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Technology Guru Roman Kepczyk Answers Questions Most Commonly Asked By Accounting Firm Executives

(April 2004) – *Technology expert Roman Kepczyk has helped mastermind the technology plans for hundreds of firms across the nation – and helped them conquer some of their biggest technology challenges. Here, exclusively for IPA readers, Kepczyk shares the questions he’s most commonly asked by accounting firm leaders – and the answers to them.*

Q: How does my firm compare to its peers, and how much should I be spending on technology?

A: Production per person is the best indicator, with the results normalized to the local region or service market. Expect an average firm to produce \$125,000 revenue per person in most markets; that factor is \$150,000-plus on the coasts and \$200,000-plus for our best firms. By optimizing technology, firms can improve productivity and client service dramatically. The general guideline for IT spending is \$6,500 to \$8,000 per person per year, including all hardware, applications, infrastructure, communications and support costs. As a percentage, the average firm with \$125,000 in revenue per person spends approximately 5% of annual net revenue for a single office environment and slightly more for multiple locations. While hardware costs have decreased significantly, firms are adding more features, such as imaging, communications, and work flow technologies.

Expert Q&A

Q: What are the leading firms doing in regards to technology?

A: The leading firms are constantly looking for ways to improve production processes and customer service. Many of these improvements have a strong technological influence, much of which is centered around the “less-paper” or digital environment. Some examples: how we access information in real time to respond to a client request, communicate with staff in real time with PDAs or smartphones, or utilize dual monitors to allow personnel to quickly verify data and make work more portable between multiple locations. For higher priorities, security/patch

management as well as communications technologies are important. Firms should have a document archival solution as well as tools that automate tax and audit work flow in a completely electronic environment.

Q: Is paperless the way to go?

A: We have yet to see a completely paperless firm, but many firms optimize their production processes by incorporating “less-paper” technologies. Use technology only if it can improve customer service, increase productivity, or save money. In the next few years, we will see the term “paperless” disappear; it will just be the way firms do things.

Q: What is the best paperless solution?

A: The best paperless solution depends on what type of practice you have. A predominantly audit practice using an automated audit tool like CCH Engagement or CaseWare may require only a document archival solution. A firm that is predominantly tax-oriented needs tax workflow capabilities, which it may be able to incorporate with its accounting suite or acquire as part of a document management system. It’s not an easy decision; one size doesn’t fit all (which is the primary sales pitch of the document management companies).

Q: How do I know my network is secure?

A: Security is critically important for firms but virtually impossible for them to manage in-house. Few internal IT professionals have the knowledge, skills, and time to keep themselves current on security topics. I recommend that firms outsource perimeter security audits to organizations with network security expertise. At a minimum, firms should have their firewall/Internet access evaluated annually and whenever they make any changes to their communications infrastructure, which I believe will lead to these vendors providing regular security monitoring. Good questions for owners to ask their IT professionals: “Are there any open ports on our network? Are we at least protected against the SANS20, which are the 20 most common Windows and Linux system vulnerabilities?”

Q: How many IT people should I have on staff?

A: The general recommendation is one IT-related professional for every 25 workstations. In addition to a dedicated internal person, all firms should partner with a local integrator or a member from their firm association to provide higher level network support and services. Network professionals are busy and seldom have time to keep up with training and industry issues beyond their work within the firm. Having a large organization stand behind the firm with depth and expertise should help when significant issues arise.

Q: I don't understand what my IT people do all day. How can I tell if they are any good?

A: Networks don't run by themselves, so one indicator of your IT team's competence is the amount of unscheduled downtime you've experienced in the past few years. If that time is measured in minutes, your firm is lucky, or more likely, you have an IT support infrastructure that is addressing issues before they become toxic.

Q: Should we buy a CRM solution?

A: Customer Relationship Management (CRM) systems allow firms to capture amazing information about their clients and prospects, which can dramatically improve the firms' relationships with their clients. Unfortunately, capturing this information requires the firm to have 100% participation in using the application or the system slowly atrophies. Such overwhelming participation usually requires a major cultural shift within the firm and significant training, which frankly, most firms will not invest in adequately. I believe these applications will evolve gradually in firms' practice management applications, but firms need to ask what customer information they truly need and what processes they will implement to ensure the information is captured and verified appropriately.

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