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Improve Your Work Flow: Automate

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It's fair to say every accountant, at some point in his or her career, has experienced a deep level of frustration when trying to get a client's financial statement out the door. We all have them — those little inefficiencies in our firm's report processing procedures that add up to excessive amounts of wasted time. The redundancy of updating FASB required changes on a client-by-client basis; the pain of drafting, proofing, redrafting, re-proofing, approving and replacing newly written footnotes or opinions; the irritation of discovering in a final draft that the table of contents wasn't changed to match the rest of the report when content on page 12 ran onto page 13 thereby creating a one-page shift on all following pages. The possibilities are endless.

Automation: the Holy Grail. But what is automation?

If you have ever found yourself on the verge of insanity as a result of these seemingly mindless — albeit pertinent — tasks, perhaps it's time to automate your firm's financial statement report process. Automation, according to Encarta Dictionary, is defined as “the conversion of a workplace to one that replaces or minimizes human labor with mechanical or electronic machines or processes.”

Don't get confused — Automation isn't about replacing staff with robots or replacing the value of a human's intellect by using a one size fits all, fill-in-the-blank program. Automation is an extraordinary vehicle for streamlining inefficiencies by eliminating taxing redundancies like those mentioned above. In essence, automation will make life easier by minimizing human labor with mechanical or electronic machines or processes.

Put simply, automation is the Holy Grail of maximizing efficiencies.

What can be automated?

Automation does not mean the end of CPAs as we know them. A computerized process is never going to replace intellectual capital, especially in the field of accounting.

Automation will not decide the quality of the numbers used, nor will it say a single-year statement will be more beneficial for clients than a comparative statement. However, automation will allow collaboration with other partners to create a library of pre-edited footnotes, opinions, stylistic guidelines and other processing-related functions that can be drawn from as needed.

For example, this means a generic but commonly used footnote will be written by designated members of a firm. That individual footnote is then edited and technically reviewed, resulting in an error-free, grammatically and stylistically correct, firm-approved footnote that can be dropped into a client's financial statement (when necessary) by the simple click of a button. In many cases, firms opt to import PPC footnotes and opinions to use as the foundation for their knowledge library. This expedites the development of the knowledge library and maintains the consistency of firm standards and procedures if they were using PPC (or AICPA) to begin with.

The knowledge library can always be added to, allowing for the customization of client- or situation-specific disclosures. Such additional notes would be retained in the library for future use, sparing preparers and reviewers from having to re-craft these statements each time the note is needed.

How does it work?

Automation of financial statements requires two primary components: a centralized knowledge library and a client datasheet.

A centralized content library is a storage location for pre-edited, pre-approved and firm-standard footnotes, opinions, line item headings and formatting details. All content is edited and approved by all partners prior to being included in the library, which guarantees no errors are present. Staff accountants simply select the appropriate note from a list and a typo-free, up-to-date version of the note is automatically inserted into the proper financial statement location.

Because the inserted content retains a link to the library, if FASB changes or amends a required note, the specified changes need only to be made to the note in the library and all appearances of that note within all clients' files can be changed automatically with one click of a button. If your firm uses a traditional Word/Excel hybrid, then you know any changes typically require someone to manually change the note in every location for every client by repeating this tedious process of drafting, typing, editing, redrafting and approval.

A client datasheet (which holds all client information such as name, entity type, number of owners, basis of accounting, etc.) is the central location for entering all client-related information. As changes in company information are made to the data sheet, the financial statement will be automatically adjusted accordingly.

Information included in the centralized content library and the client datasheet automatically populates fields within the financial statement template, leaving a report that is 90 percent edited upon creation. Both components are significant time savers and have become the best insurance for maintaining stylistic consistency and preventing grammatical and typographical errors.

Together, the content library and the client datasheet, along with an imported trial balance, create a report that will limit the amount of time reviewers spend on editing style and grammar, thereby allowing them to focus more on the content.

What are the benefits?

The most obvious benefit of implementing automation is saving time. While the initial time and energy investment is considerable, the ultimate outcome is a significant reduction in the amount of time high-level managers and partners must spend reviewing and re-reviewing reports. Automation ends the infinite loop of edits and reviews that can hinder efficiency at this stage of production.

Aside from time savings, there is a high potential of cost savings by eliminating the need for a report-processing department. Reports that used to require three days to produce are now being done in hours. Eliminating that additional step in the work flow process usually results in savings on many levels.

Although not as tangible as time and money savings, another valuable benefit is the consistency and accuracy these automatically-generated reports have. By selecting pre-edited footnotes and opinions, pre-formatting line items and headings and automatically populating client-related data, first drafts of reports are about 90 percent edited upon creation.

The process has reduced the margin for error, increasing the confidence that the end product will be a good one.

How can your firm automate?

Automation requires a significant upfront investment of time, money and vision. Currently, the authors of this article are aware of only one existing engagement management system that allows for the programming of the functions mentioned. CaseWare's CaseView offers a platform that can be used to create a template to fit a firm's specific needs.

Beyond purchasing the right software, a firm will need to analyze current work flow processes, identify and correct inefficiencies and establish an agreed-upon style that best suits the firm. Upon re-evaluation of a firm's standard policies and procedures, find a person (or a combination of people) who can program CaseView to perform the firm's desired functions.

Experience with other CPA firms has shown the general consensus is to seek outside guidance from someone who has extensive experience in developing an automated report process. As an example, Kiesling Associates, LLP, an 80-person Midwestern firm with five offices, chose CaseWare/Caseview in their quest to go paperless and automated. Initially, they didn't seek outside advice on how best to implement and maximize their investment in CaseWare/Caseview. "We have a fairly industry-specific niche practice," said Steve Harms, technology manager at Kiesling, "and felt we needed to design it ourselves to make it fit our practice. We expected everyone in the firm to become as

proficient with CaseView as they were with Excel, but people struggled with the template we designed for the write-up of financial statements.”

After obtaining assistance from an external source, Kiesling enjoyed substantial efficiency improvements in the financial statement report process. If the firm had to do it over again, though, it would do things differently.

“I think there is so much value in hiring someone who has done it themselves and really knows the software and how to best implement it in practice,” Harms advised. “We tried to do it all ourselves and experienced a lot of dead ends.”

As for the implementation of automation within your firm, expect to use the same steps required in the adoption of any other new technology. Assemble an “early adopters” team to learn and champion the new efforts. Then, launch a pilot program, allowing certain staff to use the automation technology in a live setting before a firm-wide release. This test launch allows programmers to find any flaws and iron out any bugs that could cause user frustration down the road.

Keep in mind the process of adopting automation technology is a long and tedious one. However, the resulting benefits should provide early return on your investment while setting up the firm to be highly efficient for the future.

What is next on the horizon?

Recognizing the substantial improvements automation has afforded in the financial statement report processing area, the authors consider automation options to be limitless. In addition to automated financial statements, intelligent compliance forms have already been developed. These programmed forms are able to determine which questions on the form are irrelevant (based on the answers to previous questions) in addition to informing the user or reviewer if the form is incomplete, amongst other bells and whistles.

Automation has clearly proven to have significant potential for transforming the way accountants have traditionally conducted their business. Improvements in technology continue to help find ways of increasing efficiency by “minimizing human labor” when it comes to accomplishing those ever-present tedious and redundant tasks. Automation should revolutionize the future of accounting.

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