



1040 Workpaper Software Makes Personal Tax Easier

Column: From the Trenches

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If you have more than a few 1040s to prepare in your firm, the new generation of 1040 workpaper tools that can scan, organize and, in a few instances, populate your tax [software](#) with numbers is worth reviewing. The problem is a difficult one to solve, but most of the major publishers and a number of startup companies have tackled the problem. You should, too.

This product genre has a number of offerings that are quite good, and many are covered elsewhere in this month's issue (see www.cpatechadvisor.com/go/2079). Three of my favorites are SurePrep's 1040Scan, CCH's ProSystem fx Scan and Copanion's GruntWorx. Other notable products include ATX/TaxWise Scan&Fill and GoFileRoom TaxSort. I have a pretty good list of tax products and the corresponding workpaper technology at www.cpafirmtechnology.com. Finding and organizing client tax data before preparation can be a time-consuming and tedious task. Surveys completed by Copanion showed that finding, organizing and entering client tax data averages 40 percent of the total time required to prepare a tax return.

Here are the key things you need to know when selecting 1040 workpaper software for your firm or your individual practice:

Many 1040 workpaper products [interface](#) into popular tax products. If you are involved with CCH's ProSystem fx Tax; Thomson Reuters' GoSystem RS or UltraTax CS; or Intuit's Lacerte or ProSeries, options are available for you to buy, integrate and solve the problem completely, including the entry of data.

Using a 1040 workpaper product can change your processes, and you should plan accordingly. Key decisions include the following:

- a) Who does the scanning — staff or practitioner?
- b) 1040 Workpaper products assume scanning the client documentation on the front side. Has your firm been "post" scanning after all [organization](#), tick marks and review is complete? How is this process going to change? How much sorting of documents will you let the software do?
- c) How will you make annotations? Does the firm need to license additional tools like Tic, Tie & Calculate from Acct1st? Do you need more training on Adobe Acrobat? Does the supplying vendor have any tools to assist with the process?
- d) How competent are partners, seniors and managers at using [technology](#)? Can they effectively run the electronic systems? Are they willing to be trained?
- e) Will review be on paper or online? If review is online, does the firm's need increase from one to two or three monitors?
- f) How do you control the workflow of tax returns? Will you need a replacement for your control sheet? Will you need workflow [software](#) like XCM or GoFileRoom FirmFlow?
- g) How will you ensure data accuracy on products that can do optical character recognition (OCR)? Who

will work with the processed returns to map the data into your tax software? How is this training going to take place?

h) Do you have properly installed production-quality scanners like the Fujitsu fi-6140 or fi-6240? Do you have the resolution set to the firm or manufacturer's standard, most likely 300 or 600 DPI (dots per inch)? Do you have the image cleanup software Kofax VRS installed and working properly? Are all of the other scanners and multi-function copiers also set to the standard and the images passed through Kofax VRS, as well? Have you instructed practitioners and staff to only use the other devices when the production scanners are not available?

i) Have you decided on a standard naming convention for the files? Do all team members know how to insert and process those late-arriving pages?

What are the top reasons for using 1040 workpaper software? The following benefits can be realized with an electronic workpaper product:

Electronic workpaper products convert paper documents to electronic source documents that provide a much more efficient alternative to Adobe Acrobat for organizing, bookmarking, referencing and reviewing client source documents. These products provide consistent, standardized [organization](#) of source documents to do the following:

- Automatically create better documentation from client paperwork with less manual intervention.
- Optionally deliver to clients, driving up perceived value.
- Help standardize tax workflows in the firm.
- Make it easier to find information to address client requests for financial statements and potential IRS inquiries when client data is in long-term storage.
- Assure that every set of workpapers a preparer or reviewer opens looks the same and has the same information in the same place.
- Reduce write-offs resulting from staff performing tasks below their level of expertise.

Electronic workpaper products also improve the efficiency of a paperless tax preparation process by making it easier to do the following:

- Bookmark, organize, reference, and annotate source documents.
- Review source documents and workpapers.
- Track the status of tax returns through an electronic workflow.
- Share and distribute workload with team members in other locations.
- Access workpapers from any location.

Utilizing an electronic workpaper product also reduces the strain on staff (i.e., overtime) caused by tremendous workload compression during tax season. This takes the "edge off" for staff during tax season by doing the following:

- Makes it easier for support staff with limited tax experience to find and enter tax data. This frees up more advanced tax professionals to focus on higher value activities.
- Reduces the need to hire a support person/intern to organize paper copies of source documents before preparation. 1040 workpaper [software](#) is a cost-effective alternative.
- Improves realization. Repetitive tasks are shifted away from highly trained, highly paid staff.
- Improves client service. Information is instantly available when a client requests it.

