AICPA Private Companies Practice Section

Six lean tools to optimize this year's tax debrief

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Debriefing after the busy season is an annual tradition in many firms which provides not only a time for reflection on the previous season's production, but identification of opportunities to improve firm processes during the extension season and for the year ahead. Many firms hold a meeting with an open forum format allowing everyone to talk about what went right and what didn't, while making suggestions for improvements and expanded training. This year, considering changing up the traditional agenda by integrating "Lean Six Sigma" consultative tools proven to make firms more effective. These tools will not only help your firm improve but can be utilized when consulting with clients as well. Below are six "lean" consulting tools for your consideration to be used in this year's tax debrief meeting:

- **Individual/group accumulation:** Multiple times, intentionally open meetings are taken over by senior tax or dominant partner personalities, which shut out the input of other team members that may not be as gregarious. The lean solution is to first promote individual accumulation by having all participants write down their thoughts and suggestions on individual sticky notes for a period of two to three minutes. Then the least senior person presents one of their recommendations and posts the sticky note on the board, followed by the others around the table until all written comments are on the board and grouped by similar topics. This process allows everyone an equal voice and highlights those items that multiple people feel strongly about.
- **Fishbone diagram:** Lean processes attempt to identify the root causes of inefficiency or errors. In many instances, a problem can be the cascaded result of a previous issue or process. Grouping the sticky notes from the previous exercise allows everyone to see if there is a cascaded cause and effect from one group to another and by solving the earlier problem, the firm is reducing or eliminating errors in the downstream process. For example, even though most firms are doing front end scanning, many firms still move tax source documents physically through the office because the onscreen images are either too hard to use or cannot be relied upon. This points to root causes such as inadequate monitor size or number, lack of training on using onscreen tools, or a lack of quality control in the scanning process. Correcting these issues creates confidence in working with digital images so the manual documents are no longer transported outside of the administrative area.

- **Five whys:** Lean Six Sigma has long touted asking "Why?" five times to get to the root of an issue. For example, regarding the problem from the previous paragraph:
    1. "Why are we still moving paper through the office?"
        - "The images are not usable."
    2. "Why is that?"
        - "Because they are organized differently for every client."
    3. "Why are they different?"
        - "Because we don't use an automated bookmarking tool."
    4. "Why not?"
        - "Because Joe was supposed to evaluate them after April 15."
    5. "Why did he not do this?"
        - "He left the firm leaving the project in limbo."

  The key is to keep asking "why" until there is an actionable project to fix the root cause of the problem.

- **SMART actionable projects:** Just saying that the firm will implement a bookmarking tool is not a "SMART" way to work. Within Lean Six Sigma, SMART stands for Specific, Measurable, Attainable, Relevant, and Timebound which will help promote accountability for a project. In the example above, a SMART project would be: *By June 1 the tax team, led by Mary, will have piloted the top two OCR tools that integrate with our tax product and will have made a selection to implement in July with training for utilization during the extension season.*
- **Client focus:** One of the most valuable lessons learned from Lean Six Sigma training, is to always emphasize the impacts of any change from a client perspective over the impacts on internal personnel. For example, many firms adopted portals that were easy for the firm to setup and use as they were part of the document management tool, but did not take into account that they were difficult for 1040-only clients to utilize once per year as they would have difficulty accessing the account and remembering their password, which often increased administrative time in addition to client frustration.
- **Eliminate Muda:** The final lean tool is asking how to eliminate Muda, the Japanese word for waste. While firms often focus on process bottlenecks, it is also important to ask about the less obvious wasteful outputs that take up time and resources but do not create value from the client perspective. The traditional eight categories of waste include:

  - Appropriate skills: are the right level staff doing the appropriate level work?
  - Minimizing errors/rework: what work is not being done correctly the first time?
  - Transportation: is there a more efficient way of moving work from one person to the next?
  - Inventory backlogs: where is work stacked up that could be assigned to others or processed more efficiently?

- Excessive waiting: what processes would improve if completed timely?
- Wasted motion: what work is done out of tradition/habit that has been replaced by automated systems?
- Over-Production: what work do we create that we do not utilize in delivering our product?
- Over-Processing: what procedures do we utilize that do not add value from a client perspective?

Debriefing after the busy season is one of the most useful exercises to identify opportunities for improvement that can be evaluated, piloted and implemented over the summer. These incremental improvements can make for a better extension season and reap benefits to the firm in years to come.

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