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DMS Aims to Eliminate Paperwork

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FIVE YEAR ANNIVERSARY ISSUE

By Randy Threndyle

Electronic Purchase Order
System Eliminates Paperwork

This issue marks Canadian Apartment Magazine's fifth anniversary as a national publication. In our first national issue in 2003 we profiled DMS Property Management. To mark the anniversary issue we once again call on the DMS to see what has changed in the company and the industry.

Managing a wide-ranging portfolio that includes both public housing and privately-owned multi-residential properties requires tight control of expenditures and up-to-the minute financial information. It also requires keeping track of contractors and buildings spread over a wide area.

For DMS Property Management Ltd., a Toronto-based third-party management company, the answer has been a move away from paper-based accounting systems to a Web-based property management system that keeps track of everything from purchase orders to contractor credentials.

DMS manages about 12,000 multi-residential units in 50 municipalities across Ontario. Moving information between wide-spread apartment complexes and regional offices required developing a software solution that was above and beyond what was available in standard property management software.

In 2004 DMS began using Yardi Voyager, a Web-based management system for multi-residential real estate management. The Yardi software allows users to combine accounting and property management data into a single database. Since the system is Web-based, anyone with access to the Internet can input or receive reports.

Paul Smith, Chief Administrative Officer of DMS says the goal of the system is to speed up the reporting process and improve the information provided to clients. In order to do that

DMS has been working to eliminate paperwork and replace it with electronic files, especially where purchase orders are concerned.

The company handles about $130 million of expenses on behalf of its clients each year and writes about 40,000 cheques per year. "For each cheque that's produced we have to have all the supporting paperwork and backup. Every invoice that's attached to a cheque has to be approved by a property manager. Then for every invoice we want to have a purchase order. So it's an awful lot of paperwork that gets built up," says Smith.

To reduce that paperwork the company has focused on developing software that can create an electronic, rather than a paper purchase order. The proprietary software is Web-based and is integrated into the Yardi Voyager system.

The advantage of an electronic purchase order is that it allows a property manager to produce a purchase order and get it approved without ever leaving the office.

Rob Watt, Chief Operating Officer for DMS, says "In the old days you would fill out a purchase order that would have to get mailed or couriered to your boss for a signature and then maybe to that person's boss and then sent back."

By doing purchase orders electronically a manager, no matter where he is in the province, can send an e-file and get approval, often in a matter of minutes. Once approved the purchase order is sent to the contractor electronically and work can begin immediately.

"It not only reduces paperwork, it also speeds up the approvals process immensely," says Watt.

For clients it's meant that work is completed much faster. "Once they approve a purchase, work can start immediately," says Smith. That improves the client relationship as when the issue is reviewed at the next meeting with the client the work is often completed. Under the old paper purchase order system, weeks could go by before the work was started. That's important, says Watt, as any purchase over $2,000 requires client approval. Internal procedures are in place to handle amounts under $2,000.

DMS first began testing the electronic database system three years ago. To date the company has managed to convert about half of its business to the electronic model and expects to have all of its suppliers and customers on the system before the end of this year.

Accurate Accruals

Electronic approvals have also made the company's month-end financial statements to its clients are much more accurate.
In the past, says Watt, DMS had to rely on paper purchase orders making it to the accounts payable department prior to month end so that proper accruals could be calculated. Since all the purchase orders are transferred by email, they arrive at head office the moment they are filed.

That allows the company to do month-end electronic accruals for all outstanding or open purchase orders. "In terms of our financial reporting, what this tool allows us to do is strike the accruals and be 100 percent accurate," says Watt.

That's a budgeting advantage for the owner as they're not waiting for the purchase orders to come in from buildings across the province. They can close the financial statements and get the month-end report for that client, safe in the knowledge that all monthly expenses have been properly accounted for.

The electronic purchasing system has also been a hit with auditors. Since the company is a third-party manager, all of its books are audited by the client's auditors. In order to satisfy the requirements of a variety of auditors, companies like DMS have to do proper accruals and issue financial statements that meet the needs of the auditors employed by the company's clients.

The auditor goes over the statements and determines whether the statements are correct, whether generally accepted accounting principles (GAAP) were followed, and looks for any issues that the client should be aware of. "These tools we have developed allow us to be even more accurate so the audits are better and the clients are happy," says Watt.

He's also finding that more and more clients are using audits to "drill down" into standard operating procedures. Auditors, he says, are more and more concerned about internal quality control, and procedure adherence. That's mainly due to an increase in the need for corporate governance in all corporate structures.

In many cases, private companies need the same level of accountability as publicly traded companies or REITs. "The amount of scrutiny on internal operating procedures is way higher than what we have experienced in the past. These sorts of tools help us to get through this process efficiently."

THE DMS GROUP
CORPORATE STRUCTURE
A COMPARISON

2003 | 2008

The DMS Group

· 14 Million Square Feet under management	· 16 Million Square Feet under management
· 10,800 units	· 14,750 units
· 206 staff	· 321 staff

Del Management Solutions Inc.