Electronic workpaper products produce time savings, which also leads to the following:

- Improves client service by allowing returns to be completed more quickly.
- Provides an electronic tax workpaper application that makes it easy and efficient to prepare tax workpapers in a paperless environment.
- Saves time finding, organizing, entering and reviewing client tax data. 1040 workpaper software provides the capabilities to save up to an hour per return and typically eliminates 20 to 40 minutes per tax return.
- Leverages [technology](#) and administrative staff to perform tasks previously performed by highly paid professional staff.

As I commented in last month's column about sales tax products (see www.CPATechAdvisor.com/go/2024), I normally try to stay away from diving too deeply into product descriptions in my columns. However, I thought it would be worthwhile to give you the top considerations for the products mentioned earlier in this column.

SurePrep (1040Scan)

Has a very high OCR recognition rate. SurePrep is currently the only vendor to offer an OCR solution that not only organizes source documents, but reads the document data from a wide variety of source documents, brokerage statements and [organizer](#) pages and exports that data to GoSystem RS, ProSystem fx Tax and Lacerte. Note that both Copanion (GruntWorx) and CCH (ProSystem fx Scan) have announced competing products for the upcoming tax season.

- Boosts productivity for firms who are not interested in outsourcing (either onshore or offshore).
- Is the only 1040 workpaper vendor to offer an onshore tax outsourcing solution. For firms who want to outsource but don't want to do so offshore, SurePrep is your answer.
- Offers an Outsource "Lite" solution (both onshore and offshore). The "Lite" solution is for returns that have a large number of standard documents and is 40 percent of the cost of the full offering.
- Increases accuracy on obtaining certain types of information, such as cost basis on brokerage statements.
- Has large scale computing power that provides faster turnaround time on 1040s.
- Uses almost 500 [business](#) rules to process documentation logically and accurately.
- Creates a fully bookmarked file that is mapped to the [tax return](#), and future years provide even easier processing.

CCH (ProSystem fx Scan)

- Process is run completely in-house.
- Tax [organizers](#) can be broken apart by section or maintained as a whole document. Is the least expensive approach for a high volume of returns.
- Has a utility called PDF Flyer available with the product to make annotations of 1040 Workpaper PDFs easier.
- Has transportability. Provides the ability to efficiently work remotely or distribute workload in multiple-office firms.
- Provides instantaneous accessibility. No more putting clients on hold or calling them back while retrieving a paper file. No more time spent searching for lost files.
- Multiple staff members can view the file simultaneously. A staff member can be working with a file at the same time a partner is discussing questions with the client.
- Was rewritten with an improved forms engine to improve recognition. Reduces inconsistency between work products.

Coppanion (GruntWorx)

- Identifies, organizes and bookmarks scanned tax documents to save time finding, organizing, entering and reviewing client tax data. Tax professionals can prepare more returns in less time using GruntWorx.
- Simple and quick processing. Most jobs are completed within one to two hours.
- Makes it easy and affordable for firms of any size to gain the benefits of 1040 workpaper [software](#). GruntWorx automatically scans, identifies, organizes and bookmarks client tax documents for as little as \$1 per return. GruntWorx is the most affordable for smaller firms and tax operations.
- Is web-based, making it easy to deploy. There's no software to install, and the application only requires a web browser for use. It features a simple, intuitive [user interface](#) so anyone can become productive quickly.
- Many tax firms lack the resources and time to implement a paperless process. GruntWorx makes it easy and affordable to take the initial steps to achieve the benefits of a paperless process with a tax document automation solution.
- Uses biometric pattern recognition and machine learning to improve classification ability. Delivers greater than 97 percent accuracy in identifying tax documents. Uses pattern recognition to improve classification ability.
- Outsourced with very redundant and secure communications with lots of scalability and the same class of encryption used in banking. At the time of this writing, GruntWorx is the only tax document automation solution to support the new VeriSign Extended Validation SSL standard for encrypting data over the [Internet](#).

As you already know, one of my key mantras for 2008 is to simplify. 1040 workpaper [organization](#) products continue to improve each year, and they do the work with automation and minimal human labor. If you have simple W-2 1040s as the primary part of your practice, these products will be of minimal help. However, if you have more complex tax return clients, you will find that the organization and bookmarking (scanning & organizing) will be worth it alone.

However, as the products advance and can enter more data into more systems (scanning & populating), you will be amazed that technology can work this well. Most of the competitors have a trial version available. Select a simple 1040, two complex 1040s and seven medium difficulty 1040s to run through the process. Look at the results, and see what 1040 workpaper [software](#) can do for you!