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Five Crucial Best Practices on Your Journey Down the Paperless Trail

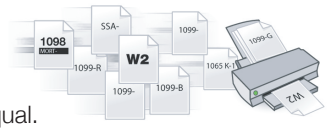
As firms progress forward with implementing a paperless tax workflow, they must chart their course carefully.

The paperless firm is no longer just a concept. It is fast becoming a reality in many firms, specifically in relation to the tax process. A traditionally paper-heavy process, many firms are implementing technology and procedural improvements to automate and streamline the tax workflow and significantly reduce the use of paper. Firms that have been successful in implementing a paperless tax workflow are using high-end scanners; scanning at the beginning of the tax process; and using dual monitors, editing software, and a document management system. These firms have also adopted powerful cloud-based applications that support a digital tax workflow by using solutions that were designed with paperless processing in mind—offering web-based platforms that automatically extract data from scanned client source documents and populate that data into tax preparation software. These solutions also organize and bookmark the documents, for an electronic experience with no single process point that requires the printing of paper.

Implementing a paperless tax workflow requires that firms take the entire process into consideration—from scanning procedure and dual monitor usage to a DMS and SaaS applications. To ensure a successful paperless implementation, firms can follow five best practices that will make the journey down the paperless trail far less bumpy.

The Five Crucial Best Practices

Many firms set out with the best of intentions for implementing a paperless tax workflow. Firm leaders identify the most advanced applications and move furiously forward. In many cases, however, implementation is stalled because of a failure to identify all the necessary process components. Having guided hundreds of firms on implementation and having collected ample survey data regarding the paperless tax workflow, five key best practices have been identified to ensure a tactically sound paperless tax workflow implementation.



Best Practice 1—Identify the Right Scanner and Scanning Process

It all begins with the **scanner**. It's important to understand that all scanners are not created equal. Different types have different capabilities—meaning different implications for the end user. Many firms are still using multi-function printer/scanner/copier devices, which in the high- volume world of tax preparation are not ideal. While multi-function printers make great printers and copiers, they are designed to scan low volumes of documents (about 10-15 pages per day). During the busy tax season, this won't cut it. A highly efficient workflow requires a serious scanner, so it's recommended that firms invest in a sheet-fed scanner that can scan 30-40 pages per minute, duplex (both sides of a page at once), with a daily duty cycle of at least 1,000 pages.

And don't forget about developing an appropriate process. Your **scanning process** is just as important as the scanner you use. A highly efficient paperless process calls for scanning at the beginning of the tax preparation process. By scanning client source documents on the front-end, you immediately position yourself for the efficiency gains that come from working with electronic files. First and foremost, front-end scanning allows you to take advantage of paperless tax workflow automation systems. These systems automatically organize data into a logically structured PDF and then extract tax data from the PDF to populate returns within tax preparation software…which leads us to Best Practice 2.

Best Practice 2—Implement a SaaS-based Paperless Tax Workflow Solution

Implementing the right paperless tax workflow solution is a fundamental step. As noted in Best Practice 1, these solutions output a bookmarked PDF containing all source documents—making easy work of finding and reviewing any tax document. These applications also eliminate manual data entry and paper handling altogether by automatically populating data from scanned tax documents into your tax software.

Consider the other benefits of using a paperless tax workflow automation solution with front-end scanning:

- Saves hours finding, entering, and reviewing client data.
- Standardizes workflow with consistently organized tax workpapers, no matter what order the documents were scanned in.
- Requires no knowledge of tax documents, making it easy for support staff to scan documents and upload for processing.
- Reduces data entry error rate of temporary staff; staff can use the labeled, bookmarked PDF to easily verify accuracy of extracted data.

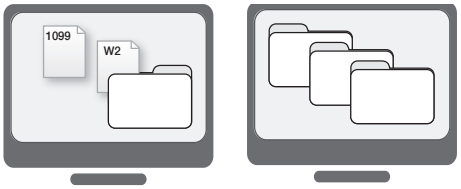
SaaS-based workflow applications are accelerating firm productivity to unprecedented levels—especially when you consider that in the traditional paper-based model, 40-50% of tax preparation time is dedicated to collecting, organizing, and entering tax data. Firms can make their paperless journey much less arduous by conducting a little research and identifying the appropriate workflow solutions to compliment their paperless process. These powerful solutions ensure an efficient process while ease of use supports long-term utilization by staff.

A few years ago, the firm of Patrick Accounting and Tax Services adopted a paperless tax workflow solution midway through tax season. They also transitioned to scanning source documents before preparation—using only electronic files to prepare returns.

"The workflow solution identified, organized, and bookmarked each set of client tax documents and returned them in a single, organized PDF file that was uploaded into our electronic file cabinet. This replaced our highly time-consuming manual sorting process. Each scanned tax document was bookmarked (indexed) to allow our tax preparers to quickly find and review any source document within the file," stated Matt Patrick.

Patrick reported that implementing front-end scanning, combined with the tax workflow solution, saved his team 45 minutes per return. They saved 30 minutes per return by automating the process of organizing and bookmarking the scanned client source documents, and saved an additional 10 to 15 minutes per return when entering and reviewing data.

