CPA
Practice Advisor

Non-compliance can be costly in terms of fees and penalties – running into the tens of ...

Jim Boomer • Oct. 14, 2018

I recently had the opportunity to moderate a panel discussion on best practices in mergers and acquisitions from an IT professional's perspective. Over the past several years, mergers and acquisitions have gone from an occasional event to an oft-used tool for firms looking to grow and firm owners looking to retire.

Despite this uptick in activity, too many firms consider IT to be an afterthought

A common issue firms run into when acquiring a new firm is under-licensing. The firm being purchased may be completely under-licensed in certain software programs. Non-compliance can be costly in terms of fees and penalties – running into the tens of thousands of dollars in some cases. It can also cost the firm in terms of its ongoing relationships with vendors and outside entities. Those risks and costs should be factored into the deal, but firm leaders are unlikely to be aware of these potential issues unless they get IT involved early in the due diligence process.

Internet

The firm you're acquiring has internet access, so it shouldn't be a problem getting the new office on your network, right? Think again. Most internet service providers require 90 days' notice to begin servicing a new location, and the actual installation can take longer than that. When you involve IT in the M&A process early, they can help you identify such deadlines and map out a detailed timeline for implementation.

Contracts

Another task that IT can perform during the due diligence process is reviewing all technology contracts and agreements for termination fees and other risks. The firm being acquired may move over to the acquiring firm's systems and software on day one or transfer contracts to the acquiring firm. Either way, contracts and agreements with all outside vendors and service providers need to be reviewed for transferability, assignment and termination clauses. Otherwise, termination fees can be an unwelcome surprise after the deal is signed.

Retention policies

What are the record retention policies of the target firm and how do they compare to yours? A firm with tight retention policies may archive and erase emails after 30 to

180 days. The firm being acquired may not have procedures in place to save emails to

and messaging is often listed as a top priority for day one. Your IT team can help identify the messaging apps and other communication tools used by each party to the M&A event, whether it is used on-premises or in the cloud, and whether the firm will migrate to one standard or another. Failed or bumpy transitions to a new or shared messaging system can cause employee communication disruptions and negatively impact client service.

Domain

A firm's web domain is its face to the world, so how will the websites of the two firms be handled? A merger or acquisition can cause turmoil, leading to uncertainty for clients and potential clients. A cohesive message and a well-planned domain change can help maintain communication with clients and ease concerns during a time of change.

M&A transactions present a number of challenges to an accounting firm. Getting IT involved early in the due diligence process can help your firm avoid surprises and manage M&A transactions effectively while maintaining business continuity. You'll dramatically reduce risks, disruptions and unforeseen costs with proper planning, and IT plays a vital role in the process.

==========

Jim Boomer is CEO of Boomer Consulting, Inc.

Firm Management • Technology

Sponsors.