

Paperless Processes: Benchmarking Small Firm Level of Implementation to Larger Firm Level of Implementation

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Abstract

Many professional CPA firms are taking advantage of technology and software to implement paperless office processes in their client services and firm operations. With current technology, a paperless office is not just for large firms. This survey gathers information to determine the extent that paperless office processes are being utilized by local accounting firms. The survey provides an opportunity for each firm surveyed to benchmark their paperless processes with the results of a national survey of accounting firms. These results provide a comparison of smaller firms versus larger firms in their levels of paperless office implementation. Not surprisingly, the local (smaller) firms are not as paperless as the national (larger) firms. The results of the benchmarking questions, however, suggest that the local firms reporting themselves as paperless may not be as paperless to the degree they might think they are.

Keywords: paperless processing, paperless office, digital office

1. Introduction

In recent years, paperless processes and technology have been developed and increasingly used by businesses and touted as a means to be more efficient and lower costs of operation, while at the same time provide better service to customers and clients (Special Focus Report, 2011; AICPA, 2010). Mike Sabbatis of CCH stated in a Special Focus Report article that,

Today, professionals are breaking down paper-based boundaries and embracing digital work environments to meet client demands of anytime, anywhere service. In the independent, nationwide *CCH Accounting Firm Client Survey*, 82% of businesses said they will move more of their processes away from paper to digital and that they expect their CPA firms to do the same. Further, 72% said it's very important for their CPA firm to work in a digital environment (Journal of Accountancy, July 2011)

Over the last several years, several articles have discussed the implementation, benefits and best practices of paperless processes in accounting (Forum of Private Business, 2008; Albrecht, 2009; Manzelli, 2010; Jennings, 2011). Some estimates of reduced cost in paper, storage, processing time, and search time reach up to 30 percent. For example savings can be in time not spent deciphering handwriting, searching for files, determining the status of a return or audit document request at any given time, and responding to staff and client questions at various stages. In addition, how, when, and where work is done becomes more flexible. Interaction with clients and customers, especially where documents are concerned, is faster and easier. An effective document management system provides security, retention management for the document life cycle, an integrated search engine, a check-out/check-in system so that multiple people can work on individual documents, and an audit trail, (Focus Report, 2011). Although the typical software such as Microsoft Windows™ and Office™ provide such features, a workflow management system organizes these features in a cohesive and efficient way.

As computer hardware and software has developed, the cost and complexity of “going paperless” has been reduced, thus making paperless processes more accessible and useful to large as well as small organizations (Davis and Davis 2004; Graham, 2006; DeFelice, 2007). This study measures the ways in which smaller accounting firms utilize paperless office processes in comparison to larger firms. The study sent surveys to partners at firms registered with the Utah Association of CPAs. Results from the survey are compared to results of a national survey sent to firms registered with Association for Accounting Administration (AAA) (see Kepczyk 2008, 2010, 2011). The average size of firms responding to the local survey was about 23 professionals and 7 staff members. The average size of firms responding in the national survey was above 50 professionals, roughly twice the average size of the local firms. No information was available for number of staff.

2. Survey Administration

The original survey was sent out to partners of firms listed as their firm’s contact person with the Utah Association of Certified Public Accountants (UACPA). The request, conducted via e-mail, explained the survey and included a link to the online survey administered using SurveyMonkey™. Also included in the e-mail was a link to the results of the AAA 2009 Benchmarking Paperless Office Best Practices Survey (Kepczyk, December, 2008). Two follow-up requests were also sent via email. Each respondent completed the survey by going to the SurveyMonkey™ link. The local firms’ responses serve as a proxy for responses from smaller firms. The national survey results serve as a proxy for responses from larger firms.

3. Survey Results

A total of 51 partners responded out of approximately 300 e-mails sent to partners listed for their firms as the contact person for the UACPA. The response rate is about 17 percent. The response rate of the national survey was about 23 percent (222 firms responding out of just over 940 survey requests.) The results for general firm information and whether the firms are paperless in specific areas of their practice are summarized in Table 1.

