

Paperless Payoffs

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By [Alexandra DeFelice](#)



Karen Bodeving's CPA firm has gone to the dogs.

The sole practitioner began breeding Saint Bernard dogs 11 years ago in hopes of spending more time with her family outside of her Oregon office. Today, she and her husband travel the world showing some of the dozen puppies they raise on 40 acres outside Grants Pass—even during tax season.

She's not Superwoman. She just made the choice to mimic what larger accounting firms were doing in terms of going paperless and proved that investing in document management systems could pay off for even a one-woman shop (with some help from her part-time secretary).

Bodeving, a Lacerte user for several years, decided in 2005 that Lacerte Document Management was a "natural step" for moving toward a more electronic system by dropping the roughly 400 returns she handles directly into online file cabinets. It cost her less than \$2,000 to get started, but the initial results weren't exactly what she had hoped for.

"The first year, I was a mess. I had no idea what I was doing," Bodeving confesses. "I was just using it as a filing system, making notes in pencil, then scanning it myself. It was so hard to let go of paper, and I wasn't smart enough to invest in a decent scanner."

The next year, she started doing the same routine, but found her workload snowballing so much by February that she practically needed someone in the office around the clock making photocopies. So she stopped mid-season and purchased a Canon scanner that included Adobe Acrobat 7.0. Within an hour, she made back her money.

Acrobat essentially lets her emulate all the things she was used to doing in a paper environment such as circling numbers, adding checkmarks, stamping items and signing documents, so she doesn't feel like she's letting go of her pencil.

She estimates her second-year savings at about \$2,200, including costs for copy paper, files and colored tabs and eliminating a part-

Selecting a Scanner

You've made the decision to invest in a

time copy person. And she only travels to the office a couple of times each week.

Her biggest challenge now, besides avoiding slobber on her computer, is monitoring her work in progress so things don't fall through the cracks.

"I had stacks and stacks of paper everywhere that looked like there was a huge backlog," she says. "Now I have to remember that the big piles are sitting in my filing system, just not sitting there looking at me."

Bodeving's experience is typical of many firms that take a simple approach to going paperless. But an increasing number of them are starting to realize the benefits of going "less paper" and vendors are responding by offering more affordable systems to businesses with 10 employees or less, starting as low as \$399.99 for a five-user Docsvault Small Business pack by Easy Access Data or \$365 per user per year by Acct1st, with some even offering free training and support.

Document management systems aren't new. FileCabinet CS from Thomson Tax & Accounting (formerly Creative Solutions) has been on the market since 1999, but people didn't understand the value back then, according to Teresa Mackintosh, vice president of marketing. Over the past three years, CSI has seen a 40 percent increase in customers and today about two-thirds of the roughly 10,000 firms that use FileCabinet have 10 or less users.

Shifting Downstream

While adoption is shifting downstream, a different mindset still exists between firms with 10 to 25 employees and those with less, according to John Higgins, cofounder of Rochester, Mich.-based CPA Crossings, which helps CPAs make the paperless transformation.

document management system. The next step is selecting the scanner that best fits your company's needs.

So many options are out there and the wrong decision can prove counterproductive to any time savings anticipated from going paperless.

Following are some guidelines of what to look for and what to avoid:

Multisheet feeders Determine how many pages it can take at once and whether it can handle different size paper simultaneously, especially important for tax returns that include pay stubs, W-2s and other variously shaped documents that will otherwise need to be photocopied.

Need for speed How many pages does it scan per minute? Thirty to 50 is a decent number for a smaller firm.

Smart scanning Optical character recognition technology can identify forms such as W-2s and 1099s and automatically populate tax applications with that data.

Clean up Cleanup technology, such as Kofax's VirtualReScan (VRS), check to make sure documents are right-side up and drop blank pages.

Resolution Flawless images are important in business presentations, but are not as critical for tax returns. Remember that the higher the resolution, the slower the scan and the more space the file occupies.

Scan operator Train a clerical person as a dedicated scanner instead of using higher-paid partners. Having one person will result in better quality and more consistency. If the scanner is connected to a PC, that operator can view the results before sending documents to system.

Partners at those slightly larger firms are attending more conferences or joining alliance groups in which they are hearing positive stories of paperless payoffs and are more active in their pursuit of document management as a result. Smaller companies, meanwhile, either still don't understand the value or misinterpret what a paperless office actually entails.

Two years ago, Higgins attended an event in which the American Institute of CPAs released results of a survey indicating that 25 percent of smaller firms believed they were paperless. Higgins knew that could not be accurate.

"Small firms are scanning documents and storing them as PDFs in e-folders, staying in Windows using a normal file save command, and to them that's paperless," Higgins says. "There's a little legitimacy to that. Because of the size, they're not going to see as much of the business (value). If you're a four-person firm, workflow automation (one of the features larger firms seek out in such systems and vendors are starting to push to smaller ones), is just yelling to the person down the hall."

But there are myriad benefits that firms of all sizes can reap if they just know how.

