

Are They Serious About Paperless Accounting?

By John Cameron, Managing Partner

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For most of us, the words “accounting” and “paperwork” are almost synonymous. So, when we hear about “paperless accounting,” something doesn’t seem to fit. A widely known CPA, John J. Cameron, was interviewed on this subject recently. He’s the managing partner of Brigante, Cameron, Watters & Strong, LLP, the largest accounting firm headquartered in the South Bay.

Q: How can an accountant or accounting firm do business without paper, and why would you want to?

Cameron: First, let me say that we’ll probably never be completely paper-free. What we’re working toward is less paper, not a paperless workplace.

Q: To save money on paper...

Cameron: That’s one reason. Somebody estimated that accountants each use four reams of paper per month. But the more important reasons have to do with efficiencies and cost control in the accounting and tax preparation processes.

Starting with the paper itself, there’s the cost of the material and the storage space for it. And when a piece of paper becomes a document, it has to be filed and stored. That means more costs for storage space, and for securing, heating and air conditioning the space. Then, there’s the cost of maintaining the storage system so the paper document can be retrieved quickly. There is also the matter of file space and the regular purging of old files that’s required; it’s very time-consuming. And should a paper document be mis-filed, it would be nice to have an automated system to search for and retrieve it, but no such system exists. Experts estimate the cost of this maintenance at \$70 a year.

Q: This is leading toward electronic storage, right?

Cameron: Yes. Over the past five years, accounting firms have moved to electronic data storage and away from paper records at a much faster pace. There are lots of advantages besides avoiding the costs and inefficiencies I’ve mentioned.

The ability to retrieve, move, share and store information instantly has to be at the top of the list. We no longer have to put a client on hold, or call back after we’ve retrieved information from their files. We simply bring it up on the screen while we’re talking.

Our accountants no longer need to be near the files of client information in order to do their jobs. They can work equally well in our office, in the client’s facility or in their own homes – anywhere there is an Internet connection.

Q: The “distributed workforce”...

Cameron: That’s right. Most of our accountants like working from home on occasion, where they needn’t fight the commuting traffic. And when they need to see a client, they bring along a laptop computer, so all the client’s files are at their fingertips.

Some of the government’s new anti-fraud measures require that during the audit process, we carry out physical inspections of certain things and talk to clients’ employees. So, we have to be on the scene in the client workplace from time to time, and it’s helpful when we can do this work electronically, with instant access to the records in our firm.

Q: So far, paperless accounting seems to be great for the accounting firm. What’s it do for the firm’s clients?

Cameron: The first advantage it delivers is cost control in the audit and tax processes. The more efficient we are, the better we can control our costs and the fees we charge our clients.

There are tremendous conveniences for the client, too. For example, when a businessperson goes into a bank or auto dealership to buy a new car, he or she may be asked for several years’ tax returns. The same is true in the purchase of business equipment or real estate. When the client has authorized us to do so, we can transmit the returns directly to the lender, dealer or escrow office.

Or, the client might use his or her security code to access the returns and provide them directly. The same is true of financial statements, which often are requested by lenders. And all this can be done even when the accountant’s office is closed; the client has 24/7 access by means of security codes.

Q: Speaking of codes, how secure is the system?

Cameron: Everything is encrypted. Your file is available to you alone, provided you protect the passcode.

Q: And how secure is the system from fire, earthquake and other disasters?

Cameron: All our firm’s records are backed up by remote data storage systems, including some in other states. I’m sure most of the larger accounting firms do the same. So, the protection is much better than with paper records that would have to be copied, shipped and stored off-site.

Q: Are there differences in accuracy, as between paper and electronic systems?

Cameron: Sure. Any time you move a piece of information from one place to another or one user to another without re-entering it on a keyboard, you’ve removed an opportunity for error. We routinely move data between accountants, and between our firm and its clients, and almost all of it is done electronically.

We also provide our clients financial statement templates that allow them to transmit their data so it can be entered directly into our system. That way, there’s no need to repeat the keystrokes and no danger of transposition or other error.

This becomes very important at tax time. We receive a lot of information from our clients electronically, and actually keep very few of our clients' paper records in our office.

Q: What portion of your clients' returns are filed electronically?

Cameron: About 95 percent. We file all that we can electronically; the few exceptions are those that for some technical reason must be done on paper. The State of California now requires that all individual returns be filed electronically.

Q: Can you keep records longer if they're stored electronically?

Cameron: Yes. Paper storage is bulky, so it has to be purged manually from time to time. Electronic storage of financial and tax

information, since it involves letters and numbers rather than, say, pictures or other graphic images, is quite inexpensive. As a result, we can keep client files as long as required by state or federal regulations.

Q: How much further do you think this move to a paperless environment will go?

Cameron: In terms of the amount of paper we're able to replace with electronic files, we're pretty far along that road already. Of course, we'll continue to chip away at the remaining paper files and convert as many as we reasonably can.

The bigger changes now being made are mostly in our ability to act as consultants and advisors to our clients – changes made possible by new computer systems and software. Now we're much better able to show clients business trends as they're developing using graphic methods that software provides. This helps clients to forecast the need for facilities and equipment, for example; or to control inventories of certain parts or finished goods.

That's a capability that just wasn't there with paper records.

About John J. Cameron

John J. Cameron is the Managing Partner of Brigante, Cameron, Watters & Strong, LLP. He has been in public accounting since 1973, both as an independent practitioner and as principal in two accounting firms. John specializes in accounting and tax services for industries including manufacturing, medical services, travel, construction, textiles, graphic arts and a range of closely held companies. His expertise also encompasses areas of tax planning, wealth transfer and succession planning.

His vision, which is to utilize technology to its maximum potential to increase efficiency and productivity, has put Brigante, Cameron, Watters & Strong, LLP at the forefront of cutting-edge technology among medium-sized CPA firms nationwide.