Table 1: Firm Size and Paperless Processes Overall

1. Firm Size – How many personnel are in your firm?

Answer Options	Response Average	Response Total	Response Count
Accounting Professionals	22.73	1,159	51
Support Staff	6.75	344	51
<i>answered question</i>			51
<i>skipped question</i>			0

2. Select "Not Paperless" Or, If paperless, how long have you been paperless?

Answer Options	Not paperless	Less than 1 year	1 to 2 years	3 to 5 years	5 to 10 years	10 years or more	Response Count	% Paperless
Audit	10	1	9	15	6	1	42	76.19%
Tax	8	2	16	16	7	0	49	83.67%
Firm Operations	21	2	8	12	5	0	48	56.25%
Other (Consulting, writeup, etc.)	15	4	9	14	3	0	45	66.67%

If not paperless, do you plan to implement paperless processes?

Answer Options	Yes	No	Response Count
Audit	2	6	8
Tax	7	1	8
Firm Operations	12	6	18
Other (Consulting, writeup, etc.)	7	5	12

If plan to implement paperless processes, how many months until start implementation?

Answer Options	0 to 6 months	7 to 12 months	12 to 18 months	18 to 24 months	24 months or more	Response Count
Audit	1	1	0	0	0	2
Tax	2	3	1	0	1	7
Firm Operations	5	1	4	1	1	12
Other (Consulting, writeup, etc.)	2	2	4	0	2	10

Of the 51 partners responding in general, the response count was lower for the specific areas of the practice than the overall response count in question 1. The missing responders either did not have that type of work in their practice or did not choose to respond to the particular part of question two. As reported in Table 1, tax was the highest area reported as paperless (84%), followed by audit, (76%), consulting (67%) and then firm operations (56%). These percentages are an overall report of whether the firm is paperless, but does not indicate level or degree of how paperless they really are. The benchmark study questions provide a useful tool for measuring the level or degree to which the firm is paperless.

3.1 Comparison of Local Survey Results to National Survey Benchmark Questions

The national survey had 30 questions divided into tax (9 questions), audit (6 questions), and operations, (15 questions). The operations questions included administration, practice management, communications, and technology questions. Answers for each question in the national benchmark survey which the local firms answered were categorical responses of: All, Most, Some, None, and Don't Know. The results shown by the national survey summarized the results into Yes/No categories. Since the four category responses of the local firms do not match up with the Yes/No categories of national survey, the "Yes" category included all and most. The "No" category included some, none, and don't know. The local results were categorized into yes/no in the same manner and then compared to the yes/no percentages from the national survey. The average results of all 30 questions for the national survey was 21 percent higher for national survey results compared to local results (66% yes to 45% yes).

The results and comparisons for the specific benchmark questions are included in Table 2 (Tax), Table 3 (Audit), and Table 4 (Operations). The detail category responses for each question are provided for the local survey results. The tables also show the “yes” responses in terms of percentage to each question as well as the difference in percentage between the local and the national survey. The average percentages for yes responses and the corresponding average difference between larger and smaller firms is found at the end of each table for tax, audit, and operations. Before looking at the detailed responses for the benchmark questions, it is interesting to compare the percentage reported as paperless from question 2 in Table 1 for audit, tax, and firm operations to the averages of the questions answered with “Yes” defined as including the categories “All,” “Most,” and “Some” found in tables 2, 3, and 4. The average responses of the detail benchmark questions fall short of the percentages reported by the same firms as paperless in question 2 Table 1, (59% to 76% for audit, 71% to 84% for tax, and 64% to 56% for firm operations.) The national survey does not have any questions specific to consulting practice. This comparison result suggests the importance of firms using benchmark questions to determine what level or degree they really are paperless.

Table 2: Comparison of Local to National Survey Results—Tax Benchmarking Questions