The key is easing them into the process and a giant first step is educating them about what a document management system can do in terms of having a more structured method for organizing their files. Firms are exponentially growing the amount of information they store. As that happens, they begin to see the weaknesses in the Windows-based filing structure, where the C drive essentially serves as a large cabinet consisting of potentially hundreds of manila folders that easily could become lost in the system.

"Demonstrating the benefits of having a structured indexing and filing system gets them interested," he says. "Let me show you how you can get all the folders for company X for the last four years in one command."

Annotation capabilities like the checkmarks and stamps Bodeving appreciates are also favorites among her peers. "When you go paperless, you also go pencil-less. That's where people run into challenges," Higgins says. "They're accustomed to making notes on files. You've got to make those notes electronically."

Other important features include retention policies to automatically store certain document types for a predetermined number of years and discard them after that to comply with

Don't go cheap Prices are going down, but don't be penny wise and pound foolish. Some scanners cost as low as \$399, but usually don't include some of the more advanced functionality mentioned above. Look at the cost relative to speed. Is it worth a couple hundred dollars more to do X number of extra pages per minute?

Make a deal What happens if you've already invested in scanners and don't want to literally throw away your investment? Some companies will let you trade in your old device for a better model similar to the way automobile dealerships do, as Lexmark does through its channel.

Search for service Much of the hardware cost comes from maintenance costs. Look at lease agreements and at how quickly repairs will take place. For example, Lexmark offers a Next Business Day Guarantee and Advance Exchange, in which it sends the company a loaner before that customer sends its scanner to Lexmark for repair.

regulatory requirements, training and security features such as audit trails and client portals where firms can store each client's information separately for them to access instead of sending data via email.

Scott Vaden, principal of an eight-person outsourced accounting firm, agrees with Higgins claims and adds the importance of integrating with other systems and investing in the proper hardware when evaluating which vendor to select.

When The Bookkeeping Department, based in Richmond, Va., invested in Cabinet NG last year, the company had been using Paperpoint, an entry-level filing system, but needed to find an application to organize its filing structure.

"It's always a sickening feeling when you lose a document. Before, everything was there but because the system was so wide open, everyone filed a little bit differently. It was hard to get our hands around documents," Vaden says. "If I could have back all the hours I or my staff spent looking for documents, I could probably be retired by now."

With Cabinet NG, filing automatically occurs as transactions take place, so it's "almost impossible" to misfile something. And he trained his clients to send everything via emails or faxes, which go directly to the electronic filing system using RightFax software so The Bookkeeping Department never touches paper.

Vaden also sought a product that integrated with the QuickBooks software his company uses to perform services for its clients, a feature for which Cabinet NG and other vendors are experiencing increased demand.

CNG-Books serves to unite document management with QuickBooks data by presenting the user with the same pull-down and data-entry fields used in QuickBooks to ensure that transactions and documents are filed uniformly.

He also ventured into the dual-monitor environment, a move which many say is crucial for paperless tax preparation because one screen serves as the "paper" an accountant would usually hold and frequently references, and studies show anywhere from a 15 to 75 percent gain in productivity when taking that route.

All of this saves The Bookkeeping Department an estimated \$100 on paper, general supplies and storage per client per year in addition to \$25 in overnight shipping fees and two hours of staff time to prepare documents for shipping per client every month.

Of course, the larger a firm is, the more savings potential it possesses. One larger customer of CCH's ProSystem fx Document, Mellott and Mellott, estimates it saves five tons of paper each year. The Cincinnati-based accounting firm, which has more than 30 employees, set its initial break-even investment goal at 36 months, but achieved it in 18.

Seeking Support

Mellott and Mellott attributes much of its success to the support CCH provided it, an observation CCH and other vendors are taking seriously by offering more intense training and handholding to companies willing to take the plunge.

While only about 30 to 35 percent of CCH's Document customers have 25 or fewer employees, the company tries to help firms of all sizes with a week-long training option so they can figure out the best strategic way to move forward once the system is up and running, enhancing end-user acceptance.

Vaden acknowledges that his company had to invest time for everyone to familiarize themselves with the system, but appreciates that Cabinet NG let him schedule each of six one-hour training sessions after his staff had digested some of the prior knowledge and felt ready to consume more. Beyond the formal training, it took his employees on average about two months to feel comfortable enough with the system to discipline themselves not to fall back to old habits such as making notes on paper documents. Some of his bookkeepers who started out using green ledger paper found the transition a bit more difficult, and even now the entire staff still has to undergo additional training to delve deeper into the system's functionality.

Acct1st also provides continuous training until the customer feels comfortable, whether it takes 10 days or a month. It provides advice on things like how to introduce portals to clients, what type of scanner to choose and how to set up security measures.

Acct1st started off selling to firms with 25 employees and only began moving downstream last May. The response was so positive, the company had to put clients off until the next selling season, and already roughly 70 percent of Acct1st's 100 CPA firms have 10 or less users and some of them are recommending or reselling document management systems to their client base, according to Andrew Hatfield, Acct1st's chief strategic officer.

