

How To Setup A “Paperless” Office – You Can Do It And Save Money

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Introduction

Sometimes paper is good!

Paper documents are easier to read than digital documents.

It is very hard to beat paper documents when you need to see more than a couple documents at a time. It is difficult to view more than two documents on a monitor at one time. On a desk you can easily view 5 – 10 documents.

I have heard that one can view paper documents 25% faster than documents on a screen.

Flipping through documents, like receipts that need to be totaled, is much easier with paper documents.

A 100% paperless office is not realistic. The goal should be to use paper much more efficiently. When you need easy to read documents, print them from the "paperless" system. When you have documents, like receipts that will be totaled, scan them into the paperless system, but do not trash the paper originals until they have been totaled.

Certain critical documents, such as some legal agreements, should be kept as both paper documents and digital documents. It may be appropriate to discuss with an attorney what documents should be retained as paper originals.

You are already moving towards paperless systems.

Do you save spreadsheet, word processing, accounting system files, etc. on your computers? If you do, you already know some of the basics to make a paperless system work.

Paperless office as an income generator

Moving to a paperless office is usually considered an investment. I know of a C.P.A. who offers his clients their records on CD for \$50.

Expensive integrated or canned paperless systems may be a waste of money.

There are quite a few companies selling integrated paperless systems. These are generally quite expensive for what you get. However, integrated systems might make sense for a large business where the cost of the system can be spread out over many computers.

Small businesses should think twice before being talked into an expensive integrated paperless system.

You can easily create a paperless solution without buying an expensive integrated system. This guide will show you how to do just that. Smaller businesses should consider using "best – of – breed" or "editor's choice" scanners and imaging software. Base the system around Adobe Acrobat's PDF format. The PDF format is an imaging standard. If Adobe were to go out of business (not likely), there will still be of plenty computer programs that can read and create documents in PDF format.

Think twice before using a Web based solution.

How much control of your documents do you want to give up if you keep your paperless file system on the Web?

On a Web based solution your documents are stored on someone else's computer. If they go out of business, you lose your files.

Do you want to store confidential information on someone else's computer?

What if there is a critical national news story that is breaking? That could slow the Web down to a crawl.

What if your ISP goes out of business? What if someone cuts your line to the Internet? You lose access to your paperless file system.

Using a Web based solution in just a repackaged version of "time – sharing" systems. "Time – sharing" died an ugly death when computers became so reasonably priced that businesses could own their own computer(s).

What if the price for the Web based document management system doubles in a year? You could be stuck. Your documents might be held hostage to that more expensive system.

Steps to implement a paperless office

1. Planning Phase. Gather information to map out a paperless office strategy. Determine who creates documents, how documents are used and by whom. Consider whether it is better to put together the paperless system yourself or to buy an integrated system.
2. Initial Implementation Phase. Buy only the minimum needed software and hardware required to convert only one segment of the current office system to paperless. Evaluate the initial implementation and make adjustments.

3. Expansion Phase. Based on information learned in the Planning and Initial Implementation Phases, expand the paperless office systems to the entire business. Depending on the size and nature of the business, this can also be done as one step or in additional phases.

Contact me if you have questions

You also get us when you buy this guide! You are welcome to call 1-800-326-6686 if you have any questions.

War Stories – From those who have already "gone paperless"

R. V. J. Associates, Inc. of Thousands Oaks, CA outsources the scanning

R. V. J. Associates has been extensively using electronic documents since 1998. The scanning and indexing are outsourced. Now, in addition to paper documents for scanning, R. V. J. Associates provides the imaging service bureau with tax returns and workpapers in Acrobat PDF format.

The lesson from R. V. J. Associates experience is:

1. The most time – consuming activity, scanning, was outsourced.
2. The most efficient activity, creating PDF files, was done in – house.
3. In 1998, the components of the paperless office were much more expensive than they are now. This accounting firm is far along on the learning curve. Significant amounts of time are saved both in filing documents and retrieving documents.

Wilson Miller, Inc.'s six office in Florida use Alchemy

Wilson Miller is a 360 person engineering consulting firm that uses an integrated scanning, document storage and retrieval system by Alchemy. Accounting, financial, human resource and engineering documents have been saved to this system in PDF format since 2000. According to Wilson Miller's CFO, Gary Danca, C.P.A., the system saved unbelievable amounts of space that was costing the company \$19 per square foot. The system paid for itself in eight months.