Local Detail Responses		% Local (Includes All Most)	% Yes and Difference (Local minus National)	% Yes National
1. Tax – Is the due date status of returns updated electronically by personnel in real time format (including managing the digital workflow of Tax documents)?				
Answer Options	Response Percent	73.9%	2.9%	71.0%
All	47.8%			
Most	26.1%			
Some	10.9%			
None	10.9%			
Don't Know	4.3%			
2. Tax – Is your firm scanning the client supplied information for storage of Tax return supporting document?				
Answer Options	Response Percent	86.9%	0.9%	86.0%
All	80.4%			
Most	6.5%			
Some	8.7%			
None	4.3%			
Don't Know	0.0%			
3. Tax – Does your firm scan client source documents (WS, 1099, etc.) at the front end of the process when the return is received and/or prior to review so they are utilized online?				
Answer Options	Response Percent	58.7%	-6.3%	65.0%
All	45.7%			
Most	13.0%			
Some	8.7%			
None	30.4%			
Don't Know	2.2%			
4. Tax – Does your firm primarily utilize administrative staff for scanning tax documents?				
Answer Options	Response Percent	58.7%	-22.3%	81.0%
All	15.2%			
Most	43.5%			
Some	15.2%			
None	26.1%			
Don't Know	0.0%			
5. Tax – Does your firm instruct its personnel to primarily utilize email for communicating with tax clients for additional information requests?				
Answer Options	Response Percent	41.3%	-7.7%	49.0%
All	10.9%			
Most	30.4%			
Some	47.8%			
None	8.7%			
Don't Know	2.2%			

Table 2—Continued: Comparison of Local to National Survey Results—Tax Benchmarking Questions

	Local Detail Responses	% Local (Includes All and Most)	% Yes and National	Difference (Local minus National)	% Yes National
6. Tax – Does your firm have a policy to deliver electronic tax information to your clients in a secure password protected or encrypted method (including a portal of FTP site)?					
Answer Options	Response Percent	43.5%		-13.5%	57.0%
All	37.0%				
Most	6.5%				
Some	30.4%				
None	23.9%				
Don't Know	2.2%				
7. Tax – Does your firm utilize dual monitors for all tax personnel?					
Answer Options	Response Percent	80.4%		-9.6%	90.0%
All	67.4%				
Most	13.0%				
Some	13.0%				
None	6.5%				
Don't Know	0.0%				
8. Tax – Does your firm have any personnel with three or more monitors?					
Answer Options	Response Percent	2.2%		-34.8%	37.0%
All	2.2%				
Most	0.0%				
Some	26.1%				
None	71.7%				
Don't Know	0.0%				
9. Tax – Is your firm utilizing intelligent scanning to organize scanned documents or input them into the tax return?					
Answer Options	Response Percent	23.9%		-8.1%	32.0%
All	19.6%				
Most	4.3%				
Some	13.0%				
None	56.5%				
Don't Know	6.5%				
Overall Tax Average When All, Most Defined as "Yes"		52.2%		-10.9%	63.1%
Average of "Some"		19.3%			
Overall Tax Average When All, Most, Some Defined as "Yes"		71.5%		8.4%	

Table 3: Comparison of Local to National Survey Results—Audit Benchmarking Questions

	Local Detail Responses	% Local (Includes All and Most)	% Yes Difference (Local minus National)	% Yes National
10. Audit – Are documents prepared by clients requested in an electronic format such as a PDF, spreadsheet or scanned image?				
Answer Options	Response Percent	50.0%	-23.0%	73.0%
All	11.9%			
Most	38.1%			
Some	28.6%			
None	14.3%			
Don't Know	7.1%			
11. Audit – Are all workpapers stored in a paperless audit application?				
Answer Options	Response Percent	68.3%	-17.7%	86.0%
All	53.7%			
Most	14.6%			
Some	7.3%			
None	12.2%			
Don't Know	12.2%			
12. Audit – Is your firm producing financial statements utilizing electronic links between the audit application and the reports, rather than re-keying data?				
Answer Options	Response Percent	59.0%	-20.0%	79.0%
All	35.9%			
Most	23.1%			
Some	10.3%			
None	17.9%			
Don't Know	12.8%			
13. Audit – Does your firm primarily link its audit applications to its tax application to digitally transfer trial balance information?				
Answer Options	Response Percent	31.7%	-41.3%	73.0%
All	14.6%			
Most	17.1%			
Some	19.5%			
None	36.6%			
Don't Know	12.2%			
14. Audit – Do your personnel working outside the office access firm application and information via a virtual private network or CITRIX/WTS more than 50% of the time?				
Answer Options	Response Percent	53.7%	-9.3%	63.0%
All	31.7%			
Most	22.0%			
Some	14.6%			
None	17.1%			
Don't Know	14.6%			
15. Audit – Do your auditors carry dual monitors in the field?				
Answer Options	Response Percent	2.5%	-27.5%	30.0%
All	0.0%			
Most	2.5%			
Some	15.0%			
None	72.5%			
Don't Know	10.0%			
Overall Audit Average When All, Most Defined as “Yes”		44.2%	-23.1%	67.3%
Average “Some”		15.2%		
Overall Audit Average When All, Most, Some Defined as “Yes”		59.4%	-8.0%	