A part of that success can be attributed to Acct1st showing prospects examples of companies like their own that have achieved positive results. "Most small firms are fairly diversified, doing consulting or wealth management, and are looking for a product that doesn't just address one line of business. We match them up to an already invented wheel." They usually say, "It works for them, then it will work for me," Hatfield says. "Small firms don't want to spend countless hours educating themselves on document management. They're looking for advice. "

GoFileRoom's Adam Kupperman, senior director of enterprise sales for Thomson Tax & Accounting, sees similar demand for learning by example.

GoFileRoom's "Best Practices Guidebook" is, "one of the most compelling parts of our product because it is consistently enhanced based on [studies] we've done with our customers," Kupperman notes. It is updated a few times per year and examples include best practices for tax, audit, litigation support and internal departments.

GoFileRoom has an application for small businesses and an edition for midsize businesses, but has seen a "big uptick" of firms with 15 or less employees in the past 18 months. Firms with five or less users could usually get started for about \$6,990 for the first year and \$3,995 for subsequent years, including maintenance, helpdesk support and a one-time \$2,000 scanner fee. Setting up GoFileRoom usually takes about two weeks from the decision point, including 10 hours of training.

The smaller product comes with tips such as how to set up drawers and index fields. Larger firms have the ability to make more changes to the structure of their virtual file rooms, but tend to keep 90 percent of the suggested best practices right out of the gate, Kupperman says.

The midsize version also includes integration components that enable users to pull data from core applications such as time and billing systems, tax preparation software and paperless audit solutions into the document management system.

The Next Generation

New product releases from CCH, GoFileRoom, Intuit and others are focusing increasingly on what CPA Crossings' Higgins refers to as "smart scanning," including optical character recognition technology that can, for example, identify a W-2 form as such, interpret the content and automatically import data from various fields into the tax application. These products are still in the first generation, but Higgins expects them to mature over time, and to see increased adoption.

About one-third of GoFileRoom's customers signed up for TaxSort after it was released late last summer to identify 1040 source documents, and Kupperman anticipates that amount to climb to about two-thirds by next tax season. "As firms become more comfortable working on screen, we will see a natural adoption of OCR scanning technology as the true value is attained when firms scan their source documents up front," he says.

FileCabinet CS's November release will include OCR technology as CSI attempts to evolve its product and beat out competitive offerings, according to Mackintosh.

"It's a transitional technology. Last year we started to see promises from competitors to offer OCR. We were anxious to see how it's

Save Me the Money

One question that is top of mind when investing in any new technology is how much it is going to cost-and ultimately, save.

Following is a grocery list of items Karen Bodeving purchased since the sole practitioner decided to invest in Lacerte's Document Management System in 2005, and some of the things she no longer has to pay for.

Item Purchased Price

Lacerte DMS for e-filing cabinet \$495

Cannon DR-2050C portable scanner including Acrobat \$575

(purchased in 2006)

Additional scanner for office (same as above) \$500

(purchased in 2007)

MaxiVista multimonitor software (professional version) \$40

Carbonite (online backup system) (\$5 per month) \$60

Crossover cable (to link the laptops) \$10

I-Pen (digital pen for signing tax returns) \$55

Headset (for tuning out barking dogs) \$20

Power strip for on the road \$7

Total out of pocket Savings \$1,762

Part-time copy person salary and payroll taxes -\$1,500

gone," Mackintosh says. "It didn't deliver on a lot of the promises. Mixed results is optimistic."

A more immediate concentration for CSI is workflow management, which Mackintosh says was FileCabinet's biggest selling point last year.

Doc.It also intends to significantly enhance its Workflow Manager module this year, allowing people to "hand"work from person to person, along with "smart scheduling"to route tasks to the employee most familiar with a case or perhaps based on the lowest internal billing ratio.

"This workflow element is the last piece a small firm would want to see," admits Roger Mongeon, vice president of sales and marketing for Doc.It. "But how do you eat an elephant? In small bites."

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Copy paper @\$30 per case -\$1,000

Fancy files and colored tabs -\$200

Copy machine maintenance and toner - \$1,200

@\$100 per month

Estimated net savings \$2,138

Document Management System Vendors

Acct1st

Dallas

www.acct1st.com

Cabinet NG

Madison, Ala.

www.cabinetng.com

CCH

Torrance, Calif.

www.tax.cchgroup.com

Doc.It

Las Vegas

www.doc-it.net

Easy Access Data

St. Peters, Mo.

www.docsvault.com

GoFileRoom

Englewood Cliffs, N.J.

www.gofileroom.com

Intuit Lacerte

Plano, Texas

www.lacertesoftware.com/products/dms

Intuit ProSeries

Plano, Texas

www.proseries.com/products/dms/

Thomson Tax & Accounting

Dexter, Mich.

<http://cs.thomson.com>

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