Observations from Wilson Miller's experience:

1. Integrated ("canned") systems make sense for large organizations.
2. Since document retrieval is typically faster than inter – office mail, multi office businesses probably have a faster payback than single office businesses.
3. Obviously, the higher the cost for office space, the faster the payback for a paperless office system.

Jackson, Howard & Whatley, CPAs client base increases and paper records decrease

According to Mike Jackson, “Our firm began using a electronic document management system (EDMS) three years ago for individual tax client records. Our individual client base is growing about 15 percent per year and our paper records maintained are decreasing about 20 percent per year.” This also reduced photocopying. This office uses the Creative Solutions Electronic File Cabinet integrated system, and the files are saved in PDF format. J H & W prepares about 800 individual returns annually.

Two to three years after “going paperless” for individual clients Jackson, Howard & Whatley started to store corporate client files in electronic format.

The largest investment in the paperless system was upgrading the backup and security systems. J H & W went with RAID hard drives and a hardware firewall.

Observations from Jackson, Howard & Whatley’s experience:

1. The integrated system was used due to the larger size of the organization.
2. The conversion to paperless was done in phases. First, individual clients were converted. Second, corporate clients were converted.
3. Paper use and copying decreased even when the number of clients increased.
4. The backup system and security improvements were more expensive than scanners and software.

Dennis M. Najjar, CPA, Clifton, NJ – Starts with digital to digital

Dennis started with paperless filing for 2000 returns when Lacerte offered PDF format for tax return output. No scanning was done at this time.

For 2001 he purchased a scanner that came with the PaperPort filing system. At that time, not only were returns being saved electronically, but the client documents were as well.

When Dennis’s clients meet with him, he discusses the tax returns in a conference room that has a computer. The Dennis looks at the computer screen rather than through a paper file to review last year’s return and supporting documentation. This process has worked well.

Now the current year interview notes are entered into Outlook as a task and then digitized as part of the supporting documentation for the “file.”

Observations from Dennis Najjar's experience:

1. He phased into the paperless system starting with the most efficient conversion, digital to digital. Lacerte (tax software) generated tax returns could be stored in a PDF format. The second phase was paper to digital by using a scanner to convert client records to a paperless format.
2. The investment in the paperless system was primarily learning the system. The Lacerte PDF return was already paid for since Lacerte was needed regardless of the filing system. The scanner cost about \$200, and the file management software was included with the scanner.

Denver Tax Software – Accounts Receivable

In 1996 we converted our order entry and accounts receivable system from DOS to Windows. In that conversion we chose to retain our copy of each invoice in our database rather than in our file drawers.

We save about 8.5 cubic feet of storage each year. Thus, with a six year document retention cycle, we have saved a total of 51 cubic feet of storage. However the database takes up about 50 megabytes on our 36 gigabyte hard drive or less than 0.14% of the hard drive.

Since that file is critical to our business, we back it up every time it changes even though we run our tape backups weekly.

The real payoff comes when a customer wants a copy of a five month old invoice. We can pull it up in less than one minute. Sometimes we don't even print it out. We often fax the old invoice directly from our computer to our customer using Winfax Pro.

In 1996 through 2001 we kept copies of the accounts receivable aging and other management reports as paper. Starting in 2002, the accounts receivable aging, transaction register, etc. are saved as Acrobat PDF files for easy retrieval. When we pull numbers out of the aging report, we simply copy the appropriate information from the aging report PDF file to Windows clipboard. From the Windows clipboard we paste the information into the desired document. That is fast and accurate.

Observations from our experience:

1. The ability to find things fast is a very big plus. Saving space was secondary.
2. The first phase of paperless accounts receivable system was the use of a database instead of a file cabinet and boxes.
3. The second phase was the use of Acrobat to create PDF files of the accounts receivable aging reports.
4. We can easily pull information out of the PDF files to be used in other Windows documents.

Planning for the paperless office – Planning Phase I

This part of the Planning Phase centers on gathering information. This is the time to determine what type of hardware and software is needed, and who needs to be using those resources in the Initial Implementation Phase.

Gather critical information first

How long should digital documents be saved?

How many days, months or years should a class of documents be saved?

