

Automatic Retrieval Technology— Solving the Profession’s Biggest 1040 Tax Prep Challenge...Client Procrastination

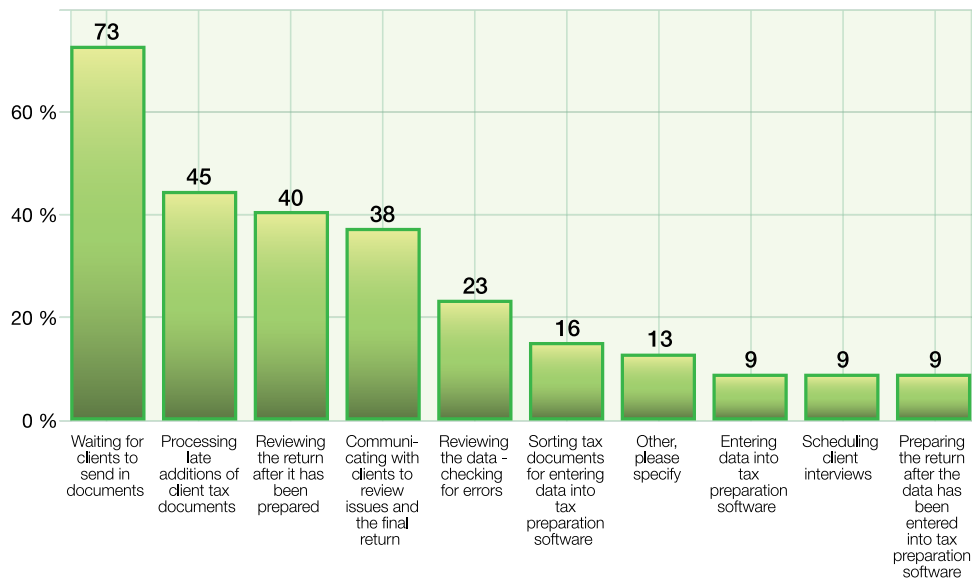
Auto retrieval solutions eradicate the issue of receiving source documents late in the busy tax season

By Ed Jennings, CEO, Copanion, Inc.

For years, tax professionals have dealt with a recurring issue during busy season: **getting client source documents in a timely manner**. You know the drill all too well. Tax organizers are sent to clients at year end, usually in November or December. The information comes back in drips. You start client follow-up calls in March to request forms, and then call again in April for outstanding source documents. It’s a frustrating and time-consuming process, and has proven to be a major challenge for firms.

In 2010, 850 AICPA members responded to Copanion’s annual tax survey that asked them, “What were the top three bottlenecks in your overall process to prepare and file returns this tax season?” A majority 73% answered, “Waiting for clients to send documents.” The second most popular answer at 45% was, “Processing late additions of client tax docs.”

What were the top three bottlenecks in your overall process to prepare and file returns this tax season?



2010 Tax Survey Results—Tax professionals agree that source document acquisition is the main issue during tax season.

It's clear that document collection is a key issue for the profession. Not only does it slow the tax prep process and hinder efficiency, it ties up resources, which directly impacts a firm's bottom line. The time spent calling and emailing clients to chase down documents adds up quickly.

In another part of the survey, participants were asked to provide specific feedback on issues with the tax preparation process. Responses clearly represent a cumulative frustration. Consider question categories and individual respondent answers:

Reasons for Process Bottleneck:

- "People are people and I always have missing items."
- "Clients don't realize the importance of the needed info."
- "I cannot control information received from third parties (i.e., brokerage houses, partnerships)."

Potential Resolutions to the Issue:

- "Request information sooner from the client."
- "Enforce deadlines with clients."
- "Send out a reminder letter."
- "Hire a full time person for tax season to call clients with forms outstanding for over two weeks."
- "Get more electronic information from clients!"

There are a few important trends identified in participant answers. First, in reference to reasons for process bottleneck, tax professionals clearly realize that getting the information is an issue, whether it's from the client or a third party. The theme appears to be that document collection is something that the firm cannot control. This way of thinking is dangerous because it puts control of the process solely in the hands of the client, when it's the firm that should be calling the shots.

Second, in regard to potential resolutions, the majority of participant answers have one element in common—increased cost. Requesting information sooner, enforcing deadlines, and sending out reminders all require additional follow-up action, and that means more time and more money. Hiring a full-time seasonal staff member can also hit a firm's bottom line hard.

