

Going “Paperless” - The Tools

by Tom C. Davis, CPA

In the previous two editorials, this column looked at some of decision steps an accounting firm might take in making a move to a paperless work environment, and a way to estimate the benefits of making this move. This month, we will look at the software tools for making the move.

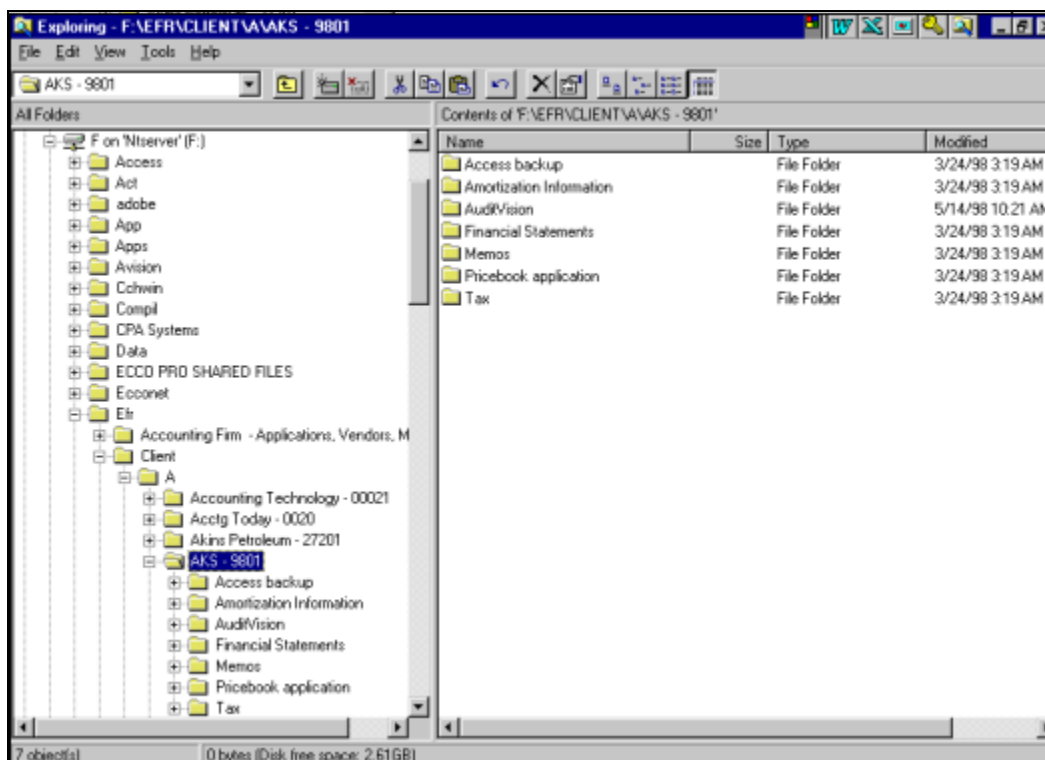
Electronic File Room

Let’s start with a simple “paperless” solution: an electronic file room based on the Microsoft Windows Explorer folder capability. This is an inexpensive solution that will provide good organization and fast access to information.

One of the most beneficial aspects of using computer technology in businesses is the creation of electronic documents that can be edited and reused with minimum effort. Many firms find they are becoming adept at building documents. They cannot, however, always locate the information when they need it. Your firm should develop an electronic information system, organized along the same logical lines as its paper files are organized.

This electronic file room should have a separate directory for client information on the server drive. Within this directory, client directories are named (under their alpha letter) using the client’s name and number. Within the directory for the client, directories are set up for projects or types of work such as Audit, Financial Statements, Memos, etc. Files for applications that maintain their own client data structure are maintained in their application specific directories.

Here is an example of this file structure:



The figure above shows that the main server drive is F:\. On the F:\ drive there is a folder named **EFR (Electronic File Room)**. Within that folder, another folder named **CLIENT** exists. The “Client” folder consists of folders represented by each letter of the alphabet. Each project that is associated with a client has its own folder under the client folder as well.

Look at the folder for client **AKS – 9801**. (Notice the AKS folder is in an opened position.) This shows you additional (separate) folders stored within the actual client file folder broad types of work. The logic behind the directory structure is to make identifying the information effortless, so that finding this information is easier.

