DIGITAL DOCUMENT IMAGING OF ASSOCIATION RECORDS

Roy Helsing, The Helsing Group (Speaker), **Lonnie Hines**, LR Hines Consulting (Speaker), **David Levy**, Levy & Company, CPAs (Moderator, Author Of This Article), **Rod Miller**, Electro Imaging Systems (EIS) (Speaker)

Advantages Of Document Imaging

- Never lose another important document.
- Save money on copy machine charges, paper, toner, envelopes, mailing labels, postage and, most importantly, the cost of the labor to do the foregoing, including the time taken for the telephone call or email requesting the documents.

  A 1995 study by the international CPA firm Coopers & Lybrand found that the average office ...
  * **Makes 19 copies of each document**
  * **Loses 1 out of 20 documents**
  * **Spends $20 on labor for filing each document**
  * **Spends $120 searching for each misfiled document**
  * **Spends $250 recreating each lost (or misfiled) document**
  * **Spends $25,000 to fill the average 4-drawer file cabinet and another $2,000 per year to maintain it**
  * **These costs would, of course, be higher in 2005 dollars**

- Disaster-proof your records from fire, water damage, etc.
- Quickly and easily retrieve documents for viewing and/or printing.
- Quickly and easily transmit documents to owners, realtors, lenders, etc.
- Have the option of charging for records transmitted to owners or others.
- Have the option of making certain documents read-only vs. downloadable/printable.
- Restrict access with separate password protection for Board members, owners, others.
- For California associations, be able to easily meet the 10-day time limit for records production to owners mandated by Assembly Bill 104 effective January 1, 2004 as Corporations Code Section 8333.
- Do your own document scanning, uploading and management and save $$$, or, for those with less technical expertise, let the professionals do it at modest cost.

What Is Document Imaging

In its simplest form, digital document imaging involves the conversion of paper documents to images which may be accessed on a desktop computer. It is also possible to convert wordprocessed or spreadsheet documents to electronic form without first printing them to paper (i.e. the files are "printed" to a **.pdf** format (described below) instead of a paper and toner printer). In a broader sense, imaging refers to the process of handling documents in an electronic format, including scanning, indexing, filing and retrieving. The foregoing related processes might be considered under the umbrella of a relatively static "file cabinet" application.

In more sophisticated applications, the dynamic concept of "workflow" is employed whereby electronic documents may be addressed or worked on by different users while flowing through the work environment. One possible future application for the community association industry might involve a maintenance request (by an owner) which is accepted (by a management agent) who obtains approval (from a Board member) which work order is transmitted for implementation (to a vendor), and so on.

In order to accomplish the foregoing document imaging and retrieval tasks, the following resources are needed:

1. Hardware

    a.   A computer
    b.   A storage device (for data backup such as CDs, DVDs, external hard drives, etc)
    c.   A scanner (in the case of converting existing paper documents)
        (1)   Platen (for one-page-at-a-time applications)
        (2)   Sheet-fed (for high speed multiple sheet applications)

2. Software

    a.   Scanning/indexing/filing/retrieval software (e.g. Adobe Acrobat, Laserfiche, Doculex, SIRE, etc.)
    b.   Web browser for viewing scanned documents (e.g. Internet Explorer, Netscape, Firefox, etc.)

3. Labor

    a.   To put the system together – typically a computer consultant or value added reseller (VAR)
    b.   To implement the system
        (1)   Clerical labor for input (this cost can be significant if significant prior period records are to be scanned (often referred to as "back scanning"), or documents to be scanned are in poor condition and require special handling)
        (2)   Administrative/management personnel trained in retrieval

Scanned files are typically **.tif** files. A text image may be converted into a text-searchable file (i.e. ASCII computer characters) using OCR (optical character recognition) software. OCR programs can save files in a variety of formats including **.txt** (text), **.rtf** (rich text format which can be read by Microsoft Word), **.html** (hyper text markup language for internet posting) and **.pdf** (explained below). One of the newest technologies, similar to OCR is ICR (intelligent character recognition) which involves the recognition of handwritten materials. Needless to say, the proper recognition rate of OCR and ICR systems depends greatly on the physical quality of the scanned document, and the clarity and formation of the characters in the document.

