

CPA Firm Waves Goodbye To Paper

Electronic document management system eliminates the need for storing paper files and improves customer service.

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Written by: Brian Albright

Tax season can be a stressful time for both business owners and their accountants. Paperwork generally flies fast and furious in the weeks leading up to the April 15 deadline, and it can be difficult for individual clients to get their last-minute questions answered. Not so at Hawkins Cloward & Simister (HCS), a tax accounting firm in Orem, UT. "In the past, one of my savvier doctor clients would call me one day to let me know he would call me back the following day for the answer to a specific question," says Eric Nuttall, certified public accountant (CPA) at HCS. "Now he calls me, and I have the answer for him immediately. I don't have to go to the file room to fetch a file and then rifle through it for the answer. I nearly always have his answer while he is still on the phone." How is this possible? Eight years ago, the firm deployed an electronic document management system that not only greatly reduced the need to physically store paper files, but also made document retrieval a snap — saving employees and clients valuable time.



ARE YOU OVERRUN WITH PAPER FILES?

HCS provides tax, audit, and advisory services to business clients and individuals in nine western states. In business since 1951, the firm employs 65 people, serves more than 6,000 clients, and has annual revenue of \$6.5 million. When it came to document management, the firm was, in some ways, a victim of its own success. Tax documents are stored for many years, and with HCS' client base expanding, the company was running out of places to store the thousands of returns generated each year. "We kept records for too long, and we were out of file storage space," says Nuttall. "In fact, we had built a shed in our parking lot to accommodate additional storage." In addition, administrative staff were frequently searching the offices and the file cabinets for missing files. If a client needed a copy of a form or had a question about their return, it could take hours or even days to respond. Nuttall, the partner that oversees HCS' IT plan and budget, spearheaded the search for an electronic document management solution to solve the firm's storage problems.

Flexible Platform Provides Long-Term Document Solution

When Hawkins Cloward & Simister was looking for an electronic document system, flexibility had to be a key component of any solution. "The non-proprietary nature of the eFileCabinet product was a big selling point," says Eric Nuttall, the partner in charge of the firm's information technology plan. "So many of these systems use proprietary data formats. How do you get your data if that company goes out of business later?"

The eFileCabinet system, which was originally developed specifically for the CPA market, stores documents in PDF format and makes it easy to index, search for, and view documents. Because the system is not dependent on a database, files can also be manually accessed if necessary. "The eFileCabinet system is an extremely low-overhead system," says Nuttall. "I can't stress enough how few resources it really takes to run it. The documents are not kept in a database; they are stored in Windows folders. The system is just a search-and-display engine. I can turn it off and still get to the data if I have to."

More importantly, the documents are stored in a format that Nuttall is confident will allow file access far into the future. "We're using PDF files, Windows folders, and a browser," Nuttall says. "If a replacement technology comes along, even a decade or more from now, we won't lose our ability to transition to whatever that replacement format might be."

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SEARCH FOR AN OPEN PLATFORM

Technology is an integral part of the CPA firm's business. HCS purchased its first mainframe computer back in 1978 and, because of frequent changes to the tax code and the advent of electronic filing, has had to make sure its technology infrastructure is stable and reliable. Because files would need to be stored and retrieved for years, possibly decades, Nuttall searched for a system that the firm could continue using even as new technologies emerged. "The most important criteria for us was that we wanted something with a very open architecture," Nuttall says. "We needed something that would allow us to get our hands on the data 20 years from now, even if the vendor went out of business. I did not want to be locked into somebody's proprietary database."

Nuttall outlined a system that utilized a browser-based interface and PDF file formats and that could be set up to mimic the firm's physical file structure, which had been in place for decades. He finally found what he was looking for at Provo, UT-based eFileCabinet. "The eFileCabinet system met both requirements," he says. "We were still in the investigative stage when we found the product."