One significant disadvantage of the Electronic File Room is that it relies on users placing documents in the right location. Since this “system” does not control the placement and enforce the firm’s standards, it requires more training and review to achieve consistently accurate results.

Workpaper Applications

This type of software is the successor to the Trial Balance applications used in most firms. They combine TB features with capabilities for organizing workpaper files, controlling access to workpapers, and standardizing work processes.

The main products in this type are the Caseware Working paper Application, CCH Engagement, Creative Solutions Engagement Solution, and the McGladrey Audit program System.

These applications offer some significant improvements over their Trial balance. First of all their Trial Balance features are much more powerful and flexible in the area of financial statement preparation. Workpaper Applications can produce a final-quality financial statement in almost any format needed.

The workpaper container features of these tools make it possible to standardize the organization of different types of engagements. All of these tools have “template features” that are used to create the workpaper organization scheme for different types of services. These templates promote uniform organization which translates into improved preparer and reviewer efficiency and reduced training time.

The access control features of a Workpaper application make it easier to have multiple team members collaborating on the same engagement. Workpapers can be assigned to the responsible staff in a manner that allows access by others but prevents erroneous editing of documents controlled by others. These tools also have features that will “synchronize” workpapers from the field back to the office, further improving document protection, and security.

When implementing a new Workpaper application, it is important to plan the tool’s use before training firm members. These applications can create a uniform workpaper environment. They have a great deal of flexible features that make it possible to fit the tool to the firm. A firm’s standard approach will cover the setup, use and review process in significant detail.

Document Management Applications

While Workpaper applications are arguably best suited to engagements related to a trial balance and that culminate in a financial statement and / or a business tax return, Document Management tools cover every aspect of a firm: client services, firm management, communications, human resources, etc.

Some of the important capabilities of DM applications are those for controlling the creation of documents, organizing them, and providing access to them. While some of these features overlap those of a Workpaper application, there are some large differences.

On the control side, timing is one important difference. Document management systems can control documents at the point of creation. For example, when you create a Word or Excel document, a Document Management application will ask some questions such as which entity (client, prospect, center of influence, etc.) the document relates to, what service, the year, and other questions, depending on the type of document. Answers to these questions determine where the document is stored in the DM application. This approach contrasts to the way Workpaper tools typically operate where the user saves a document and then creates a workpaper and links this document to it.

Document Management solutions also tightly integrate with the firm's scanning solution. Bar coding, cover sheets and other tools make it simple to batch scan documents with very little effort.

Accessing information in a document management system is also very different than in a Workpaper tool. Workpaper tools provide a "visual" filing structure that is similar to the manual indexing systems many firms have used over the years. While some Document Management applications have this same capability, all DM systems have extensive search features. With these features you can specify search criteria such as the client name, service type or a particular IRC section. The DM search engine will look at every aspect of every document and produce a list of all of them that meet the stated criteria.

This full text search capability can really change how a firm looks at these documents. Now, document organization is not just vertical (client, project, document). By looking at documents from a "horizontal" orientation (type, creator, date, type, etc) it is easier to use documents as a resource for providing similar services to different clients. This "product" approach can be very profitable for firms.

The security features of a document management solution are much more extensive than those for Workpaper tools. In a DM system, access control, versioning, history tracking, and other similar features provide much tighter control and safeguarding of information.

Accounting firms will also benefit from the "pervasive" aspect of a document management system. With DM, every firm document can be managed. Since all firm members are forced to use uniform processes frequently, document quality and value increase substantially.

There are a great many document management vendors to choose from. Some of the vendors that are making a market in accounting firms are CCH (ProSystem fx Document), Creative Solutions (File Cabinet Solution), RIA (GoFileRoom), Doc-It, and ColumbiaSoft (Document Locator).

Planning is the most important aspect of implementing a document management solution. Since these applications focus on control, standardization, and process automation, a firm must have defined their processes. Document Management tools can enforce and support a firm's processes but do not expect for the vendors to have all the answers. Fit the DM solution to your firm.

This is the third (and final) editorial on the "high level" issues that accounting firms face in making the decision to move to a paperless information environment.

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