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Avoid the Ripple Effect: Proper Setup for Implementing a Paperless Tax Workflow

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Like hundreds of perfectly aligned dominos, one misplaced token when setting up your paperless tax workflow can set off a ripple effect that not even the most experienced and proficient expert can hope to overcome. If the processes and applications are not set up properly at the beginning, the combined result is frustrating, time-consuming, costly, and more than anything else, just plain wrong.

Whether it's a go-green initiative or one to increase efficiency, today's dynamic accounting firm – regardless of the number of professionals, geographic location or annual revenues – wants to retain clients and find new ones. Properly setting up and implementing a paperless tax workflow speaks to a firm's ability to find and use advanced techniques to deliver compliance-driven, focused services.

Top Tips for Proper Setup

CPAs and accounting professionals will find the process of setting up a paperless tax workflow quite logical – and even quite practical. If the implementation of scanners, tax document automation technology, integrated tax preparation software, and document management systems are well planned and configured properly, firms should see a healthy return on investment in no time … while avoiding the dreaded ripple effect.

Consider the following best practices for implementing a paperless tax workflow:

Tip #1: Scanning

Scan at the Start of the Process – A critical best practice is to scan client source documents on the front end. This supports a completely paperless workflow by enabling you and your staff to work with digital documents from the get-go and take advantage of workflow-enhancing tools that boost productivity. Scanning at the end of the process only provides you with an electronic archive of source documents. Electronic archival is great for saving space in your office and eliminating bulky filing cabinets, but it doesn't position you for other time and money-saving benefits that can be achieved by scanning from the start.

Make the Best Use of Your Time – If possible, scanning should be delegated to administrative staff in order to free up a professional's time for higher-value and higher-billable work. In addition, in order to standardize processes and eliminate mistakes, one person and one department should control the process.

Invest in a Quality Scanner – Older, low-quality scanners and all-in-one multi-function printers do little more than copy basic information. If you become frustrated with the outcome, you will find yourself going back to paper almost immediately. Poor image quality produces unreadable files by humans and software, which leads, in a ripple effect, to making mistakes in the preparation and review process. The final result: you lose by trying to make up for lost time.

Knowing the difference between scanners is important. Here are five key features for review:

1. **Resolution/Color** – Does the scanner enable the user to adjust the resolution and/or switch to color or B&W mode, depending on the types of documents being scanned? A quality device will at least make this adjustable manually, while some models can do this automatically without user intervention.

2. **Two-sided (duplex) Scanning** – While some multi-function devices scan two-sides, often the scanning time is doubled if the documents must be flipped around in order for the machine to capture the other side. A quality scanner, however, will capture both front and back of documents in a single pass, without slowing down. Two cameras allow the capture of both sides of a document simultaneously, without adding any additional time to simplex (single-sided) scanning. In some cases, blank pages can be automatically deleted, so that the finished scan contains only the information you need.

3. **Automatic Document Feeder (ADF)** – While typical all-in-one type devices contain a scanner, they often only capture one side of the document at a time and only scan one page at a time. These flatbed units are usually clunky and difficult to work with when the user wants to create a multi-page document. Quality dedicated scanners should have an ADF that allows multiple documents to be placed in the scanner and scanned at the same time. Superior scanners will even allow multi-sized documents, from business cards to legal-size documents, to be scanned in a single batch.

4. **Automatically Deskew Your Images** – One of the most frustrating experiences with low quality scanners is attempting to get the document perfectly straight during the scan. If you're constantly having to rescan documents because they are crooked or even upside down, you're not saving any time or effort. "Deskewing" is a relatively new feature in high-quality scanners, but will become more prevalent as a feature in portable scanners.

5. **Bundled Software** – Sometimes it's the tools that come *with* the scanner itself that add to the quality of the overall performance. Many scanners are bundled with productivity software, including Optical Character Recognition pro-

grams to enable full-text searching or conversion to editable file formats such as Microsoft® Word® or Excel®. Image enhancing software, such as Kofax® VRS, is another typical bundled add-on. This tool digitally enhances the scanned images, and can actually remove stains and smudges, while providing a clearer more readable image than the original hard copy documents. Many quality scanners also include Adobe® Acrobat® Standard in the box, which gives users the ability to place annotations or digital signatures on post-scanned documents, as well as apply keywords for easy retrieval later on.