Table 4 Comparison of Local to National Survey Results—Firm Operations Benchmarking Questions

		Local	Difference (Local minus National)	National
16. Administration – Does your firm utilize an intranet to store firm wide information (i.e. personnel manual and internal firm procedures)?				
Answer Options	Response Percent	46.8%	-24.2%	71.0%
All	25.5%			
Most	21.3%			
Some	29.8%			
None	21.3%			
Don't Know	2.1%			
17. Administration – Does your firm deliver firm financial and management reports electronically via email, secure portal or posted to owner section of the intranet?				
Answer Options	Response Percent	37.0%	-25.0%	62.0%
All	17.4%			
Most	19.6%			
Some	28.3%			
None	34.8%			
Don't Know	0.0%			
18. Administration – Does your firm have an electronic document destruction procedure to ensure deletion of outdated electronic files on the network?				
Answer Options	Response Percent	30.4%	-14.6%	45.0%
All	17.4%			
Most	13.0%			
Some	30.4%			
None	30.4%			
Don't Know	8.7%			
19. Administration – Does your firm use a firm-wide document management program for archival of all final Tax returns, financial reports and firm correspondence?				
Answer Options	Response Percent	75.5%	24.5%	51.0%
All	53.3%			
Most	22.2%			
Some	13.3%			
None	11.1%			
Don't Know	0.0%			
20. Administration – Does your firm pay accounts payables via electronic means such as credit/debit card, online or direct deposit?				
Answer Options	Response Percent	15.2%	-29.8%	45.0%
All	2.2%			
Most	13.0%			
Some	47.8%			
None	32.6%			
Don't Know	4.3%			

Table 4—Continued: Comparison of Local to National Survey Results—Firm Operations Benchmarking Questions

		Local	Difference (Local minus National)	National
21. Practice Management – Do owners/managers receive internal management reports electronically (via email or by looking them up on the computer)?				
Answer Options	Response Percent	53.2%	-17.8%	71.0%
All	17.0%			
Most	36.2%			
Some	21.3%			
None	25.5%			
Don't Know	0.0%			
22. Practice Management – Are the majority of invoices prepared onscreen (rather than using billing sheets)?				
Answer Options	Response Percent	52.1%	-7.9%	60.0%
All	30.4%			
Most	21.7%			
Some	19.6%			
None	28.3%			
Don't Know	0.0%			
23. Practice Management – Does your firm maintain its contact/prospect list in its practice management or groupware applications?				
Answer Options	Response Percent	65.9%	-7.1%	73.0%
All	43.2%			
Most	22.7%			
Some	18.2%			
None	15.9%			
Don't Know	0.0%			
24. Communications – Do all partners and managers utilize notebook computers as their only computer?				
Answer Options	Response Percent	36.9%	2.9%	34.0%
All	15.2%			
Most	21.7%			
Some	30.4%			
None	32.6%			
Don't Know	0.0%			
25. Communications – Does your firm have a digital fax system that allows you to receive faxes via email and save them digitally to the network?				
Answer Options	Response Percent	42.5%	-14.5%	57.0%
All	31.9%			
Most	10.6%			
Some	19.1%			
None	38.3%			
Don't Know	0.0%			

Table 4—Continued: Comparison of Local to National Survey Results—Firm Operations Benchmarking Questions

