

# Back to Basics: Document Management Best Practices

Finding effective solutions for managing business data is one of the biggest obstacles businesses encounter in reducing costs, improving service, increasing productivity, and meeting regulatory requirements. Companies around the world have realized that manual and paper-based processes for managing mission critical documents and files are inefficient and expensive.

This document discusses some of the pain points that all businesses have and the best practices for managing documents electronically to solve those pain points.

## 1. Consistent Folder Structures

Most businesses have a large problem with staying consistent with the way folders are named and structured. Folders are mislabeled and forgotten when creating new folder structures.

**Best Practice:** The eFileCabinet document management software allows you to create templates for consistent creation of file folders for each of your clients. eFileCabinet provides templates for these file structures that your company can adopt and modify, or your company can create the file structure templates the way that you want to.

File structure templates can be created for each of your file cabinets. For example, accounting clients, HR, investment clients and accounts payable to name a few. These structures can be mass applied across the entire client base for each new tax year thus saving countless hours.

## 2. Consistent Naming of Documents

Businesses not only have problems with the consistency of naming folders, but with the consistency of document names. People constantly name files the way they want, which creates a major headache when searching for the files.

**Best Practice:** In conjunction with the templates that the eFileCabinet document management software provides, your company can include templates for the names of documents that you expect to find in each folder. These are called pre-defined document names. If one of your folders will contain tax documents, you may find the following pre-defined document names: Tax Return, Source Documents, Engagement Letter and Tax Organizer. These pre-defined document names create a way to remain

consistent in the way that the documents are named as you and/or your staff stores the files away in eFileCabinet.

Just like the folders in the folder structure templates, the pre-defined document names are completely customizable. Suggested pre-defined names are given with the template structures that eFileCabinet provides, which can be modified at any time. The pre-defined document names can even include a formula that will provide the current date to be included in the document name. By putting the date at the beginning of the document name, all files will be in chronological order when looking in the folders.

### 3. Maintaining Multiple File Cabinets for Your Business

You are probably using more than one file cabinet to store all of your business documents, one cabinet for accounting/tax, one for investment client data, human resources and other business administrative documents. But how do you do this electronically? eFileCabinet allows for a complete emulation of your physical file cabinet, from the cabinet down to the drawers, folders and files.

**Best Practice:** The best solution for your office is to create multiple virtual file cabinets. Creating individual file cabinets for your accounting clients and investment clients is especially critical when it comes to having an audit. This allows an auditor for the investment side of your business to only view the investment files and not the other files that pertain to your business.

The majority of other document management solutions found on the market do not allow you to go paperless throughout your entire business. They only allow your company to go paperless and manage your data for the tax and accounting side of your business. It is recommended that when using eFileCabinet for your business that you have the following file cabinets created: Accounting (or Tax) Clients, Investment Clients, Human Resources, Accounts Payable, Accounts Receivable, Archive File Cabinet and Administration.

### 4. Granting Access to Documents and File Permissions

A common theme that we hear from our customer base is that the amount of confidential data continues to grow at an alarming rate within their practices. This, of course, leads to an increasing number of threats to confidential information from both external and internal sources. This data includes documents for their clients, their own financial information and HR records, to name just a few. Evaluate your situation (paper office or less paper office): Are your documents protected and able to be accessed by only those who are properly entitled?

**Best Practice:** We recommend that you set up role-based security within eFileCabinet. User groups and individual users are created with pre-set access rights. In other words, this allows an administrator to determine what kind of access each user will have, including what file cabinets they have access to and what type of access they have for documents. The role-based security in eFileCabinet can be placed on



every level, file cabinet, drawer, folder and document. This functionality permits you to grant access to administrative assistants and other office employees who are associated persons with your securities firm so that they may access investment information while simultaneously blocking non-associated persons from accessing this information.

## 5. Setting Appropriate Document Retention Policies

Keeping documents longer than needed is a common problem, especially for accountants. Documents are retained for a longer period of time, mostly because it is painful to purge the documents (paper or electronic) or simply because most people don't know how long they are required to keep certain documents. Purging electronic files has become a larger problem than paper since hard drives have become more affordable. It still comes down to liability of holding onto documents that have reached their maturity date.

**Best Practice:** Each industry has rules and regulations on how long your company must maintain a copy of your documents. In the financial industry, documents are generally required to be kept for seven years however you should consult your compliance manual for the retention requirements for specific documents. eFileCabinet has a document retention module that allows your office to set the retention policy on all documents entered into a specific file cabinet. Once the document enters the cabinet, the files are locked down and prevented from being deleted or modified until the document has reached its maturity date. When setting up the retention policy, the administrator can determine what action will be taken on each file. These options include purging, moving (archiving), and copying the files.