Start listing all the types of documents your business works with. Use a piece of paper or a word document to log in the type of documents that would normally be filed. Lets call this the *Filed Document Schedule*. See *Appendix B – Filed Document Schedule* on page 77. It may be easier to assemble this over a week or month than overnight.

How long to keep the "paper trail"

If documents are being scanned, when should the paper be destroyed? It depends on the importance of the document. This should also be included in the *Filed Document Schedule*.

Some items, such as vendor invoices, might be destroyed after either one or two backups have been made of the document. Stack the paper documents up after scanning, and toss or shred the paper when the tape backups have been made.

The IRS has addressed some paperless office issues in Revenue Procedure 97-22. Basically, paperless records should be kept in a readable format for as long as one should keep paper records. Clearly keeping records as PDF files would comply with this requirement. The business is responsible for making adequate backups. For more information on IRS record keeping requirements see *Appendix I – Revenue Procedure 97-22*, page 99.

Also, tax returns can be signed electronically. For more information on signing tax returns see *Appendix J – Electronic Signatures*, page 105. You may find it convient to make a signature PDF stamp. See *Create A PDF "Rubber" Stamp*, page 92.

A good safety precaution is to use a "shredding schedule." Keep this simple. On Monday label a box with the current date. During that week, all documents that

have been scanned should be tossed in that box. The next Monday, label another box with the current date. During that week, all documents that have been scanned should be tossed in that box. After four weeks, you will have four boxes of documents. On the fifth week, shred the documents in the oldest box. Re-label that, now empty, box with the current date. Depending on the nature of your business, you might want to go more than four weeks.

Certain items, such as your office lease or critical contracts, might justify being filed both digitally and as paper.

How long do you keep copies of faxes that you send? Do all faxes need to be kept the same length of time? Are some faxes more critical than others? Enter this in your *Filed Document Schedule*. Repeat this process for other classes of documents.

By category, why are documents or files saved?

When was the last time this question was asked? For many types of documents, this question has never been asked.

If you don't have a good reason to save a document, don't file it!

Why are documents retrieved?

If a class of documents doesn't take up much physical space, and is rarely retrieved, why scan it? For our business we don't get many vendor invoices, and we rarely refer to them after the invoice has been paid. We don't scan those invoices. If we refer frequently to only one vendor's invoices, we might only scan that vendor's invoices.

Is there any class of documents that is saved but never retrieved? If so, ask yourself if there is a real need to save this class of document?

How would one want to search for documents?

Would you search by a phrase or word, for example, "office lease?" Would you search by document date?

Who should or should not be looking at documents?

If you have a law office and George W. Bush and Bill Clinton are clients, you might want added security for those high profile clients. That can be arranged with a paperless system.

Do you need different levels of security to look at various documents? For example, Normal security versus Very Restricted access.

For information on how to add security to your system see *Appendix E – Adding Security To Your Folders* on page 85.

Who creates or files documents?

Are the documents created by the CEO? Are the documents created by a clerk?

This will determine who does the scanning and electronic filing. You don't want to take a traditional filing system where the mail clerk files the documents, and change it so the CEO now scans documents.

What systems create documents that are filed?

Do you have computer programs that create reports, schedules and other documents that you save? Make sure you list these different sources in your *Filed Document Schedule*. Check with the vendors of your mission critical software to find out if their reports can be printed to an Acrobat PDF file. From my experience, over 95% of the computer systems can create Acrobat PDF files. However, you don't want to find out, when it is too late, that one of the programs will not print to a PDF file. If you have a program that does not print to PDF files, you can always print the reports on paper, and scan the paper.

Do you save email? Do you print the email message out before you file it?

What important documents come in the mail or through a delivery service? Could they be delivered as email attachments or Webpages instead?

A Note About Adobe Acrobat

The FREE Adobe Reader is on almost all computers these days. The FREE Adobe Reader can not create PDF files. It can only read PDF files. To create PDF files you need one of two kinds of software:

1. Adobe Acrobat, reasonably priced but not free, includes the Adobe PDF "printer". The Adobe PDF "printer" can "trick" your computer into creating a PDF file when it is being instructed to print something. Using the Adobe PDF "printer" in this way to create PDF files, with rare exceptions, gives your business the option to turn any printout into a PDF file. For example, if you have Acrobat, you can use Acrobat to create a PDF file from your Excel spread sheet. You can use Acrobat to create PDF files from your accounting software.