EXPERIENCE PAINLESS IMPLEMENTATION

First installed in February of 2001, eFileCabinet was deployed during the firm's busiest period (i.e. the beginning of the tax season), but the implementation went smoothly. Installing the system was fairly straightforward. The only workflow change was that documents had to be scanned, and PDF copies of tax returns and audit reports had to be made. "Nearly all of the process changes fell on our secretarial staff," says Nuttall. "However, our admin staff saved so much time filing files that it turned out to be a net time savings. In addition, we could not believe how much time they saved not having to search for paper files." The electronic files are stored in a set of Windows folders on the company's Hewlett-Packard servers. Because Nuttall and the other partners were concerned about losing electronic files in the case of a server crash or an outage, the company upgraded its storage solution to a RAID 5-based system, in addition to maintaining a tape backup. The company purchased a single high-speed scanner to scan the approximately 3,500 returns being processed at the time. That volume has nearly doubled to 6,000 returns, but the lone scanner still handles almost all of the documents, augmented by a few printer/scanners in partner offices that are used to scan single pages of notes and other forms. The company spent approximately \$10,000 on the scanner and the RAID 5 upgrade and another \$5,000 on the software implementation. "We easily recovered this cost in the first year," says Nuttall. HCS has since installed dual monitors at its workstations to facilitate referencing prior years' data on eFileCabinet while completing current year returns.

ELIMINATE PAPER FORMS

Although tax returns are still processed on paper, HCS has greatly reduced the number of forms it prints and stores each year. Once the returns are reviewed and approved by the accountants, they are logged into administrative bins where staff assemble the returns and supporting documents, then scan them. The returns are saved as a PDF, and the clients' document scans are saved into the system. The HCS documents are then shredded, and supporting documents are returned to the clients. "There is never a preparer copy made," says Nuttall. "Our copy went away immediately with eFileCabinet, and over the years, all government copies have gone away as more returns are filed electronically. We still print a client copy, but we're seeing some demand now for electronic copies of those forms as well."

According to Nuttall, an increasing number of clients have asked for the accountants to email them the PDF document instead of a paper return. Eventually, Nuttall wants to provide a secure, online portal that will allow clients to log in and retrieve documents at their own convenience. The net result of the decrease in paper shuffling is that HCS has eliminated the bulk of its filing cabinets — including the ones in that storage shed in the parking lot. Initially, though, the firm left its existing paper files in place. "We didn't get rid of anything at first," says Nuttall. "We took the approach of cutting off the river going into the reservoir, so to speak. In 2006 we did our first culling of files. At that time, we just eliminated any data seven years old or older for noncontinuing clients. We got rid of 50% of our files that way."

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HCS now maintains an electronic document archive that takes up 200 GB of server space, which Nuttall estimates has saved the company from maintaining 30 to 50 filing cabinets in the past eight years. "And that is without mentioning the paper cost of saving a copy of each of our clients' 6,000 tax returns each year," Nuttall adds.

HCS has also saved time and improved customer service through faster and more accurate document retrieval. "We wanted to solve a storage space problem, but we ended up solving an ease-of-retrieval problem that we didn't even realize we had," Nuttall says. "It was a such a quantum leap in terms of ease of retrieval that we didn't pinpoint the scope of the problem until after we didn't have it anymore."

CPAs can respond to client inquiries almost instantaneously, and administrative staff can easily and quickly locate documents. "The biggest shock came the first time a client called and I needed to refer to something in the file," Nuttall says. "It took 15 seconds — that is, once I returned from heading to the file room to retrieve the file that no longer existed. I can't even describe how much easier it is for our admin staff to get clients copies of their tax returns or W-2s. No more photocopy and fax. Staff now pull up the needed data, insert a password, and email it to the client before they hang up the phone."

Over seven years, the firm increased its workload 30% to 40%, but has not added a single new administrative position. "We expected the scanning to be a huge overhead burden for them, but it turned out that it saved time on not refiling files and chasing lost files," says Nuttall. The system has also cut down on the number of lost files and reduced the risk of loss due to fire or flood. The eFileCabinet system was flexible enough that, when the firm increased its third-party retirement and benefit plan administration business, the system could be used to manage those documents as well.