Among the slew of responses received pertaining to resolutions, several indicated that there are professionals who are on the right path to solving the issue: "Get more electronic information from clients!"

Portals are *Part* of the Solution

Everyone has heard the buzz around portals over the last several years. It's the way the profession is moving; there's no denying it. And it's about time. Portals provide clients with the convenience of real-time access to documents and solve the issue of having to email, fax, and deliver paper files. The fact is that more and more documents are being provided in digital format, including tax returns; financial, bank, and brokerage statements; loan agreements; engagement letters; and more. Portals provide a conduit to move these documents conveniently between the firm and their clients.

With data security as an ongoing concern in the profession, it's important to note that portals are much more secure than email. State legislation has driven heightened security measures, requiring vendors to maintain compliance with state encryption laws.

Portals also enable version control. Only the most current version of any given document is made available within a client's portal, offering a single point of access. Attaching documents within email is far less reliable in assuring document integrity and version control, as several versions may end up in the recipient's Inbox and stored in multiple locations on local or network drives.

Finally, and perhaps most importantly, portals represent the level of service that today's clients expect. Clients are busy running their businesses, leaving little time to deal with administrative tasks. The convenience of web-based accounting services is a must, offering a way to communicate with their trust advisor quickly and efficiently. Think about it. Would anyone use a bank that didn't offer online services?

Portals are fast becoming a necessity. The 2010 tax survey further supports this stance with 21% of survey respondents indicating that they use portals to support basic file exchange. However, while portals facilitate electronic document exchange and delivery, the technology does not solve the issue of client procrastination with document delivery. Nor do portals alone help with tracking and gathering critical forms such as 1099's, corrected 1099's, W-2's, K-1's, mortgage statements, and more. Portals are only part of the answer.

A word on portal security...

Security is still at the top of everyone's mind; especially as state and federal laws continue to get stricter regarding the security of clients' personal information. In fact, a few states, including Massachusetts and Nevada, now require practitioners to encrypt emails that contain client data classified as "personally identifiable." Several other states have similar legislation pending.

Leading portal solutions alleviate the concern around security because they offer advanced encryption (128-bit SSL) of data. Leading vendors also ensure 100% network uptime and perform scheduled redundant data backup.

The Next Step: Automatic Document Retrieval

In simplest terms, auto retrieval technology provides a secure web interface (portal) where clients can connect with leading financial institutions and brokerage houses to set up automatic retrieval of source documents. This technology is intuitive and requires minimal setup time, making it convenient for the firm and clients. Tax preparers simply direct clients to a password-protected, individually customized interface where the client enters login credentials to each of their online accounts. As they become available, auto retrieval technology retrieves posted 1099 consolidated brokerage statements and other forms and delivers them directly to the firm for processing.

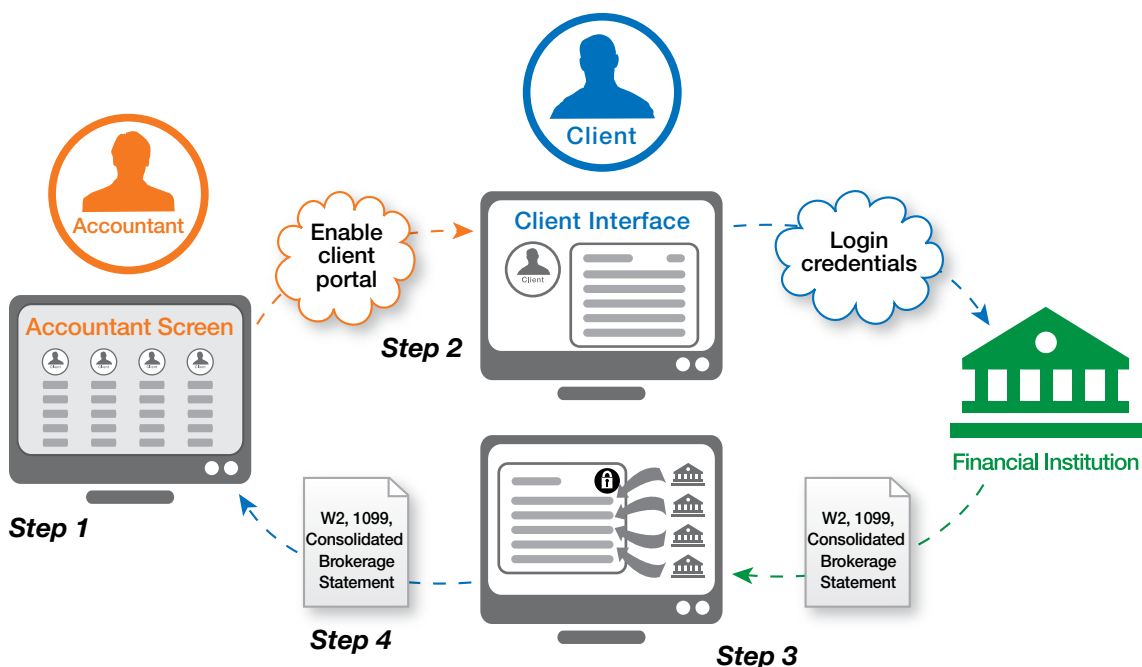
Automating document retrieval is not a new concept. There are vendors that have supported this process for years, just not for the tax and accounting profession specifically. However, advanced automatic document retrieval technology is now available for tax practitioners. This advanced technology makes it easy for firms to collect client source documents in a timely manner and, because it's a "set it and forget it" process, it places control of the tax preparation processing the hands of the tax professional—where it belongs.

