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TECHNOLOGY TRENDS

Paperless Continues to Gain at Firms

More firms are going digital, eliminating as much paper as they can and working to reap efficiencies from those processes, according to data reported by respondents to AOMAR's 2008 CPA Firm Practice Management Survey.

Technology plans and budgets. Respondents indicated that their technology budgets as a percentage of net fees rose slightly this year to an average of 4.2% over last year's 4% (see Table 1). Among our respondents, 23.7% said their firm now has a formal, written technology plan.

Hardware (34.6%), upgraded software (28.1%), and "other" (24.9%) are the categories where the most money is spent (see Table 2).

The changing technology environment. Although there is much discussion of paperless and digital conversion, only 4% of firms' budgets are going into those endeavors at this time (see Table 2). Generally it seems that larger firms are more likely to be budgeting for those initiatives.

To get a sense of how many firms have made the transition and how they are operating, we asked respondents to report on their progress (see Tables 3 and 4 for breakouts by gross fee ranges and by number of personnel).

Among respondents, 36.8% told us that their firms have made the switch (which explains the low investment in future changeovers) to a digital environment in all major departments. Another

20% are in the midst of converting to a digital environment; 17.9% already have a digital environment in at least one major department. Another 12.6% are planning to make the change in the next 12 months. Only 12.6% have no plans to move to a digital environment.

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We were especially interested to note the high percentage of smaller firms that report being "wholly digital" now. For instance, 43.5% of firms with less than \$1 million in gross fees report having set up a digital operation, as have 53.8% of firms with one to five people. This indicates how committed CPA firms have become not only to enhanced technologies but also to the procedural and operational realignments that must precede the institution of a digital environment.

Putting technology to work. We asked survey respondents to describe how technology is helping them to succeed and how they are addressing their top technology challenges. Many comments centered on the preparation for, implementation of, and fine-tuning of a paperless system.

"With the new paperless environment, we are finding that the company's server is not large enough to handle the added files," wrote an office manager at a firm with 11 to 15 people and \$2 million to

\$2.99 million in fees. "Therefore, we will be replacing the server with a large-capacity model."

A firm with 51 to 100 people in the \$4 million-to-\$9.99 million-gross-fees range is "taking the tax department completely paperless. We have purchased some document management software and are in the process of training on it," explained the firm administrator.

Others were eager to describe their progress through the paperless process. A 21-to-35-person firm with \$4 million to \$9.99 million in gross fees is "implementing a total paperless environment. We have made big steps towards this goal: increased e-filing and scan software upgrades. We are currently reviewing document management systems," wrote the firm's controller.

Additional initiatives that respondents are highlighting now include:

- "Produce a more professional Web site and get clients looking at it. We are searching for a good Web site developer to assist us." —President, six-to-10-person firm with less than \$1 million in gross fees.

- "Preparing a stand-by site in conjunction with our disaster-recovery plan." —Controller, more-than-100-person firm with \$20 million or more in fees.

Table 1. Technology Plans and Budgets

% of firms with a formal (written) technology plan	23.7%
Budget for technology, % of net fees:	
Most recent fiscal year	4.2
Last fiscal year	4.0

(Source: AOMAR's 2008 CPA Firm Practice Management Survey)

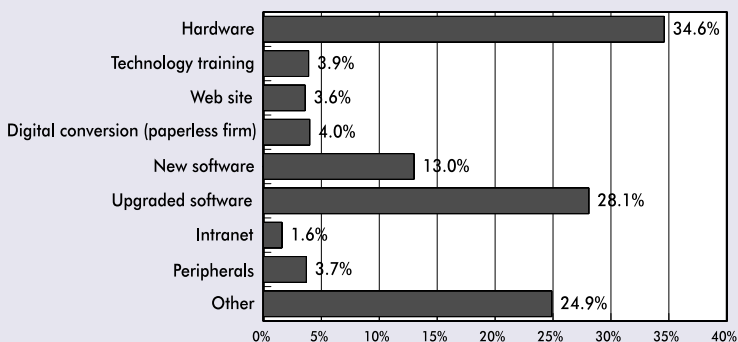
- "Electronic exchange of information with clients using a client portal on the Web site. Improve workflow and application integration internally using document management system and applicable software." —Firm administrator, 16-to-20-person firm with \$2 million to \$2.99 million in fees.

- "Hardware stability—we are changing to 2.66 gigs dual-core processors with four gigs of RAM, heavy-duty power supplies, and gamer boxes with several oversized fans. Cost is \$1,900 per workstation; we are changing one every three months until done."—President, one-to-five-person firm with less than \$1 million in fees.

- "We plan to outsource IT functions to obtain greater levels of expertise to help us move forward in this area." —Firm administrator, 21-to-35-person firm with \$2 million to \$2.99 million in fees.

- "Data mining from complex database to produce useful information to help manage the firm. Hired programmer & new CFO (former CFO divided time between firm and billable, now focused exclusively on billable; new CFO is 100% nonbillable)." —Chief financial officer, 5-to-100-person firm with \$10 million to \$19.99 million in fees. □

Table 2. Technology Spending, by Function



(Source: AOMAR's 2008 CPA Firm Practice Management Survey)

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Table 3. Conversion to Digital Environment, Overall & by Gross Fees

	Overall	Less than \$1M	\$1M to \$1.99M	\$2M to \$2.99M	\$3M to \$3.99M	\$4M to \$9.99M	\$10M to \$19.99M	\$20M or more
Our firm has a digital environment (paperless/less paper) in at least one major department (e.g., audit or tax).	17.9%	8.7%	27.3%	38.5%	14.3%	11.8%	22.2%	16.7%
Our firm has a digital environment in all major departments.	36.8	43.5	NR	46.2	14.3	29.4	55.6	58.3
Our firm is in the process of converting to a digital environment.	20.0	17.4	18.2	NR	42.9	41.2	22.2	8.3
Our firm plans to begin conversion to a digital environment within the next 12 months.	12.6	8.7	27.3	7.7	28.6	5.9	NR	8.3
Our firm has no plans to move to a digital environment.	12.6	21.7	27.3	7.7	NR	11.8	NR	8.3

(Source: AOMAR's 2008 CPA Firm Practice Management Survey)

Table 4. Conversion to Digital Environment, by Number of Personnel

	1 to 5	6 to 10	11 to 15	16 to 20	21 to 35	36 to 50	51 to 100	More than 100
Our firm has a digital environment (paperless/less paper) in at least one major department (e.g., audit or tax).	7.7%	14.3%	27.3%	42.9%	17.6%	NR	20.0%	6.7%
Our firm has a digital environment in all major departments.	53.8	14.3	27.3	42.9	35.3	16.7	40.0	23.3
Our firm is in the process of converting to a digital environment.	15.4	21.4	9.1	NR	23.5	66.7	26.7	63.3
Our firm plans to begin conversion to a digital environment within the next 12 months.	NR	28.6	18.2	14.3	11.8	NR	13.3	3.3
Our firm has no plans to move to a digital environment.	23.1	21.4	18.2	NR	11.8	16.7	NR	3.3

(Source: AOMAR's 2008 CPA Firm Practice Management Survey)