		Local	Difference (Local minus National)	National
26. Communications – Does your firm deliver client invoices by email or digital fax?				
Answer Options	Response Percent	10.9%	-9.1%	20.0%
All	0.0%			
Most	10.9%			
Some	39.1%			
None	50.0%			
Don't Know	0.0%			
27. Communications – Does your firm utilize a client portal/extranet to transfer and store client documents?				
Answer Options	Response Percent	15.2%	-24.8%	40.0%
All	8.7%			
Most	6.5%			
Some	39.1%			
None	43.5%			
Don't Know	2.2%			
28. Technology – Does your firm backup all firm data to the internet (web-based storage on at least a monthly basis)?				
Answer Options	Response Percent	39.1%	7.1%	32.0%
All	30.4%			
Most	8.7%			
Some	4.3%			
None	56.5%			
Don't Know	0.0%			
29. Technology – Does your firm utilize a SharePoint team server or Lotus Notes knowledge database?				
Answer Options	Response Percent	13.3%	-9.7%	23.0%
All	11.1%			
Most	2.2%			
Some	6.7%			
None	68.9%			
Don't Know	11.1%			
30. Technology – Do your personnel utilize smart phones for remote email, calendar, and contacts?				
Answer Options	Response Percent	42.5%	-31.5%	74.0%
All	8.5%			
Most	34.0%			
Some	36.2%			
None	21.3%			
Don't Know	0.0%			
Overall Admin Average When All, Most Defined as "Yes"		38.4%	-12.1%	50.5%
Average "Some"		25.6%		
Overall Admin Average When All, Most, Some Defined as "Yes"		64.0%	13.5%	

Returning to the comparison of the national survey results to the local survey results, the national survey percentages were higher than the local survey percentages for each of the different areas, 10.9 percent higher for tax (63.1% yes to 53.2% yes), 23.1 percent higher for audit (67.3% yes to 43.2% yes), and 12.1 percent higher for operations (50.5% yes to 38.4% yes). The survey results show that firms in both the local and national survey have the highest level of paperless processes in tax, followed by audit, and then operations. The other interesting finding is that the local survey firms are only about 11 percent less paperless than the national survey firms in tax and about 12 percent behind the national survey firms in operations. However, the spread between the national and local survey firms increases to about 23 percent for audit. This result suggests that audit practice paperless processes may be harder for smaller firms to implement in relation to firm size than tax and operations. Although it must be remembered that both large firms and small firms are lowest as to paperless processes in the area of firm operations. Of the nine tax questions, only one of the questions (#1) had a higher "yes" percentage for the local firms (by about 6%) than national firm results. Question #2 had about the same "yes" percentage for local and national survey results.

None of the six audit questions had the local results higher than the national firm results. Three of the operations questions (#19, #24, #28) showed the local survey results were higher than the results from the national survey. Question #19 about using a firm-wide document management software showed the local results about 24% higher than the national results.

4. Conclusion and Limitations

The results of the survey of local/small firms compared to those of the national/large survey indicate that large firms engage a more paperless process than smaller firms in tax, audit and operations, with audit representing the largest difference. Both the national and local surveys show that accounting firms' implementation of paperless processes is lowest in the area of firm operations. Although it may not be a surprise to find that smaller firms are not as paperless as larger firms, benchmarking to the smaller firms suggests that the local firms reporting themselves as paperless may not be as paperless to the degree they might think they are.

The national survey is administered every two years. The local survey results in this study were collected after the 2009 national survey and prior to the 2011 national survey, so the timing of the comparison is not exact. The local survey used the 2009 questions of the national survey. Each year some questions in the national survey are added or modified. Comparing those questions that were identical between the 2009 and 2011 surveys demonstrated that the results were not substantially different in the areas of tax and audit. In the area of firm operations, however, the national survey 2011 results revealed that paperless processes were used at about a seven percent higher rate than in the 2009 results. This result increased the difference between local and national results from about 12 percent in 2009 to 19 percent for 2011. A limitation of this study is its exclusive use of members of the Utah Association of CPAs. Extendibility of results to firms elsewhere, therefore, may be compromised. Additional study with broader geographic representation would be useful.

This analysis is limited to a summary descriptive comparison of the local survey to the national survey results. A comparison using statistical analysis such as t-tests cannot be used to compare local survey results to the national survey results because the national results are given in percentages rather than individual firm survey result data. While survey results presented here measure and compare level of implementation for smaller firms versus larger firms, the results do not answer the question, "Why is the percentage of small firms with paperless processes lower than big firms with paperless processes when technology makes it accessible to both?" One way this question may be answered would be a survey about costs and benefits of implementing and ongoing use of paperless processes for accounting firms. Such a survey may be useful in helping smaller firms' management overcome their reluctance to take better advantage of the benefits of paperless processes.

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