## 6. Sharing Files Securely

One of the most common questions you may ask yourself is, "Are my files being protected?" Did you know that a common way that we open up data to the rest of the world is through email? Emailing files is the most common way to share files with others. Mailing or FedEx-ing your documents are other common (slow and expensive) ways to share working documents. Companies run into having methods of sharing documents with clients or colleagues that are unsecure, expensive and unreliable in most cases.

**Best Practice:** Transferring information with social security numbers, birthdates, full names, etc. is no longer secure through email and therefore generally prohibited by securities firms and businesses. Mail and FedEx can be expensive and unreliable in arriving to its destination on time. eFileCabinet provides an option for transferring your files securely to your non-securities clients, vendors, or employees.

One of the best solutions for sending your files to and from your non-investment clients (*e.g.*, accounting clients or clients from another approved outside business activity) is using online client portals. This program is currently not available for use with your securities clients. eFileCabinet's



SecureDrawer allows for you to securely transfer files quickly and securely. Once a file(s) has been uploaded to the portal, a notification email is sent to the receiver notifying him/her that a document(s) has been uploaded for access. The receiver then logs into the portal using their username and password to gain access to the data provided. The receiver can also upload files to your office for quick access. Files being transferred to/from SecureDrawer are encrypted at 128-bit AES encryption.

## 7. Securing Data in Transit and at Rest

In most offices that begin the paperless process, the question arises, “How secure are my documents?” Offices that have made the decision to go paperless are realizing that their folders and files can be easily manipulated and deleted because of the lack of security that is in place on the file structure they have created. Most of the time these problems are due to the use of Microsoft Windows® folder structures and the lack of file encryption or knowledge of how to encrypt the files.

**Best Practice:** Files in eFileCabinet are automatically encrypted at 128-bit AES encryption when the files are stored and being transferred from the computer to the server where the files are being stored. Files stored in eFileCabinet cannot be accessed via the Windows folder structure.

Certain operating programs, such as Windows, do not provide critical metadata and audit trail information listing who is accessing documents and what they are doing. eFileCabinet offers a solution for Rule 17a compliance.

Files being transferred through the SecureDrawer Client Portal are also transferred at 128-bit AES encryption. The use of eFileCabinet’s Consensus Online Backup transfers files at 256-bit AES encryption and data resides at our data center at 448-bit Blowfish encryption.

## 8. Internal and External Audit Compliance

Have you ever sat through an audit of your business, internally or externally? Maintaining compliance with strict record retention rules like Rule 17a that your firm adheres to requires tracking all actions within your document management solution. This means tracking actions such as viewing documents, editing files, deleting or purging documents. eFileCabinet provides audit trail details to help businesses comply with strict record retention policies and establish strong managerial oversight of employee work in the office.

**Best Practice:** The process of passing an audit with your compliance officer can be smooth and very simple. Maintaining the file structure for the investment side of your business that eFileCabinet provides creates a consistency in the file structures and will allow auditors to quickly locate files and documents necessary to perform their audits.



eFileCabinet also provides an internal audit trail to run reports on actions that are taking place within the eFileCabinet software. The audit trail can be run on an individual item in eFileCabinet or across the whole system. The audit trail tracks everything that happens within the software, from the time a user logs in to what the user did during their session. Filters can also be applied to search through the data found in the audit trail. The audit trail cannot be deleted or modified by its users. And once again, compliance auditors can quickly run searches within the audit trail module and quickly have a snap shot of what is going on within the software. This functionality can help you demonstrate compliance to auditors and also permit you additional oversight over your employees' work.

## 9. Managing Unstructured Data (Email, My Documents, Word and Excel)

Look at your computer desktop. Now look in your "My Documents" folder. Companies have data that has been and is completely unmanaged. These types of documents include emails, Word and Excel documents and even pictures.

**Best Practice:** eFileCabinet was not created to manage only archival documents. All active working documents that are normally stored on your desktop or your My Documents folder can be organized and managed directly in eFileCabinet. This also ensures that your company is working on the current version of the document, not the version that was created five years ago.

## 10. Eliminating Dual Entry Errors

Of course it is common that companies use a wide variety of different software solutions to help better manage their data. This commonly creates a process of having to duplicate the input of information for the client, vendor, or employee. With this duplication comes inconsistency in the spelling and information that was captured with other programs.

**Best Practice:** eFileCabinet provides integration within different software packages to help eliminate dual entry and errors that occur during that process. We have an open interface that allows us to integrate with different software, pending the approval of the other software solution.

eFileCabinet's integration with QuickBooks is a great example for the elimination of dual data entry. Information keyed into QuickBooks is transferred and linked to documents with the simple click of a button. This information includes, but is not limited to, data such as vendor name, invoice number, amount due, addresses, phone numbers, etc. Most companies have to enter this type of information multiple times making them inefficient, wasting valuable time and subjecting the data to error.