— Matt Patrick, CPA, Managing Partner, Patrick Accounting and Tax Service



Best Practice 3—Develop an Electronic Filing "System"

If you plan to go completely paperless, you need to develop an electronic filing system that works for your firm. Only when you've truly transition to electronic storage of your tax documents can you enjoy the time savings and convenience associated with a paperless workflow. An electronic filing system can be as simple as networked file folders on a shared computer drive or something as sophisticated as a DMS. Both options facilitate firm-wide access to documents. The key differentiator is that with a DMS, the file structure is built in and the system enforces a uniform filing process.

For firms that create their own network filing system, development of a unique naming convention is required. However, you do not have to reinvent the wheel—create a filing system that's logical and will fit with your firm's existing conventions (e.g., name folders by Client ID and then create subfolders by tax year). Of course, a DMS will do all this for you. Consider all the benefits of an electronic filing system:

- Facilitates firm-wide access to client documents via network or internet connection.
- Gives staff the ability to get work done from anywhere they have an internet connection.
- Provides an electronic record of documents received from clients—making it easier to identify what is missing.
- Standardizes file organization to quickly locate individual documents and fulfill client requests.
- Reduces the need for paper storage and the cost of supplies related to copying, such as paper and toner.

Alan Sandersen understands the necessity of an integrated DMS within the paperless tax workflow. Return preparation begins with scanning on the front end, documents go through a leading workflow solution to organize and bookmark source files, and all documents are then electronically organized and archived in the firm's DMS. Having the document management system as part of the workflow offers a central location where staff can access any needed file immediately with a click of the mouse—and without having to manually search through volumes of paper files.

"The time saved by good workflow can then be applied to higher level billable activity," stated Sandersen.

— Alan Sandersen, CPA, Managing Partner, Sandersen Knox & Company, LLP

Best Practice 4—Implement Dual Monitors

A sound paperless process requires dual monitors at every preparer's workstation. Dual monitor workstations enable professionals to view multiple documents simultaneously, eliminating the hassle of toggling back and forth, minimizing and maximizing documents repeatedly, and working between monitor and paper copies. Dual monitors make it easy to prepare and review returns, because you can open digital workpapers on one screen and tax preparation software on the other—for full **on-screen review**. Taking the review process "on-screen," without a doubt, will reward you in hours saved during the busy tax season.

Jody Padar implemented dual monitors for all staff to support a complete paperless tax workflow. "Dual monitors support a highly efficient review process. We have the return up on one monitor and check it against the digital workpaper on the other. This speeds up our preparation process considerably. The traditional review process had us working between paper source files and the software, and that is time consuming." ***— Jody Padar, CPA, Managing Partner, New Vision CPA Group***

Best Practice 5—A Little Adobe Acrobat Training Goes a Long Way

Once you begin scanning documents, it is imperative to work with digital workpapers the same way you would paper versions. "Working" with documents refers to editing tasks, such as ticking and tying information. The best way to digitally tick and tie documents is through Adobe Acrobat Standard or a comparable PDF editing program. And while many firms use Adobe, it is important to appropriately train staff on the application's broad functions.

Training staff to use software tools that make it easy to work with electronic documents promotes a highly efficient on-screen review process. Adobe Acrobat provides several useful and timesaving tools that accelerate the tax preparation process. For

example, the application's "comment and markup" toolbar has just about everything required—allowing you to make tick marks (the software refers to tick marks as "stamps") and comments directly on documents. These comments are conveniently date- and time-stamped with the commenter's name.

Familiarize yourself and your staff with Adobe functionality. A little training will help staff leverage the full editing power of the application and save significant time during the review phase. Use of Adobe also supports a paperless process—no highlighters or sticky notes required.

> "The most efficient paperless tax workflow requires more than just an automated process for organizing and extracting tax data. When we implemented our paperless process, we encouraged all tax professionals to learn how to work with the scanned documents as you would with the original paper documents. We made sure our staff became proficient with Adobe. We've been very focused on training our staff to learn how to work with electronic workpapers – using Adobe to add notes and tick marks."
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> ***—Suzanne LoBiondo, CPA***

There are no shortcuts when implementing a paperless tax workflow. Time and effort is involved to ensure long-term success. This includes researching technologies, training staff, and following through on all phases of implementation. Remember also that technology is a big part of the paperless process, but the technology selected is only as good as the broad process that supports it. With this in mind, firms must follow the five key implementation best practices identified here to support a true paperless workflow—one that will ultimately pay rewards in the form of unprecedented efficiency gains. These five best practices include:

1. **Identify the Right Scanner and Scanning Process**
2. **Implement a Paperless Tax Workflow Solution**
3. **Develop an Electronic Filing "System"**
4. **Implement Dual Monitors**
5. **A Little Adobe Acrobat Training Goes a Long Way**

Following these practices will keep your firm on the right paperless path and have you enjoying the benefits of a complete paperless tax workflow before you know it. Happy trails!