Consider the value auto retrieval technology offers:

- Experience significant time savings—you receive tax source documents months earlier in the tax season... without nagging your clients with multiple reminders.
- Enjoy cost savings—eliminate manual faxing and mailing, as well as the cost of postage.
- Provide clients with a far more secure vehicle for document delivery than email—portals!
- Save clients from the hassle of manual document delivery.

How Auto Retrieval Works—Step by Step

One of the biggest value propositions auto retrieval technology offers is simplicity. From initial setup to document processing, little time investment is required by firm staff or the client. Consider each step of the process:



Step 1: Accountants manage clients and the return submission process within the system’s dashboard.

Step 2: Accountants provide clients with access to the client’s individual portal to set up automation of documents with financial institutions (portal accessed via the firm’s website for ultimate convenience for clients).

Step 3: Through a secure portal, the client adds financial institutions for automatic document retrieval. This is a one-time process so the convenience and time savings are even greater in future years.

Step 4: Client documents are automatically retrieved as they become available and flow back to the tax professional’s dashboard for immediate processing. Those same documents are also then available to your client saving time and the hassle of dealing with paper forms.

And that's it. With today's advanced technology, the process is simple. And the outcome is a completely paperless tax preparation process that allows practitioners—not clients—to drive the process. This translates into significant increases in efficiency and the ability to standardize and digitize the entire tax prep process.

It's important to note that through automatic retrieval technology tax professionals NEVER have exposure or access to the client's login credentials. The system provides limited retrieval of documents only. Also, practitioners CANNOT manipulate account details or move account funds.

Auto-Retrieval Technology is Here and Already Gaining Momentum

Auto-retrieval technology takes the paperless tax preparation process to the next level. It also enhances the lure of portals—offering more than simple document exchange functionality. The popularity of this technology will most assuredly grow over the next few years. In fact, according to the 2010 tax survey, nearly 80% of respondents indicated that automatic retrieval technology would be “somewhat to very valuable” to their firm. Additionally, when asked to estimate a percentage of their clients who would take advantage of auto retrieval immediately, the most common answer among survey participants was 25-30%. These statistics are exciting, as they indicate a high level of engagement and interest from tax practitioners right out of the gate.

At the end of the day, the biggest benefit is realized by eliminating a key pain point for tax professionals—client procrastination. Firms no longer need to wait for clients to deliver source documents, which bottlenecks the entire process. Auto retrieval technology even handles corrected forms, notifying clients when they are available. It also puts required source documents in the hands of preparers months earlier in the season, allowing firms to keep tax return preparation on track and ultimately promising a much smoother busy season. What tax professional wouldn't appreciate getting client documents 4-6 weeks earlier...and getting them electronically? That's what today's auto-retrieval technology can do for firms. Pain point eradicated!

About the Author

Ed Jennings leads the Copanion team as President and CEO. He has emerged as a voice in the tax and accounting profession, specifically in the areas of tax document automation, scanning, and the paperless tax workflow. He has been featured as a content expert in several accounting trade publications and in USA Today. He is also a featured speaker at events hosted by the AICPA. Read more about automatic retrieval and the paperless tax workflow on Copanion's blog at <http://blog.copanion.com>. Reach Ed directly at ejennings@copanion.com.