Scanned files may also be scanned as (relatively) unalterable images using the Adobe Systems' Acrobat program as **.pdf** (portable document file) files. or as searchable **.pdf** files using Adobe Acrobat. It is also possible to use specialized software to convert Microsoft Word (wordprocessed) **.doc** and Microsoft Excel (spreadsheet) **.xls** files to **.pdf** files. Besides the ability to make a document readable across a multitude of computer hardware/software platforms, **.pdf** files have the additional advantage of providing often significant compression of file sizes over that of the original document.

Cost Of Document Imaging – Onsite Approach

While some vendors have, at times, attempted to create a single-source, all-in-one digital imaging system "out of the box" (e.g. Canon's Model CD-4046 Digital Document Recorder which scans documents to an internal hard drive and then burns them to an internal CD-rom drive), the most common approach today is a combination of hardware and software which is carefully assembled by a knowledgeable "value added reseller" (VAR). The primary components of such a system are as follows:

- **Computer** – dedicated to the document imaging task; while it is not essential to have a dedicated system for this purpose, it is highly recommended for all but casual document imaging applications

- **Storage device and media** – for backups, such as DVD or CD drives and disks (cost $200 to $300 plus media) , Iomega Zip drives and disks (cost $100 to $300 plus media) or external hard drives (e.g. 300 Gb Maxtor for about $300); more sophisticated systems might use a hot-swap external RAID (redundant array of individual drives) system costing $5,000 to $10,000

- **Scanner** – sheet-fed automatic models range in price from $1,000 to $10,000 (see www.betterbuys.com and the publication Better Buys For Business for testing and pricing of scanners. Typical resolutions are 200 to 300 dots per square inch (dpi) which is more than adequate for most text-based documents. While the majority of business-oriented document imaging scanners are black-and-white only models, color-capable machines are becoming more affordable.

- **Software** – ranges from simple do-it-yourself-style applications using Adobe Acrobat (cost $300) to more sophisticated preprogrammed packages such as Doculex, Laserfiche and SIRE (from $3,000 to $7,000 for single-user applications); allows for the production of .non-changeable image and text-searchable files in multiple formats (e.g. .tif, .pdf, etc.)

- **Expertise** – commonly referred to as the consultant or value added reseller (VAR), this element, along with installation and training, is essential to the successful implementation of a digital document imaging system in all but the simplest applications

Cost Of Document Imaging – Third-Party Service Bureau Approach

Want to avoid the cost and technical complexities of doing-it-yourself? Well, there is good news. The cost of imaging important association documents has finally come down to a price point which is affordable to even the most frugal common interest development. At least one third party vendor serving California community associations has established a pricing structure which starts as low as $19 per month for maintaining multi-level (Board, Owner, Special and Public) password-protected access to documents.

Types Of Association Documents To Be Imaged

Accessing scanned documents depends on the utilization of a well-thought-out index. In the case of one third-party vendor serving the community association industry, scanned documents may be coded by (1) document type, (2) year and (3) month allowing tree-structure-simple access to documents utilizing multiple fields of information. The following is one possible coding scheme for documents used by the aforementioned third-party vendor:

Typical Frequency	Document Code	Document Description
Permanent	ART	Articles of incorporation, and amendments to
Periodic	ASG	Assessments, agings, detail, special, etc.
Monthly	BNS	Bank statements, reconciliations, signature cards, etc.
Periodic	BRD	Board meeting packages
Permanent	BYL	By laws, and amendments to
Permanent	CCR	Covenants, conditions and restrictions, and amendments to
Monthly	CKR	Check registers, operating and reserve
Monthly	COE	Correspondence, e-mails, paper, etc.
Periodic	COL	Collections, delinquent assessments, liens, etc.
Periodic	COM	Committees
Periodic	CON	Contracts, management, etc.
Monthly	DEP	Deposits, bank
Periodic	DIB	Directory of Board members and/or committee members
Periodic	DIO	Directory of owners, including Board members
Periodic	DIS	Disaster preparedness plan and procedures
Periodic	DIV	Directory of vendors and service providers
Permanent	DRE	Original DRE-approved project budget
Periodic	EDM	Escrows, demands, etc.
Permanent	EXM	Franchise Tax Board (FTB) exemption from minimum tax
Permanent	FAC	Common facilities owned per DRE files