· Government Contracts	· Government Contracts
· Corporate Overheads and Payroll	· Corporate Overheads and Payroll

Delcom Management Inc.

· Investor Owned Commercial/Retail	· Investor Owned Retail/Industrial/Office

DMS Property Management Ltd.

· Residential Retail	· Residential Retail

DMS Campus Services Ltd.

	· College/University Residence Management

Since DMS manages properties for a wide range of clients, it's meant that they must meet the needs of a wide range of auditors. Since each auditor has a different approach, having accurate, easy to read statements is essential to both the audit process and retaining clients. "A large measure of our success is what the client's auditor says about us," says Watt.

Supplier Qualification

While the transfer to electronic purchase orders has worked well, there has been less success in creating electronic invoices. In general, says Smith, suppliers are still in the paper world when it comes to sending an invoice. "I don't think that will change overnight," he says adding that many suppliers are small contractors who are used to using paper invoices.

They have, however, been able to use their electronic database to improve the process of supplier qualifications.

DMS requires that all suppliers meet certain minimum requirements. They include proof of general liability insurance and verification that they are registered with WSIB. These documents, along with other general condition documents, must be filed with DMS before any contractor or supplier can be approved. The documentation is then filed on the DMS supplier database.

In order to ensure that all supplier qualifications are up-to-date, they have tied the supplier qualification documents into the company's electronic purchasing system. If a document is missing or has expired, a purchase order can't be issued.

"We have over 400 suppliers across the province and they all have to provide that documentation and provide updates to that documentation as it expires," says Smith.

Since the supplier qualifications are tied into the purchase order database, purchase orders can only be written for qualified contractors.

While getting up-to-date information from suppliers can be difficult, Watt says it's essential for the protection of landlords. If, for instance, a supplier does not have WSIB coverage and one of its employees is injured on the site, the liability could falls back to the landlord. "We take this seriously. We don't want anyone on our properties who isn't covered by WSIB," says Watt.

Since all the company's properties are being managed on a third-party basis, Smith says that proper documentation is essential. "We tell our clients that these are the procedures we follow, these are the protections we put in place for both ourselves and our clients."

DMS has also been able to use the database to track other supplier information like contract expiry dates for landscaping and snow removal. Since all the information is on the database, all of the company's managers have access to it and can easily track when contracts begin or end.

In-House Software Solutions

While DMS and its employees have made a number of innovations and additions to the Yardi system, Smith is quick to point out that they are in the business of property management, not information technology or IT as it is often described. That's meant that as much as possible they have tried to use off-the-

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self software and adapt it to their needs, rather than developing software in-house.

Both Smith and Watt teach a course on managing IT needs in property management at the University of Toronto. "One of the gospels that we try to preach is enterprise-wide information solutions and finding commercial off-the-shelf software solutions that will satisfy your needs without having to do too much in-house development," says Smith.

But the reality is that you can only go so far with any commercial application. There comes a point, he says, where there is no commercially available product and it is only when that point is reached that a company should begin the process of in-house development.

Since DMS has a wide-range of clients, they have often seen the effects of in-house software development. Often the property management division is forced to use a software package that is being used or developed by the rest of the organization.

"We've seen lots of examples on our client side where they have spent million or perhaps tens of millions of dollars on applications that aren't really very well suited to real estate.

"We tried to choose applications that are specific to real estate and not move into these mega applications," says Smith. "We've got to be cost competitive, so we're always concerned about how much money we're spending."

Another area where the partners have chosen to outsource their IT needs is in hardware and software management. Since the software is Web-based, all of the applications and data hosting is done outside the DMS offices.

"We don't have to worry about server crashes and backups. That's all been outsourced," says Smith. All of the company's databases are housed at a data hosting service in California.

They, in turn, have backup servers at other locations throughout North America. That means that there is no possibility that a client's data would be lost if something happened at one of the DMS offices in Ontario or at any of the locations where data are stored.

"Some of our clients, especially the government clients, ask for a risk management strategy on their data because we have all of their financial data on their buildings," says Watt. "By outsourcing it to a professional data management house the chance of losing any of client's data is slim and none."

Internal Quality Assurance

Another area where the system protects owners is through internal quality assurance. That means that safeguards built into the system make it difficult for any one person to approve something they are not allowed to authorize.

"An employee who is out there doing their own thing, hiring services and committing to things without getting proper approvals - that's a huge risk to any organization," says Smith.

"That's a fear of any owner," says Watt. "Who's watching the store? Who's making the decisions? That's where financial reporting and auditing are so important. They have to know that their money is being managed professionally and they are getting an accurate reflection of what's going on."

While both Smith and Watt are committed to using electronic databases to manage their client's portfolio, they say few in the multi-residential industry are following their example.

"We are hiring all the time and we're involved with industry associations, so we have a pretty good feel for what's going on in the industry, and we've not come across another company that's developed an application like we have," says Smith. **CAM**