff Resnick, one of three partners in Valley Stream, N.Y.-based Resnick & Company, says his 12-staffer firm decided after last tax season to look at "options in paperless," before settling on Immediatech. He praised the vendor in helping to develop and implement a DM program, and noted that his firm was "small enough to react" to a process change like document management. "We were inundated with paper," he recalls, adding that his firm rented "expanding" rooms in a self-store warehouse to store paper files. "We realized that from a dollar standpoint we were going to recoup the money in the efficiency in just not looking for documents, but in being able to access the documents at our fingertips."

Rob Carmines, partner with Newport News, Va.-based Carmines, Robbins & Company, says that effective with the initial release of File Cabinet, "we went cold turkey into a paperless office. We scanned all 1040 supporting documents, but kept paper copies of the returns in years one and two, and in year three we scanned all business and individual work papers and documents. We're in our fifth year of scanning, and have gone back and scanned prior-year returns and documents from 1984 until the present. While we haven't finished," he adds, "we're reclaiming shelf space at an alarming rate."

Existing technology, such as the Web and standard document-imaging systems, play a big part in how some firms manage their paper load. PDF, Excel, and Word are the big three standard programs for use with Engagement Manager from PPC (a Thomson business), confirms Art Lepore, member of the original paperless engagement committee, senior accountant with Amper, Politziner & Mattia, in Edison, N.J., and user of Engagement Manager. Clients' bank confirmations, for example, are scanned into an Excel worksheet.

John Higgins of Rochester, Mich.-based CPA Crossings, an organization that serves as a virtual CIO to CPA firms and which is owned by CPAs who focus on information systems, says his company has two document management projects in progress with two separate firms. "One is

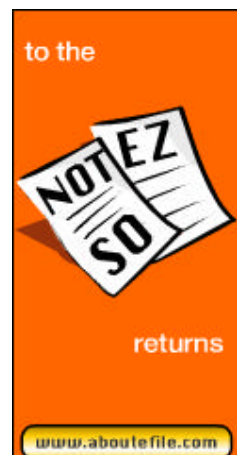


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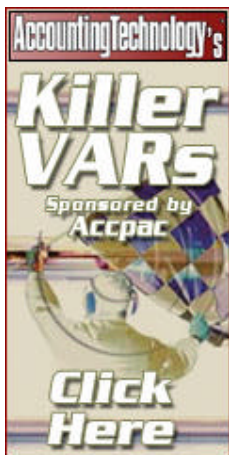
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approaching it totally from an internal aspect," Higgins says. "The second is piloting a Web-based system (GoFileRoom of Immediatech)." The first, the MSW Group of Farmington Hills, Mich., is using what Higgins calls an "inside-out" perspective in terms of utilizing the basic tools of the MS Windows file management system and Adobe Acrobat PDF filing system. The second firm, the MRPR Group of Bingham Farms, Mich., is implementing an outsourced document management system, a Web-based solution set to index, manage and control document retention and retrieval electronically.

James Bourke, shareholder with the Red Bank, N.J., firm WithumSmith+Brown, says his firm made a decision in early 2003 to explore document management, and is now implementing GoFileRoom. "Our clients expect us to have immediate access to their financial information and source documents," he points out.

**Big Surprises**

Problems with going DM, other than software "quirks," involve "just getting familiar with the basic functions," Lepore says. "Such as making sure you don't accidentally delete something." Paape says the biggest surprise was the need for significant hardware changes. "Initially, I didn't realize the importance of the dual-monitor setup. But my accounting staff absolutely hated the program until they began using dual monitors. I also didn't think about the size of the files being created, and whether our system had enough space to store them."

Setting up the system also requires what Paape calls "more thought and flexibility than I realized. My first impression was that we would file things electronically the same way we file them in file cabinets. We had to rethink that. We're still experimenting with the best way to organize files. Some of those decisions are software-driven, but others are a product of thinking about document management in a whole different way."

