

Choosing the Correct Accounting Software

By Chaz Kirkpatrick

There has been a proliferation of accounting software packages to hit the market in the past five years. Everything from MAS 80 to Quick Books Enterprise edition is being used by today's framing facilities, including some homegrown programs. However, there are no major "off the shelf" accounting packages that have been developed specifically for the framing industry. Most accounting software currently being used by volume framers consists of basic accounting/manufacturing packages that are being adapted to fit the framing industry.

These "off the shelf" products do not take into account the peculiarities of picture framing and the industry's specific needs. However, purchasing a custom written program is typically not a viable option. A custom-written accounting package can easily cost in excess of \$1 million. Therefore, production framers are forced to use off-the-shelf products from other manufacturing industries, then make modifications to fit their needs.

It is important that production framers understand what to look for when purchasing an "off the shelf" accounting package so that the idiosyncrasies of the industry and their individual firms' desires are considered. Here are some of the more important aspects of the process that need to be considered if you want accounting software that is reliable and can meet your needs.

Consult Your Tax Professional

It is important to consult with your professional tax advisor for advice on which accounting package to use. Your tax advisor will have to continually import and export data to and from the accounting system and interact with the data generated by the system. Therefore, the advisor's feedback is vital.

You may also want to consider interviewing a few other tax advisors to determine what other platforms are being used by the accounting industry. A word of caution: the recommendation of your tax advisor could be based in part on the limitations of your advisor's organizational system and not based on what actually will best fit your needs. Your tax advisor may also have technical

reasons for preferring certain packages. Or, if your tax advisor is not technologically savvy, you may get advice that leads you towards a more simplistic package. If that is the case, you may want to consider changing tax advisors. After all, the organizational and technological integration of an accounting package in today's business environment is dramatically different, more complicated, and more important for your survival than it was just 10 years ago.

For instance, if you have a website, the accounting package may have to be able to integrate with an e-commerce site, production software, and an order entry system. Therefore, your new accounting package might have to merge and integrate data from three or more other different packages. It is important to discuss the development of an interface and data migration with your tax advisor.

Here are some fundamental questions you can ask when looking at accounting packages:

- Which accounting package would the advisor recommend and why?
- What type of system does the advisor's company use?
- What is the preferred method of passing data back and forth between your system and the advisor's system?
- Is the tax advisor technologically savvy?
- The names of some of current clients that use software he/she recommended

Talk to Your Production Software Developer

As the framing industry has evolved and become more sophisticated, production software has been developed to handle the industry's unique needs. There are only a few select providers of production software for production framers. The larger providers of such framing software will develop interface structures for most major account-

ing packages.

If you have not purchased production software, you should ask a production software developer which accounting packages they have developed interfaces for. Also, interview some of the developer's customers (both the production and accounting software developers) and ask specifically about the interface development process.

The development of an interface can take months and cost of thousands of dollars depending on how sophisticated you want the interface to be. Therefore, it is necessary to obtain an accurate cost estimate of this portion of the project. Here are key questions:

- What production software are you using? How does it pass data?
- Ask the developer of your production software which systems it can pass data to and can currently integrate with.
- How long will it take to develop the interface?
- What will be the cost of development?
- Ask for the names of other customers who have already undergone this process.
- Ask their customers if the project came in on time and on budget.
- Try to find out what their total project costs covered.

Remember that accounting software is not production software. Far too often volume framers try to use accounting packages in place of a production or MRP package. This rarely works effectively. There are also framers who try to use the minimal accounting features of framing software as an accounting package. This generally leads to trouble.

Most picture framing software comes with basic inventory and purchase order modules. Therefore, trying to use a production software package as an accounting package will generally end ugly, especially during an IRS audit.

Research the Software Developer

When conducting your due diligence, research the accounting software developer. Ask these questions:

- How long has the company been in business?
- How many customers does it have?
- For a small firm, can the source code be escrowed?
- What accounting systems does the developer's software support?
 - How many volume framers are using its software?
 - How many framing production packages does it currently interface with?
 - How willing is the developer to integrate with third-party software?
 - What are the

annual support costs?

- What is the annual cost for upgrades and updates?

You should also seek a list of referrals of existing customers. These referrals are highly likely to be truly satisfied customers, so ask them straightforward questions. Ask how long it took to develop an interface between the accounting and framing software packages and what problems were encountered. What were the costs for development? What was their biggest surprise in the whole process? This will give you an approximate idea of time and cost. Further, by asking these questions of several referrals you'll get an idea of the development that's already done so you won't have to pay top dollar to develop technology that has already been created.

Other Associated Costs

Any time a new system is introduced into an organization, there will also be changes made to other systems. When adding or changing an accounting package, the changes will typically involve order entry, inventory, and purchase order systems. So consider the following:

- What processes will have to be changed, such as purchase orders, purchasing, bill of materials, and order entry?
- How many others systems will be affected?
- How many individuals will be affected?
- How will the changes affect your customers? Will they have to be re-trained?
- How will it impact your vendor process?
- Will changes have to be made your production process?

Try to calculate the approximate cost of all these points. These issues will cost money and are part of the soft costs you need to consider. There will also be some down time and possibly an impact on sales. Through your interviews with developers and their customers, try to estimate the amount of this downtime. Most importantly, how long is it typically from the day the software is installed until the day it is fully functional?