Know Your Scan Settings – Your scan settings must be optimized to scan tax documents; otherwise, the image quality of the scanned document may not be readable or useful. Set your scan software to these basic image specifications to ensure you always scan your documents right the first time.

- Scan to PDF.
- Scan at a resolution of at least 300dpi (dots per inch).
- Scan in black and white.

Create the Highest Quality Images from Client Source Documents – By scanning tax documents, you're able to leverage technologies that will streamline workflow and elevate efficiency. An example of this type of technology is "scan and populate" tax document automation. Scan and populate solutions classify and extract data from scanned tax documents and populate the data into your tax preparation software, eliminating data entry. It's important to know how to achieve maximum image quality from the actual source documents to ensure proper document classification and data extraction by the tax document automation software.

- Scan the original tax document; avoid uploading copies and faxes.
- Scan the document at its original size.
- Scan multi-page documents together and in sequential order.
- Scan each document to its own page.

Source Documents to Avoid – Although it is not always possible, you will want to train your clients to avoid submitting:

- documents with faint or faded text,
- documents containing important identifying information that is handwritten,
- documents with ink bleeding or smudging, and
- clipped or cut forms that exclude important identifying information.

Tips 2 & 3: Tax Document Automation Technology & Integrated Tax Software

Do Your Research – Not all solutions are created equal. Leading tax document automation systems are capable of identifying information in thousands of tax documents and forms, and offer a 90%+ accuracy rate. It is also recommended that you identify a solution that integrates with your tax preparation software. True system integration allows you to automatically populate fields in your tax prep application from the system's output file (PDF or Excel) – eliminating manual data entry. A little research will ensure you adopt the right solution.

Implement the Paperless Workflow Solution that "Fits" – The best solution will accelerate efficiency gains significantly, from outputting a single organized, bookmarked file of all source documents to seamlessly populating data within your tax preparation software. In addition, consider solutions that offer the ability to automatically retrieve W-2s, brokerage statements, and 1099s directly from the document issuer with the client's authorization. This type of innovation further streamlines the tax workflow and significantly reduces working with paper files altogether.

Tip #4: Online Document Management

Electronic storage of client tax documents completes the paperless circle and puts all data at your fingertips. Now that you are working with digital files, you need a standardized digital filing process so the documents can be accessed by anyone in the firm – just like you would use a file cabinet. Without a consistent, logical filing structure, the files can be saved in a mish-mash of locations; potentially leading to a black hole of time wasted searching for documents.

An electronic filing system can be as simple as networked file folders on a shared computer drive or something as sophisticated as a full-scale, integrated document management system (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.

Avoid the Ripple Effect

Proper planning is the key to avoiding any ripples and watching your dominos tumble. When implementing a completely paperless tax workflow, there are many factors to consider, including scanning practices, automated tax document technologies, integrated tax software, and an electronic filing system. Thinking through all these items will save you hours down the road. A few items to remember:

- **Scan, scan, scan.** If your firm is not scanning, you're not operating in a paperless environment. If you're not scanning up front as documents come into your firm, then you're simply scanning for archival, which isn't really paperless workflow; it's paperless storage. Also take time to research the best scanner for the job and know the proper scan settings to ensure the best output.

- If you're going to scan (and you should), then **adopting the right tax document automation system is critical**. The best systems "read" scanned documents with exceptional accuracy. The right solution for your firm should also integrate with your tax prep software to enable auto population of the client's tax return.

- And, finally, **round out your paperless workflow with an electronic filing system**. Whether that resembles a net-worked drive of folders on your server or a more sophisticated, yet economical DMS, you'll find that electronic storage of all your clients' information is highly efficient.

We know by now that "going paperless" isn't designed to just save the environment and reduce our reliance on paper. Proper scanning techniques, having the right equipment, using scan and populate technology, and implementing integrated solutions help you achieve a smarter tax workflow. Ultimately, it makes your life easier. If you're going to do it, you should do it right, which means making an investment and commitment. The differences in time and labor, and the decrease in making mistakes, are enough to convince even the hard-hearted accounting skeptic to set up the paperless tax workflow right the first time.