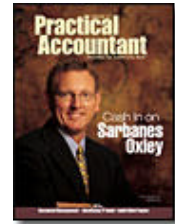
"We were most reticent about partner involvement and adoption, but user feedback has been positive right up to partner level, which in terms of technology and software is unheard of," Kupperman says.

**The Costs**

Firms typically have to invest in new hardware as well as the DM software itself. Resnick's DM changeover, for instance, cost some \$18,000, including hardware which included a high-speed color scanner, about a half-dozen smaller scanners, and installation of additional monitors at each workstation to facilitate viewing a more complete history of a client's documentation. The system works well on R&C's existing cable Net access, he adds.

Preparation can help cut costs. During the years prior to their conversion, Levine, Hughes & Mithuen, Inc., in Denver had made a concerted effort to "beef up our hardware and software capabilities and to assure that there was uniform application of software throughout the firm," according to Lee Johnson, shareholder, and Clint Roberts, IT manager. "Our only additional investments were in terms of obtaining higher-speed servers, and larger network hard drives for increased storage." LHM bought several high-speed scanners, and implemented the Citrix Server for remote access. All employees were required to have at least an intermediate knowledge of Excel and Word, if necessary through additional courses.

Paape adds that conversion included adding dual, flat-screen monitors (enabling staff to view static documents on one screen while using the screen for input). "In the past, we would have a hard copy of last year's return in front of us, while inputting this year's return," Paape says. "Now we have last year's return on one screen and the tax preparation software open on the other. As a side benefit, we've used the dual monitor setup in other ways as well. We can have an active spreadsheet open on one screen, with the accounting program open on the other, facilitating input." Paape says the DM software also generates files that take up a great deal of space, and the firm has had to replace its server and tape backup system to accommodate the larger files.



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"Obviously, the hardware was a large cost," Paape says, "some of which would have been necessary anyway. On the other hand, we haven't purchased additional file cabinets or expanded our storage areas."

Some firms have saved start-up costs by using ASP-like, Web-based solutions. Bourke says his firm chose a Web-based path. "With 200 mobile staff with notebook computers and 24/7 access to the Internet, all of our Web-based electronic documents are now accessible via a browser from a secure and encrypted site," he says.

Kupperman has helped spearhead his firm's providing paperless and document-management advising engagements to clients. He says that after the recent merger between firms J.H. Cohn and the Videre Group his own firm adopted document management using the Web-based DM service GoFileRoom. "We pay a monthly subscription fee for the entire service, so there are no internal infrastructure costs or maintenance," Kupperman says. He also calculates that payback should be seen in 12 to 18 months. "The biggest bang for the buck is in the improvements in productivity and efficiency," he claims. "If you can save 15 minutes a week per employee in searching for files, add that up and that's the amount of billable hours you can use as a payback mechanism."

Stuart Rosenberg of Solutions@ MBA in Miami says his firm has added a technical person to "lead the charge," as well as added hardware. "As for software, we are using the inherent capabilities within ePace for our audits, and Microsoft Sharepoint as a repository for all other images," he says. He adds that the initiative is "picking up steam" as departments take on the change in culture.

### **Ensure Smooth Sailing**

The transition to DM seems to go smoothest when a firm sets up firm-wide document-naming conventions, and has a structured network to store the files. Larger firms tend to use tools such as CCH or CSI, and smaller firms lean towards Windows Explorer.

Lepore says this year coming up will be the third tax season for the firm using document management. "Every year, people get more and more familiar with it," he notes, adding that younger staffers typically have an easier time picking it up than older staff. APM uses DM by creating master templates of work papers in which client information is added, then organizes these papers and templates into folders, according to Lepore. A&A was the first department of the firm to go DM, he adds. Staffers also had three or four hours training in Engagement Manager before the first busy season the firm used the application, and the firm has since put together a 24-page policy book on streaming use of the application.

Johnson and Roberts claim LHM undertook an "all-or-nothing" immersion into DM. Using the document manager of Caseware, "In June 2000, we embarked on the conversion by first achieving complete buy-in by all of our shareholders," Johnson says. "A technology committee was created, with representation from all departments to spearhead and guide the process. This committee had total control over the conversion, which took about six months." Some 12 of LHM's 30 staffers were involved in the conversion, including representatives from tax and auditing departments.