Other Costs to Consider

Hardware: Even though computer hardware costs have plummeted since the 1980s, these costs can still run into the tens of thousands of dollars. Ask the software provider what type of hardware is recommended and for the specifications in writing. There are some software platforms that perform better with certain types of microprocessors. Some software packages cannot reside on the same server as other platforms, so you may end up with more than one server. Keep in mind the one absolute when it comes to hardware: Do not go with cheapest equipment! Buying cheap hardware can cost you hundreds of times more in lost data and downtime than if you invest a few dollars more and buy good, reliable hardware. Finally, it the customer support that makes or breaks a company. Choose both a hardware and

software firm that is known for outstanding customer service even during the holidays.

Installation: Installing accounting packages can be quite laborious when you consider the amount of set-up detail needed for a package to run effectively. To install an accurate cost accounting system can take weeks or even months. Some installation topics include:

- How do you account for remnant moulding?
- When do you expense the entire raw material?
- How do you calculate moulding yield?
- How will you account for indirect labor?
- What is the most effective way to setup departments?
- How are labor costs allocated to jobs and departments?

Far too often, production framing companies that purchase accounting and production software fail to use it because they cannot overcome the obstacles they encounter during the installation. A poor installation will also result in inaccurate data and system errors in the future. Most accounting software providers do not offer installation, so a third party must be used. Third party installers can be hired at an hourly or per job rate and given a detailed list of duties. They also can function as impartial judge when examining the execution of the interface development and any modifications made to the software on your behalf. Talk to third party installers and find out what issues they have had with particular packages.

Training: Accounting packages can be fairly sophisticated and require extensive training. A certain base level of training may come with the package; more extensive training will require additional expense. When conducting due diligence with satisfied customers, you should ask how much training was needed to reach the required level of competence. The training component of accounting software is critical and costs several thousand dollars, but it is extremely important and must be done.

Data Migration: Data migration is one of the most critical aspects of the project. Existing data will have to be imported into the new package. This will require that the data be categorized and assigned to the proper accounts, tables, and fields in the new software. This can be very labor intensive and requires highly competent professionals. They generally need an in-depth knowledge of the new software package and an accounting and software background. They can be expensive, with fees for data migration running as much or more than the initial fee for the software. Yet they are generally worth far more than the fee they charge. If the data is assigned to the wrong fields or departments, the accounting package will produce inaccurate reports. The cost of data migration must be budgeted into the process.

Security: Your entire business will reside within this package. Therefore, security is of the utmost importance. You need a detailed plan for protecting your data from

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human intrusion, including This may include virus and spam protection, firewalls, and more. Also plan for a variety of security levels so internal eyes cannot peer at the data. The most forgotten protection is backing up data. You can set up your server to backup automatically, but if your building burns down so does your backup. That's why more firms are opting for data storage by firms that automatically back up data every night and store the information offsite. The cost is as little as \$10 a month, but it can protect you from disaster.

Miscellaneous Costs: There are miscellaneous and soft costs that can sneak up on you. These include software-specific servers, printers, and forms. Also consider costs for additional development of your website to accommodate the new software. You may also have to change the way you handle incoming orders and production. What about the impact to your customers? They may have to change their method of payment or the timing of their payments to accommodate your new system. These soft costs can be staggering if you're not careful.

When looking at accounting software, develop a budget that includes:

- Consulting time from a tax advisor for due diligence
- Consulting from an accounting software consultant
- Software costs
- Hardware costs
- Installation costs
- Training
- Data migration
- Integration
- Miscellaneous and soft costs.

Other Steps

While you should begin your due diligence by talking to your accountant, you will need to consult with your in-house staff. Here are a few questions to ask them:

- Do you have any ideas on the best package?
- What reports do you use most often?
- How would you like those reports to look?
- What reports would you like to have?
- What would be of greatest benefit for you to do your job more effectively?
- What do you like/dislike about the current system?
- What systems, methods, or procedures are important to our vendors and customers?
- What are your greatest fears about a new system?

You need input from those who will use it the most, and you need them to accept the system. If they have no input, both your people and your accountant will use the accounting software as an excuse when things go bad, so get all stakeholders involved in the process early.

Next, meet with an accounting software consultant to help you develop an RFP (Request for Proposal). This document specifically lists all your needs, wants, and requirements for developers bidding on your project.

When the RFP is complete, your consultant will send it to all prospective vendors so they are bidding on the same requirements. You will also use this document to verify change orders, measure the performance of the developer, and as a timeline. An RFP can typically be completed in about 90 days.

From the day you start your due diligence, it generally takes 6 to 12 months to implement an accounting package. However, do not assume you are done for life. As your business and the markets change, so will your accounting needs. Assume that you will be doing continuing development on your accounting package.

Finally, remember that IT projects rarely come in on time and on budget. It's better to assume more time and money will be needed. Budget an extra 20 percent and 3 months to play it safe. The cost of the software is the tip of the iceberg. Just don't let what's hidden sink your ship. ■



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Chaz has also been a consultant with Ajilon Consulting, IBM, Compaq, and Hewlett-Packard.

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