Annual	**FIC**	CPA-prepared annual financial statements
Monthly	**FIM**	Financial statements monthly
Permanent	**FLR**	Unit floorplans
Monthly	**GLM**	General ledger monthly
Annual	**GLY**	General ledger annual (year-to-date)
Periodic	**INC**	Insurance, claims, claims history, etc.
Annual	**INP**	Insurance, premiums, policies, summary, etc.
Periodic	**LEN**	Lender matters, bank loans, etc.
Periodic	**LGL**	Legal matters
Permanent	**MAJ**	Major components, maintenance, operating manuals, etc.
Periodic	**MAS**	Maps of project site, facilities, driving directions, etc.
Annual	**MAU**	Minutes of annual meeting, unapproved
Monthly	**MGR**	Manager's report
Annual	**MIA**	Minutes of annual meeting, approved
Periodic	**MIC**	Minutes of committee meetings
Periodic	**MIE**	Minutes of Board executive sessions
Monthly	**MIN**	Minutes of Board meetings, approved
Monthly	**MIU**	Minutes of Board meetings, unapproved
Monthly	**NEW**	Newsletter
Periodic	**OTB**	Other documents, Board access
Periodic	**OTO**	Other documents, owner access
Periodic	**OTP**	Other documents, public access
Periodic	**OTT**	Other documents, title co, lender, realtor access
Periodic	**PAG**	Payables, agings, invoices, annual Forms 1099, etc.
Permanent	**PFL**	Project profile and description
Permanent	**PIC**	Pictures, project
Periodic	**PIM**	Pictures, common area major components
Annual	**PRO**	Pro forma operating budget, member disclosures
Periodic	**RSV**	Reserve study, component study and/or funding study
Periodic	**RUL**	Rules and regulations
Periodic	**SOC**	Sec of State, statement by common interest development
Annual	**SOO**	Secretary of State filings, statement of officers
Permanent	**SPR**	Subdivision public report, final phase only
Permanent	**SP2**	Subdivision public report, other phases
Annual	**TXI**	Taxes, income, Income tax returns, notices, etc.
Periodic	**TXO**	Taxes, property and other

User-defined	**Z01**	User-defined category
User-defined	**Z02**	User-defined category
User-defined	**Z03**	User-defined category
User-defined	**Z04**	User-defined category
User-defined	**Z05**	User-defined category
User-defined	**Z06**	User-defined category
User-defined	**Z07**	User-defined category
User-defined	**Z08**	User-defined category

How To Use Digitally Imaged Documents

Ready access to documents facilitates, in a very cost effective manner, the conduct of association business by Board members, managers, owners and others. By implementing a system which specifies both (1) password-protection and (2) viewing versus printing rights, the Board can, for the most part, control both (1) access to specified files and (2) dissemination of information.

One ideal application, which will hopefully not be needed by most associations, involves compliance by an association with the demand by an owner to access to specific association records. This "request", as discussed above, must, under California law, be met within 10 days. By providing controlled, limited access under the "special" level encompassed by one third-party vendor, the owner's request can be easily met without the need to spend manhours collecting requested documents, and additional manhours monitoring (in the same room) access by the owner and, later, refilling said documents.

In another application, associations are scanning information on individual major components, such as pictures, warranties, maintenance manuals and invoices, into readily-retrievable files for reference and as a valuable informational tool for reserve study preparers in the once-every-three-years reserve study exercise (in California).

Many other applications can be easily imagined. With digital document imaging, you have control over your documents. The sooner your association implements this exciting new technology, the sooner you can say goodbye to the goose chase of looking for important documents.