Says Paape, "My staff is very change resistant, but even they have to admit it is extremely efficient to have all the files literally at your fingertips. Scanning takes more time than copying initially, but everything else you might do with the file is quicker. And because information is so easy to retrieve, we're more likely to look something up rather than rely on memory. In the beginning of the process, I had to threaten to take away all the paper files staff members were secretly keeping."

Some of the details in setting up Resnick's DM system included an indexing structure to get the information into the system in some manner other than on the desktop or in a folder. "We did have to spend some time developing this index structure," he says. "You have a piece of paper. Where does it go? Under a client's name. In which folder? Do you have subheadings in the folder? We created an electronic structure much like a file cabinet."

Resnick adds he can also take that documentation on engagements on a CD-ROM. "It makes me reactive," he says. "Before I couldn't have everything at my fingertips. Before, I might have taken one year's return. Now I can bring everything." Immediatech also sends him monthly backups of his data on CD-ROM.

"There's sure less mess on the table," adds Lepore, whose firm has cut its file-storage space by more than two-thirds. "Partners also don't have to be at a certain place to review hard copies. They can just go on the network from anywhere."

### **How Deep? And When?**

DM can work well for a firm, and build a foundation for the future. Johnson and Roberts say LHM is "happy" with its all-or-nothing approach to going paperless, saying that other firms' piecemeal approach leads to frustration due to lack of buy-in and the time needed to convert. They add that the firm also invested many non-billable hours in the conversion, a one-time cost deemed a "necessary investment," and has held many in-house seminars for other firms on DM, and made themselves available as consultants to these firms.

Evolution in software and technology has made for some learning curves, Carmines admits, "but in the last two years, document management has become an invaluable part of our practice. Other than some bumps in the beginning, it's been fantastic. Once you settle on conventions as to what is scanned and what terminology to use for consistency, it's a breeze."

Adds Resnick of document management, "Everybody at some point will join this bandwagon. There's no reason not to."

### **Examine Equipment**

Keep an eye on continuously upgrading the peripheral hardware of your document management system, advises Paul Mitrano, principal with Woburn, Mass.-based Laserstar, which specializes in document management solutions. Here are a few guidelines:

Are your printers software-friendly? In general, laser printers are more software-friendly. Their higher price, compared with ink-jet printers, is offset in per-page cost savings.

Go digital with at least half your documents. One way to accomplish this is through the use of multi-function printers (MFPs), which print, scan, copy, and fax from one place.

Cut your equipment. A typical equipment mix for a 40-person firm usually has some 16 printers, copiers, scanners, and fax machines. Some firms are now replacing that equipment with four or five MFPs, and perhaps a freestanding printer or two.

### **Some Do's and Don't's**

Here is specific advice compiled from those we interviewed:

Don't invest in a proprietary system that relies on one, relatively small vendor.

Think of the cost savings beyond just file storage facilities.

Don't do it in-house, unless you're a fairly big firm with an in-house IT department. Partner with a vendor who's going to work with you.

Set up a project team, with partner leadership.

Remember that many DM companies don't necessarily know the profession of accounting.

Research with your peers. Some vendors also have Web boards to trade questions and experiences.

Phase in the system, and understand that the road towards "less paper" can take 12 to 24 months. Start in one department. Kupperman recommends starting with your tax department.

Be careful in selecting scanners. Do you need a duplex scanner, for instance, which scans two sides at once? Carmines points out that his firm decided that the substantial additional price of a duplex scanner far outweighed any benefit.

Make backups. Lepore says that APM's policy is that staffers at client's must backup before lunch and before leaving at the end of the day.

Roman Kepczyk of InfoTech Partners advises focusing file- and directory-naming structures on ease of access and use. Use an alphanumeric combination to designate client names, and a very simple sub-directory. Some firms have found that using the client's name, and possibly a "client number" is best, with sub-directories that incorporate the year and the department (e.g., "02Tax," "03Audit").

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